WPP

Annual Report & Accounts 2016

Contents

This year, our Annual Report draws inspiration from street art in Western Europe, which has developed from humble beginnings into a sustained artistic movement. We are featuring work by 13 of its leading figures, who are transforming streets – and whole cities – in Europe. See pages 240 to 243 for more information about them.

Group photographs by Mark Seliger

The fast read

For a quick, pre-digested, highly-compressed version of this Annual Report: read the next seven pages.

The full story starts on page 16.

Please read that, too.

Visit us online

Annual Report
wpp.com/annualreport2016

Sustainability Report*
wpp.com/sustainabilityreport2016-17

Pro bono work 2016*
wpp.com/probonoreport2016-17

*June 2017

Who we are

WPP is the world leader in communications services. It comprises leading companies in all these disciplines:

- Advertising
- Media Investment Management
- Data Investment Management
- Public Relations & Public Affairs
- Branding & Identity
- Healthcare Communications
- Digital, eCommerce & Shopper Marketing
- Specialist Communications

There are more than 160 companies within the Group – and each is a distinctive brand in its own right. Each has its own identity, commands its own loyalty, and is committed to its own specialist expertise. That is their individual strength. Clients seek their talent and their experience on a brand-by-brand basis. Between them, our companies work with 360 of the Fortune Global 500, all 30 of the Dow Jones 30 and 78 of the NASDAQ 100. It is also of greater value to clients that WPP companies and their people can work together, as increasingly they do: providing a tailor-made range of integrated communications services. Some 892 clients are now served in three distinct disciplines. 596 clients are served in four disciplines, and these clients account for over 53% of Group revenues. Group companies also work with 462 clients across six or more countries.

Collectively, over 205,000 people (including associates and investments) work for WPP companies, out of over 3,000 offices in 112 countries.

Why we exist

Our mission

To develop and manage talent;
to apply that talent,
throughout the world,
for the benefit of clients;
to do so in partnership;
to do so with profit.

Within WPP, our clients have access to companies comprising the complete range of advertising and marketing communications services skills: companies with strong and distinctive cultures of their own. WPP, the parent company, complements these companies in several different ways.

- WPP encourages, enables and incentivises operating companies of different disciplines to work in close collaboration for the benefit of clients. We call this 'horizontality' – a way of working that unites diverse talents round a single client brief to forge a seamless solution.
- WPP can also function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a global presence requiring a wide range of marketing services, WPP can itself provide a single contact point for both access and accountability.
- And finally, WPP the parent company relieves the operating companies of much necessary but time-consuming administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are all coordinated centrally. It also plays an across-the-Group role in the management of talent, property, procurement, IT, knowledge-sharing, practice development and sustainability.

Read more about our role on page 16.

What we think

WPP's collective intelligence

by Sir Martin Sorrell

Horizontality is best described as 'connected know-how': a way of working that unites people with diverse skills to deliver seamless solutions for clients. We have made it our strategic priority, because client demand for coordination between the different companies and disciplines within parent groups is growing stronger all the time. We need to continue to do it better than our competitors, several of whom have now woken up to its advantage.

WPP's 205,000+ individual brains represent the planet's greatest store of advertising and marketing services insight, expertise, creativity and experience. The more we work together, the more we can draw on that collective intelligence and the more effective we are on behalf of our clients as a result.

Sir Martin Sorrell's article begins on page 99.

Just Because You Can, Doesn't Mean You Should

How 'personalisation' can get altogether too personal for comfort

by Jeremy Bullmore

For years, you've been unable to do something. Then new technology comes along – and suddenly you can. So you do.

It's an entirely human instinct – but not one to be thoughtlessly followed. It's unwise to assume that just because you're now free to do something from which you were previously debarred, it must be in your interest to grab it. It ain't necessarily so.

Read Jeremy Bullmore's essay on pages 111 and 112.

Four strategic priorities

Our goal remains to be the world's most admired, creative and respected communications services advisor to global, multinational, regional and local companies. To that end, we have four core strategic priorities:

1. Advance the practice of 'horizontality' (connected know-how) by ensuring our people work together for the maximum benefit of clients: through cross-Group Communities and Practices, Global Client Teams, and Regional, Sub-Regional and Country Managers.
2. Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45% of revenues.
3. Increase the share of revenues from new media to 40-45% of revenues.
4. Maintain the share of more measurable advertising and marketing services – such as data investment management and direct, digital and interactive – at 50% of revenues, with a focus on the application of technology, data and content.

Our Strategic report starts on page 26. Our 2016 financial statements are presented in full on pages 177 to 235 and at wpp.com/investor.

How we're doing

Financial summary

2016, our thirty-first year, was another record year, our sixth record year in a row, despite a generally low global growth, or tepid, environment.

Billings*

£55,245m

Reported +16.0%
Constant +5.5%

Revenue

£14,389m

Reported +17.6%
Constant +7.2%

Net sales*

£12,398m

Reported +17.8%
Constant +7.4%

Headline EBITDA*

£2,420m

Reported +20.8%
Constant +8.0%

Headline PBIT*

£2,160m

Reported +21.8%
Constant +8.5%

Net sales margin*

17.4%

Reported +0.5%[1]
Constant +0.2%[1]

Headline PBT*

£1,986m

Reported +22.4%
Constant +9.1%

Reported profit before tax

£1,891m

Reported +26.7%
Constant +12.5%

Headline diluted EPS*

113.2p

Reported +20.9%
Constant +7.7%

Reported diluted EPS*

108.0p

Reported +22.2%
Constant +8.5%

Dividends per share

56.60p

Reported +26.7%
Constant +26.7%

(% change from 2015 in reported and constant currency)

* Refer to financial summary on page 23 for additional information.
[1] Margin points.

2016 results

Reported billings were £55.2 billion, up well over 5% in constant currencies, reflecting good overall performance in net new business. Revenue was up well over 17% to £14.4 billion and up over 7% in constant currencies. Net sales were up almost 18% and over 7% in constant currencies. Including 100% of associates and investments, revenue is estimated to total around £19 billion (over $26 billion). Headline PBIT was up almost 22% to £2.160 billion (over £2 billion for the first time) and up well over 8% in constant currencies. Net sales margins increased by 0.5 margin points to an industry-leading 17.4% and, on a like-for-like basis, were up 0.3 margin points, in line with target, adjusted for the merger with STW Communications Group Limited in Australia.

Reported profit before interest and tax rose almost 26% to £2.113 billion from £1.679 billion, up 12% in constant currencies. Headline EBITDA increased by almost 21% to £2.420 billion, up 8% in constant currencies. Headline profit before tax was up well over 22% to £1.986 billion and reported profit before tax was up almost 27% to £1.891 billion. Diluted headline earnings per share rose by almost 21% to 113.2p (an all-time high) and diluted reported earnings per share were up over 22% to 108.0p, both reflecting like-for-like revenue and net sales growth, margin improvement and the benefit of acquisitions, along with the effect of currency tailwinds.

The value of the Group's non-controlled investments rose to £1.3 billion during the year, from £1.2 billion in 2015, chiefly reflecting the value of its content businesses, primarily VICE and Refinery29, and the Group's investment in leading media measurement company comScore, which merged with Rentrak in the first half of 2016.

With an equity market capitalisation at the time of writing of approximately

£22.2 billion, the total enterprise value of your Company is approximately £27.2 billion, a multiple of 11.3 times 2016 headline EBITDA.

Free cash flow and net debt

Free cash flow amounted to almost £1.6 billion in 2016. This free cash flow was absorbed by £0.7 billion of net cash acquisition payments and investments, £0.4 billion of share buy-backs and £0.6 billion of dividends, a total outflow of £1.7 billion. This resulted in a net cash outflow of £0.1 billion, before any changes in working capital. Average net debt was therefore £4.3 billion in 2016, compared to £4.0 billion in 2015, at 2016 exchange rates, and net debt at 31 December 2016 was £4.1 billion, against £3.2 billion at 31 December 2015, primarily reflecting the weakness of sterling. This trend has continued in the first two months of 2017, with average net debt of £4.2 billion against £3.8 billion for the same period in 2016, at 2017 exchange rates. The average net debt to headline EBITDA ratio in 2016 remains under 1.8 times, which is almost in the middle of the Group's target range of 1.5-2.0 times.

Revenue growth

Our reported revenue growth for the year was 17.6%, and on a constant currency basis, which excludes the impact of currency movements, revenue was up 7.2%. This difference of 10.4% reflects the weakness of the pound sterling against most currencies, particularly in the second half, following the UK vote to exit the European Union.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 3.0%, with net sales up 3.1%. In the fourth quarter, like-for-like revenue was up 0.5%, the weakest quarter of the year, following like-for-like growth well over 6% in the final quarter of 2015, which was that year's strongest quarter. North America and the UK slowed in the fourth quarter, again partly the result of stronger comparatives, with Western Continental Europe and Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe continuing to perform well. Like-for-like net sales growth was stronger than revenue growth, up over 2% in the fourth quarter, also against a strong comparative in 2015, with all regions, except the UK, showing growth.

Geographic performance

North America constant currency revenue was down almost 1% in the final quarter and like-for-like down almost 3%, largely as a result of the particularly strong comparatives in the fourth quarter of 2015, when constant currency revenue grew over 11% and like-for-like revenue was up almost 10%.

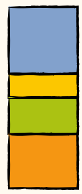
Despite the slight slow-down in the rate of revenue growth in the UK, constant currency net sales were up almost 2% in the final quarter, with like-for-like down 0.6%. On a full-year basis, constant currency revenue was up strongly at 5%, with like-for-like up almost 2%, with the second half weaker, perhaps reflecting Brexit uncertainties. Full-year net sales were up well over 5% in constant currency, with like-for-like up over 2%.

For the year, Western Continental Europe revenue grew almost 5% on a like-for-like basis (over 4% in the second half), compared with almost 5% in 2015, with net sales growth of well over 3% like-for-like (almost 3% in the second half), compared to well over 2% in 2015.

In Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, on a constant currency basis, revenue growth in the fourth quarter remained strong at almost 12%, the same as the first nine months growth, with like-for-like up almost 4%, the strongest quarter of the year, and well ahead of the first nine months growth of over 3%.

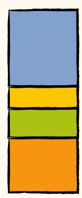
2016 revenue by geography %

North America	37
UK	13
Western Continental Europe	20
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	30



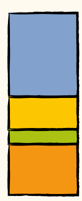
2016 headline PBIT[1] by geography %

North America	42
UK	12
Western Continental Europe	16
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	30



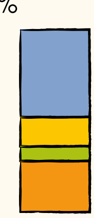
2016 revenue by sector %

Advertising and Media Investment Management	46
Data Investment Management	18
Public Relations & Public Affairs	8
Branding & Identity, Healthcare and Specialist Communications	28



2016 headline PBIT[1] by sector %

Advertising and Media Investment Management	48
Data Investment Management	16
Public Relations & Public Affairs	8
Branding & Identity, Healthcare and Specialist Communications	28



[1] The calculation of headline PBIT is set out in note 31 of the financial statements.

Sector performance

On a like-for-like basis, Advertising and Media Investment Management was the strongest performing sector, with revenue up almost 5% for the year and up almost 1% in quarter four.

Data Investment Management revenue was down almost 2% on a like-for-like basis in the fourth quarter, but more importantly, net sales were up well over 1% on the same basis. On a full-year basis, constant currency revenue was up 0.4%, but down almost 1% like-for-like, with a weaker second half. Net sales, however, showed stronger growth with constant currency net sales up over 3%, up almost 1% like-for-like.

Despite the slower growth in the final quarter, like-for-like net sales in the Group's specialist Public Relations & Public Affairs businesses were up almost 7% for the year.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenue grew strongly at 8% in quarter four, the strongest performing sector, with like-for-like revenue up well over 1%.

Industry recognition

For the sixth successive year, WPP was named Creative Holding Company of the Year at the Cannes International Festival of Creativity, in recognition of your Company's collective creative excellence; for the fifth consecutive year, WPP was ranked Most Effective Holding Company in the Effie Global Effectiveness Index; and, for the third year in a row, WPP was named the World's Top Holding Company by Warc.

Who runs WPP

Non-executive chairman

Roberto Quarta
Chairman of the Nomination and Governance Committee
Member of the Compensation Committee

Executive Directors

Sir Martin Sorrell
Chief executive

Paul Richardson
Finance director
Chairman of the Sustainability Committee

Non-executive directors

Jacques Aigrain
Chairman of the Audit Committee
Member of the Compensation Committee

Charlene Begley
Member of the Audit Committee and Nomination and Governance Committee

Tarek Farahat
Member of the Audit Committee

Sir John Hood
Chairman of the Compensation Committee

Ruigang Li
Member of the Nomination and Governance Committee

Daniela Riccardi
Member of the Nomination and Governance Committee

Nicole Seligman
Senior independent director

Hugo Shong
Member of the Nomination and Governance Committee

Timothy Shriver
Member of the Compensation Committee

Sally Susman
Member of the Nomination and Governance Committee

Sol Trujillo
Member of the Audit Committee

Members of the Advisory Board

Jeremy Bullmore

John Jackson

Bud Morten

John Quelch

Richard Rivers

Cuneyd Zapsu

Company Secretary

Marie Capes

Directors' biographies appear on pages 116 to 119.

How we behave and how we're rewarded

Governance

The Board of Directors is committed to achieving compliance with the principles of corporate governance set out in the UK Corporate Governance Code and to comply with relevant laws, regulations, and guidelines such as the US Sarbanes-Oxley Act 2002, the NASDAQ rules and, where practicable, with the guidelines issued by institutional investors and their representative bodies.

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

Further details on corporate governance, and how we comply, can be found on pages 169 to 173.

Compensation

Directors' Compensation Policy is set by WPP's Compensation Committee and is governed by three guiding principles:

- Performance
- Competitiveness
- Alignment with share owner interest

The full report from WPP's Compensation Committee can be found on pages 128 to 158.

Sustainability

Leading companies – our clients – are prioritising sustainability, looking to integrate improved social and environmental performance into their products, communications and operations. Our commitment to sustainability helps us to align with the interests of our clients and to respond to the growing number of client procurement processes that include sustainability criteria. It makes the Group a more attractive employer, enables us to improve efficiency, to be prepared for changes in regulation and to maintain positive relationships with our stakeholders.

Clients

- Clients who engaged with us on sustainability represented over £1.6 billion in revenues to the Group in 2016, equivalent to over 11% of the total.

People

- We invested £45.1 million on training in 2016 and offered over 6,400 paid internships and apprenticeships.
- At year-end 2016, women comprised 29% of the WPP Board, 33% of non-executive directors, 34% of directors and executive leaders in our operating companies, and 54% of total employees.

Environment

- We have cut our carbon footprint per employee to 1.86 tonnes of CO_2e, a 45% reduction from 2006.

Social contribution

- In 2016, our social investment was worth £19.5 million, equivalent to over 1% of reported profit before tax.
- In addition, WPP media agencies negotiated free media space worth £22.8 million on behalf of pro bono clients, representing over another 1% of reported profit before tax.

Read a summary of our performance and activities in 2016 on pages 161 to 167.

Who we are

Advertising

Media Investment Management

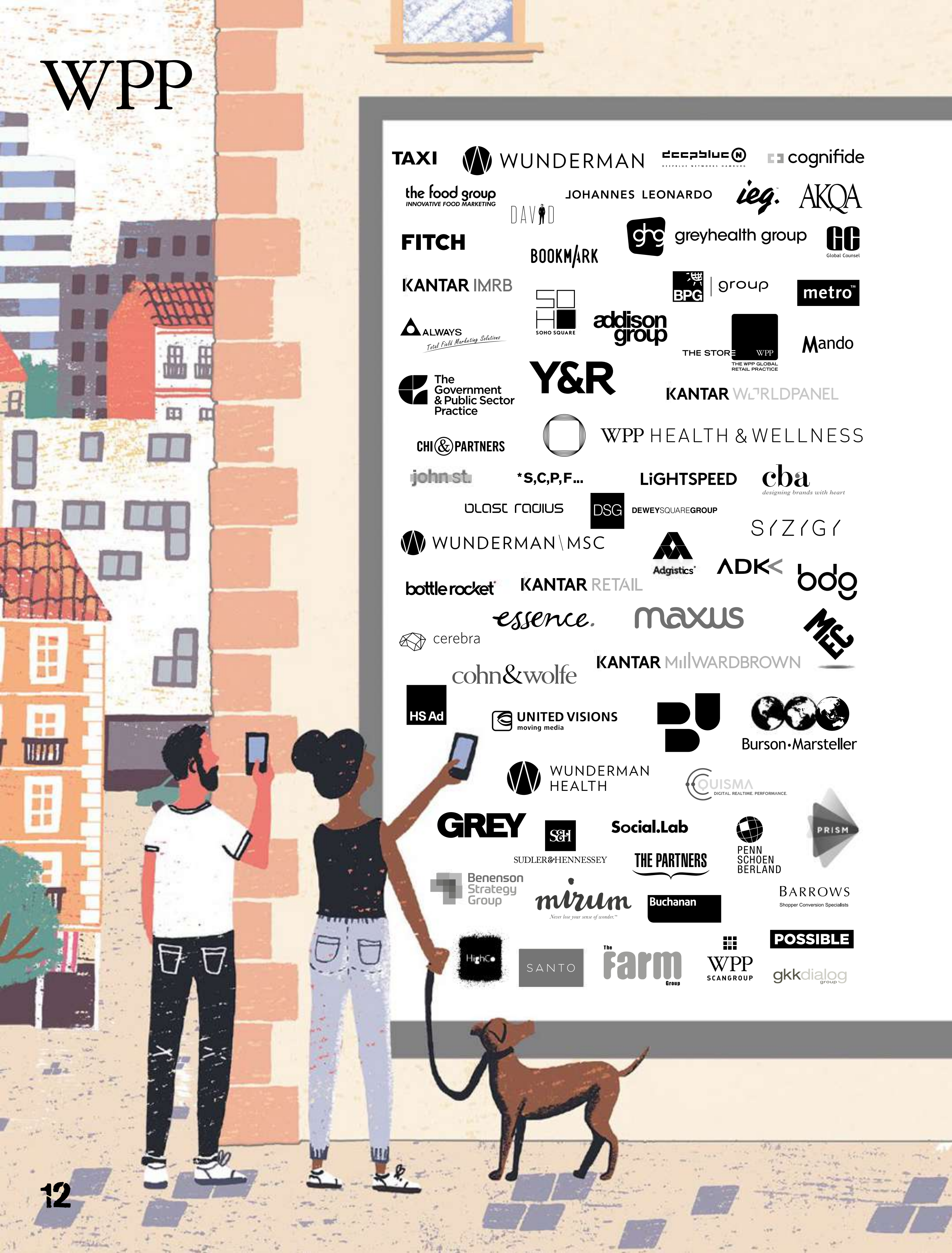
Global Client Teams

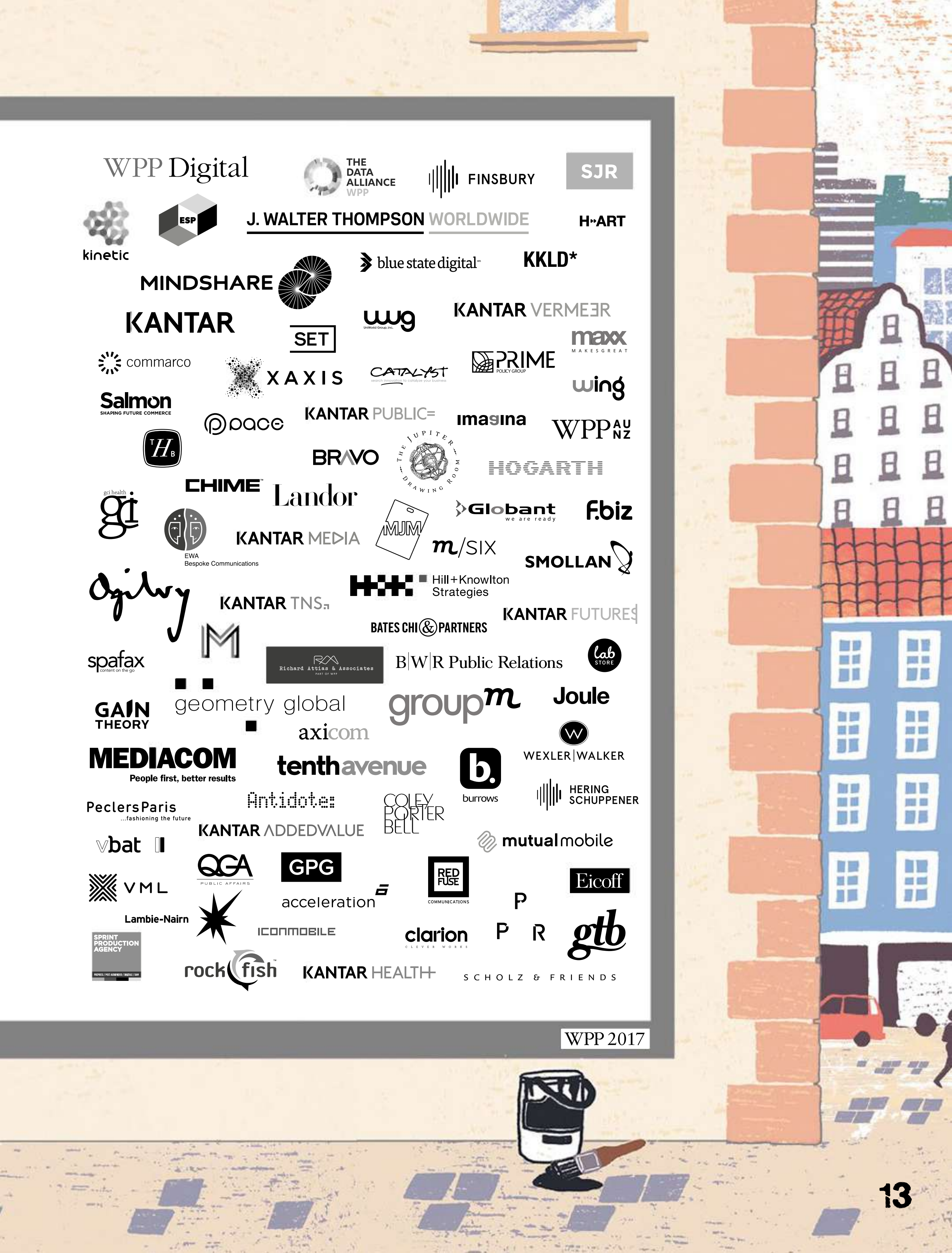
Country & Regional Managers

Cross-Group Communities & Practices


Data Investment Management
Public Relations & Public Affairs
Branding & Identity
Health & Wellness
Digital, eCommerce, Shopper Marketing & Specialist Communications

WPP


TAXI
WUNDERMAN
deepblue
cognifide
the food group
INNOVATIVE FOOD MARKETING
DAVID
JOHANNES LEONARDO
ieg.
AKQA
FITCH
BOOKMARK
ghg greyhealth group
GC
Global Counsel
KANTAR IMRB
SOHO SQUARE
BPG | group
metro
ALWAYS
Total Field Marketing Solutions
addison group
THE STORE
WPP
THE WPP GLOBAL RETAIL PRACTICE
Mando
The Government & Public Sector Practice
Y&R
KANTAR WORLDPANEL
CHI&PARTNERS
WPP HEALTH & WELLNESS
john st.
*S,C,P,F...
LIGHTSPEED
cba
designing brands with heart
blast radius
DSG
DEWEYSQUAREGROUP
SYZYGY
WUNDERMAN\MSC
Adgistics
ADK
bdg
bottle rocket
KANTAR RETAIL
essence.
maxus
MEC
cerebra
KANTAR MILLWARDBROWN
cohn&wolfe
HS Ad
UNITED VISIONS
moving media
Burson·Marsteller
WUNDERMAN HEALTH
QUISMA
DIGITAL. REALTIME. PERFORMANCE.
GREY
S&H
SUDLER&HENNESSEY
Social.Lab
THE PARTNERS
PENN SCHOEN BERLAND
PRISM
Benenson Strategy Group
mirum
Never lose your sense of wonder.
Buchanan
BARROWS
Shopper Conversion Specialists
POSSIBLE
HighCo
SANTO
The farm Group
WPP SCANGROUP
gkkdialog group


WPP Digital
THE DATA ALLIANCE WPP
FINSBURY
SJR
kinetic
ESP
J. WALTER THOMPSON WORLDWIDE
H+ART
blue state digital
KKLD*
MINDSHARE
KANTAR
SET
wwg
KANTAR VERMEER
maxx
commarco
XAXIS
CATALYST
PRIME POLICY GROUP
wing
Salmon
SHAPING FUTURE COMMERCE
pace
KANTAR PUBLIC
imagina
WPP AUNZ
BRAVO
THE JUPITER DRAWING ROOM
HOGARTH
CHIME
Landor
gci health
Globant
we are ready
F.biz
EWA
Bespoke Communications
KANTAR MEDIA
MJM
m/SIX
SMOLLAN
Hill+Knowlton Strategies
Ogilvy
KANTAR TNS.
KANTAR FUTURES
BATES CHI&PARTNERS
spafax
content on the go
Richard Attias & Associates
B|W|R Public Relations
lab STORE
GAIN THEORY
geometry global
groupm
Joule
axicom
MEDIACOM
People first, better results
tenthavenue
b.
burrows
WEXLER|WALKER
PeclersParis
...fashioning the future
Antidote:
COLEY PORTER BELL
HERING SCHUPPENER
KANTAR ADDEDVALUE
mutualmobile
vbat
QGA
PUBLIC AFFAIRS
GPG
RED FUSE
COMMUNICATIONS
Eicoff
VML
acceleration
P P R
Lambie-Nairn
SPRINT PRODUCTION AGENCY
ICONMOBILE
clarion
CLEVER WORKS
gtb
rockfish
KANTAR HEALTH
SCHOLZ & FRIENDS
WPP 2017

Our companies & associates

Advertising

ADK[1]
adk.jp

Bates CHI&Partners[†]
bateschi.com

Berlin Cameron
berlincameron.com

CHI&Partners[1]
chiandpartners.com

Cole & Weber
coleweber.com

Grey
grey.com

GTB
gtb.com

HS Ad[1]
hsad.co.kr

J. Walter Thompson Worldwide
jwt.com

Ogilvy
ogilvy.com

Santo
santo.net

WPP-Scangroup
wpp-scangroup.com

Scholz & Friends*
s-f.com

*S,C,P,F...
scpf.com

Sra. Rushmore
srarushmore.com

Soho Square
sohosquareasia.com

TAXI■
taxi.ca

The Jupiter Drawing Room[1]
thejupiterdrawingroom.com

WPP AUNZ
wppaunz.com

Y&R■
yr.com

Media Investment Management and Data Investment Management

GROUPM:
groupm.com

Mindshare
mindshareworld.com

MEC
mecglobal.com

MediaCom
mediacom.com

Maxus
maxusglobal.com

Essence
essencedigital.com

Catalyst
catalystdigital.com

KR Media
krmedia-france.com

MetaVision Media
metavisionmedia.com

Xaxis
xaxis.com

tenthavenue:
tenthavenue.com

Bookmark
bookmarkcontent.com

Joule
joulеww.com

Kinetic Worldwide
kineticww.com

TMARC
tmarc.co.za

Other media agencies

Gain Theory
gaintheory.com

m/SIX[2]
msixagency.com

KANTAR:
kantar.com

Kantar Added Value
added-value.com

Kantar Futures
thefuturescompany.com

Kantar Health
kantarhealth.com

Kantar IMRB
mrbglobal.in

Kantar Media
kantarmedia.com

Kantar Millward Brown
millwardbrown.com

Kantar Public
kantar.com/public

Kantar Retail
kantarretail.com

Kantar TNS
tnsglobal.com

Kantar Vermeer
mbvermeer.com

Kantar Worldpanel
kantarworldpanel.com

Lightspeed
lightspeedresearch.com

comScore[3,▲]
comscore.com

Public Relations & Public Affairs

Benenson Strategy Group❖
bsgco.com

Blanc & Otus◆
blancandotus.com

Buchanan Communications
buchanan.uk.com

Burson-Marsteller■
burson-marsteller.com

BWR❖
bwr-pr.com

Clarion Communications
clarioncomms.co.uk

Cohn & Wolfe■
cohnwolfe.com

Dewey Square Group
deweysquare.com

Finsbury
finsbury.com

Global Counsel[1]
global-counsel.co.uk

Glover Park Group
gpg.com

HERING SCHUPPENER
heringschuppener.com

Hill+Knowlton Strategies
hkstrategies.com

Ogilvy
ogilvy.com

Ogilvy Government Relations
ogilvygr.com

Penn Schoen Berland■
psbresearch.com

Prime Policy Group
prime-policy.com

QGA
qga.com

SJR◆
groupsjr.com

Wexler & Walker Public Policy Associates◆
wexlerwalker.com

Branding & Identity

Addison Group*
addison-group.net

BDG architecture + design
bdg-a-d.com

Brand Union●
brandunion.com

CBA[†]
cba-design.com

Coley Porter Bell[†]
coleyporterbell.com

FITCH●
fitch.com

Lambie-Nairn*
lambie-nairn.com

Landor■
landor.com

PeclersParis*
peclersparis.com

The Partners*
the-partners.com

SET●
setcreative.com

VBAT*
vbat.com

Healthcare Communications

WPP Health & Wellness:
wpphealthandwellness.com

CMI/Compas
cmimedia.com

ghg
ghgroup.com

Ogilvy CommonHealth Worldwide
ogilvychww.com

Sudler & Hennessey■
sudler.com

GCI Health
gcihealth.com

Wunderman World Health[+]
wunderman.com

Digital, eCommerce & Shopper Marketing

Acceleration[+]
acceleration.biz

A. Eicoff & Co[†]
eicoff.com

AKQA
akqa.com

Barrows[1]
barrowsglobal.com

Blast Radius[+]
blastradius.com

Cerebra
cerebra.co.za

deepblue networks[*]
db-n.com

EWA
ewagroup.com

FullSIX[3]
fullsix.it/en

Geometry Global
geometry.com

ggk DialogGroup[*]
gkk.de

HighCo[1]
highco.fr

iconmobile[■]
iconmobile.com

Mando
mando.co.uk

Maxx Marketing[†]
maxx-marketing.com

Mirum[Ω]
mirumagency.com

Ogilvy
ogilvy.com

Smollan[1]
smollan.com

VML[■]
vml.com

Wunderman[■]
wunderman.com

Specialist Communications

Demographic marketing

Bravo[■]
bebravo.com

UniWorld[1]
uwg.is

Wing
insidewing.com

Employer branding/ recruitment

JWT INSIDE[Ω]
jwtinside.com

Event/face-to-face marketing

MJM
mjmcreative.com

Metro
metrobroadcast.com

Richard Attias & Associates[1]
richardattiasassociates.com

Foodservice marketing

The Food Group
thefoodgroup.com

Sports marketing

Bruin Sports Capital[3]
bruinsportscapital.com

Chime Communications[1]
chimegroup.com

Courtside Ventures[3]
courtsidevc.com

ESP Properties
espglobal.com

PRISM Group
prismteam.com

TSE Consulting[❖]
tseconsulting.com

Two Circles
insidetwocircles.com

Real estate marketing

PACE
paceadv.com

Media & production services

The Farm Group
farmgroup.tv

Imagina[1]
mediapro.es

United Visions[*]
uv.tv

WPP Digital

Blue State Digital
bluestatedigital.com

Cognifide
cognifide.com

The Data Alliance
thedataalliance.com

F.biz
fbiz.com.br

Globant[1]
globant.com

Hogarth Worldwide
hogarthww.com

Johannes Leonardo[1]
johannesleonardo.com

Mutual Mobile[1]
mutualmobile.com

POSSIBLE
possible.com

Rockfish
rockfishdigital.com

Salmon
salmon.com

SYZYGY
syzygy.net

WPP Digital partner companies

Ace Metrix[3]
acemetrix.com

All Def Digital[3]
alldefdigital.com

AppNexus[3]
appnexus.com

Domo[3]
domo.com

Fullscreen[3]
fullscreen.com

HDT Holdings Technology[3]
hdtmedia.com

Imagine Entertainment[3]

Indigenous Media[3]
indigenousmedia.com

Invidi[3]
invidi.com

Mitú[3]
mitunetwork.com

mySupermarket[3]
mysupermarket.co.uk

Moment Systems[3]
miaozhen.com

MRC[3]
mrcstudios.com

OrderDynamics[3]
orderdynamics.com

Percolate[3]
percolate.com

Refinery29[3]
refinery29.com

VICE Media[3]
vice.com

The Weinstein Company[3]
weinsteinco.com

WildTangent[3]
wildtangent.com

Cross-Group Communities & Practices

Government & Public Sector Practice
wpp.com/govtpractice

The Store
wpp.com/store

WPP Health & Wellness
wpphealthandwellness.com

WPP Sports Practice

Key
[1] Associate
[2] Joint venture
[3] Investment
[♦] A Hill+Knowlton Strategies company
[†] An Ogilvy company
[■] A Y&R Group company
[●] A member of Group XP
[★] A member of The Partnership
[+] A Wunderman company
[*] A Commarco company
[Ω] A J. Walter Thompson company
[▲] Partnership with GroupM/Kantar
[❖] A Burson-Marsteller company
As at April 2017.

Why we exist

Our mission

To develop and manage talent;
to apply that talent,
throughout the world,
for the benefit of clients;
to do so in partnership;
to do so with profit.

Between them, WPP companies have tens of thousands of individual clients. They range from Fortune 500 global giants through single-nation start-ups to the smallest of specialist charities. Diverse as they are, they have one thing in common: in pursuing their objectives, they face formidable competition. Growing affluence in many parts of the world – combined with overcapacity and over-supply in almost every significant consumer market – has put more and more power into the hands of consumers, accelerated by technology.

As always, if they are to succeed – or even to survive with profit – every competitive company needs an intrinsically appealing product or service. Increasingly, part of that appeal must lie in a company's evident sense of a wider responsibility; one that extends beyond share owners, employees and consumers and recognises a duty to the environment and to society as a whole. Today's most successful companies are founded on strong values.

But even all that, though remaining the most fundamental of requirements, is seldom enough. Just as competitive costermongers arrange their apples in appealing displays and polish them lovingly to catch their customers' eyes, so all companies need to display their wares compellingly.

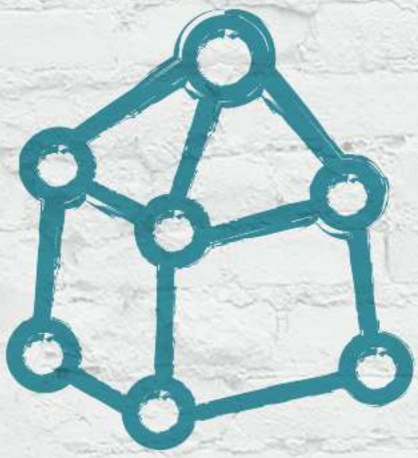
They need access to high-quality information, strategic advice and specialist communications skills. And it's in the nature of specialist and creative talent that it is unlikely to flourish within the confines of a client company. People with specialist talents work best – and contribute more – when recruited, trained and inspired by specialist companies.

Within WPP, our clients have access to companies comprising the complete range of advertising and marketing communications services skills: companies with strong and distinctive cultures of their own.

WPP, the parent company, complements these companies in several different ways.

- WPP encourages, enables and incentivises operating companies of different disciplines to work in close collaboration for the benefit of clients. We call this 'horizontality' – a way of working that unites diverse talents round a single client brief to forge a seamless solution. No two clients are structured in precisely the same way. Within WPP's operating companies, teams can be tailor-made to match any and all.
- WPP can also function as the 21st-century equivalent of the full-service agency. For some clients, predominantly those with a global presence and a requirement for a wide range of marketing services, WPP can itself provide such clients with a single contact point for both access and accountability.
- And finally, WPP the parent company relieves the operating companies of much necessary but time-consuming administrative work. Financial matters (such as planning, budgeting, reporting, control, treasury, tax, mergers, acquisitions, investor relations, legal affairs and internal audit) are all coordinated centrally. It also plays an across-the-Group role in the management of talent, property, procurement, IT, knowledge-sharing, practice development and sustainability. For the operating companies, every administrative hour saved is an extra hour to be devoted to the pursuit of professional excellence.

Our 4 strategic priorities



Horizontality

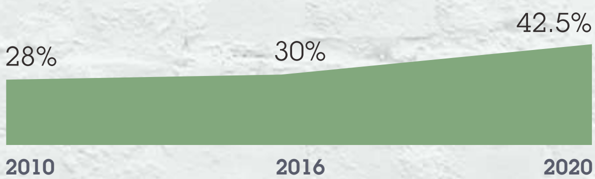
Advance horizontality by ensuring our people work together for the benefit of clients

Cross-Group Client Teams

New markets

Increase share of revenues from faster-developing markets to 40-45%

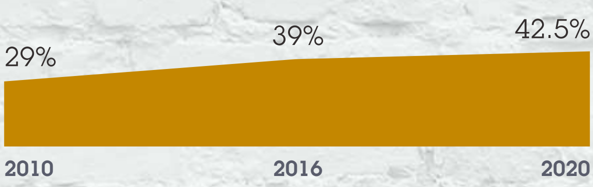
Are we on target?



New media

Increase share of revenues from new media to 40-45%

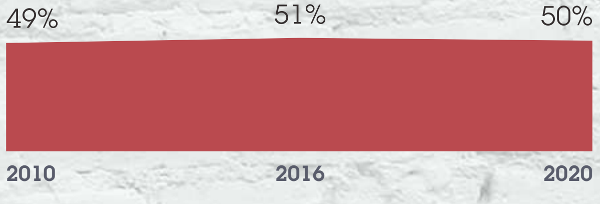
Are we on target?



Technology, data & content

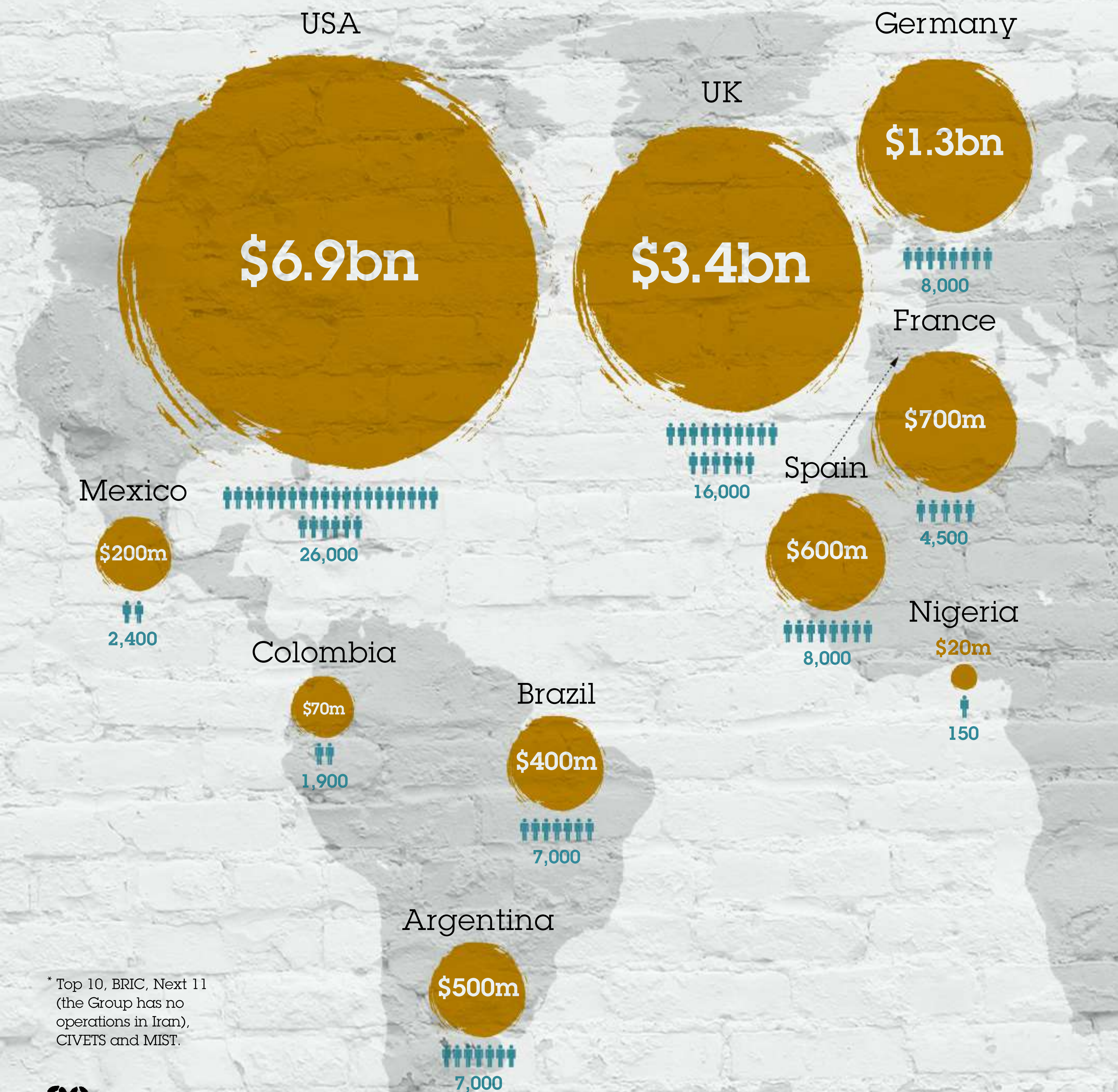
Maintain share of more measurable marketing services at 50% of revenues

Are we on target?



WPP: a global company

WPP companies now operate in 112 countries. Here we show WPP's strength in growth markets of the world as well as in some of our key mature markets*.



* Top 10, BRIC, Next 11 (the Group has no operations in Iran), CIVETS and MIST.

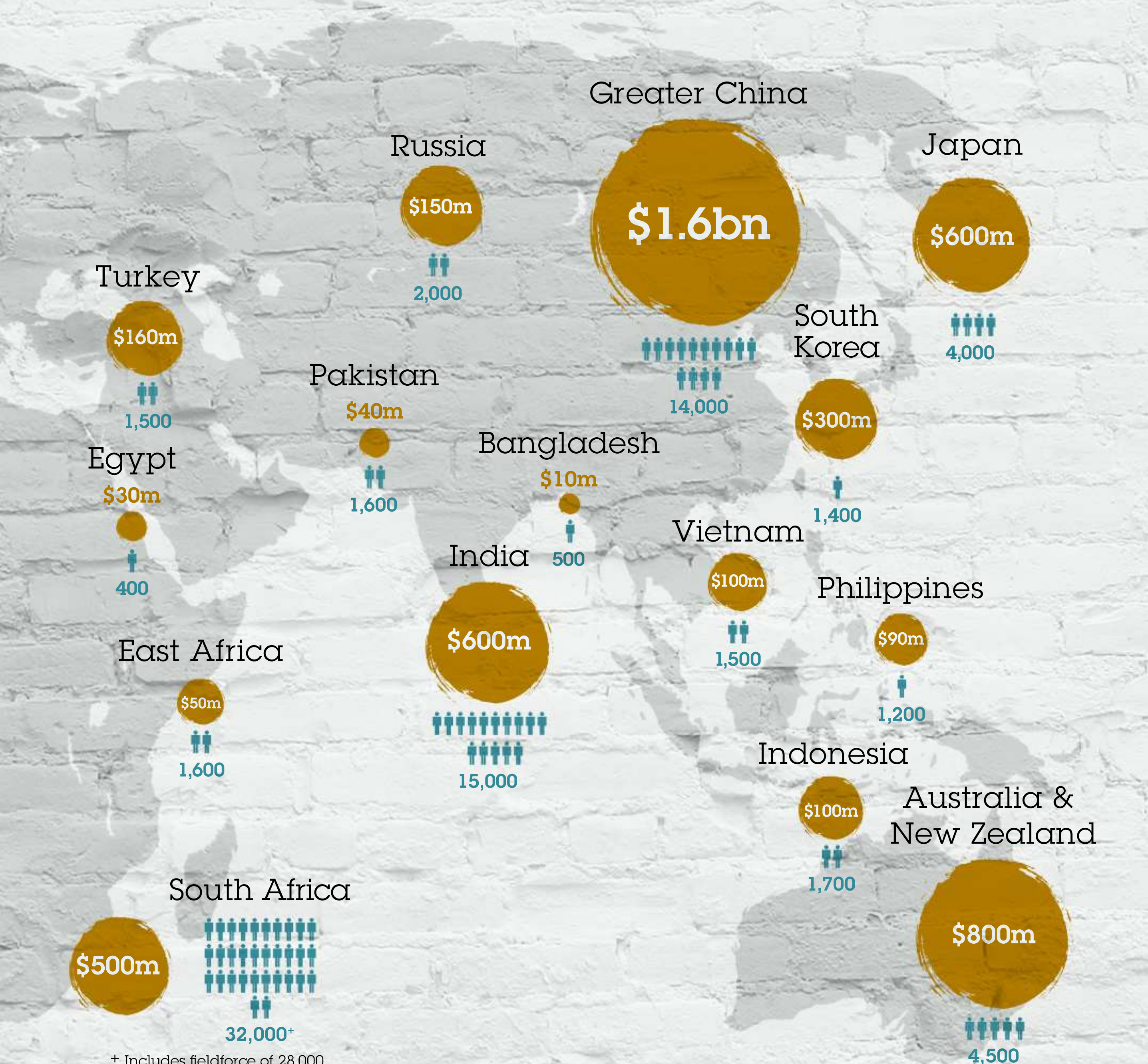
Revenues denote the collective figure for all WPP companies (including associates) in a given country and are reported at 2016 constant currency rates.

People denotes the number of people employed by WPP companies (including associates) in a given country.

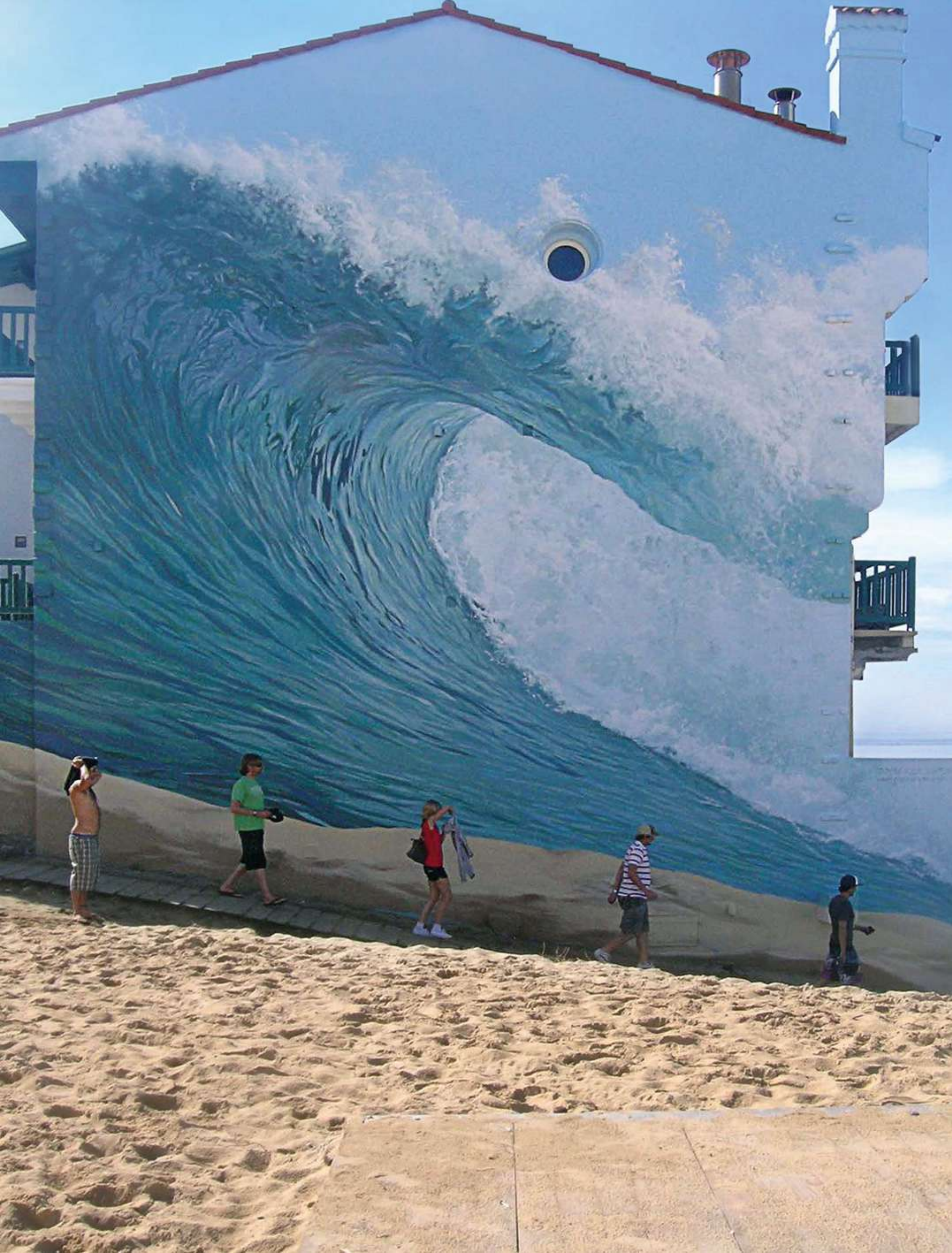
As at 31 December 2016.

REVENUE

PEOPLE



+ Includes fieldforce of 28,000.



How we're doing

Financial summary

	2016	2015	Change %
Billings[1]	**£55,245m**	£47,632m	+16.0
Revenue	**£14,389m**	£12,235m	+17.6
Net sales[1]	**£12,398m**	£10,524m	+17.8
Headline EBITDA[2]	**£2,420m**	£2,002m	+20.8
Headline operating profit[2]	**£2,095m**	£1,705m	+22.9
Reported operating profit	**£2,063m**	£1,632m	+26.4
Headline PBIT[2]	**£2,160m**	£1,774m	+21.8
Net sales margin[2]	**17.4%**	16.9%	+0.5*
Headline PBT[2]	**£1,986m**	£1,622m	+22.4
Reported PBT	**£1,891m**	£1,493m	+26.7
Headline earnings[2]	**£1,468m**	£1,229m	+19.4
Reported earnings	**£1,400m**	£1,160m	+20.7

Headline diluted earnings per share[2,3]	**113.2p**	93.6p	+20.9
Reported diluted earnings per share[3]	**108.0p**	88.4p	+22.2
Ordinary dividend per share	**56.60p**	44.69p	+26.7
Ordinary dividend per ADR[4]	**$3.83**	$3.42	+12.0

Net debt at year-end	**£4,131m**	£3,211m	+28.6
Average net debt[5]	**£4,340m**	£3,562m	+21.8
Ordinary share price at year-end	**1,816.0p**	1,563.0p	+16.2
ADR price at year-end	**$110.66**	$114.74	-3.6
Market capitalisation at year-end	**£23,260m**	£20,237m	+14.9

At 12 April 2017

Ordinary share price	**1,737.0p**
ADR price	**$108.60**
Market capitalisation	**£22,214m**

The financial statements have been prepared under International Financial Reporting Standards (IFRS).

[1] Billings and net sales are defined on page 234.

[2] The calculation of 'headline' measurements of performance (including headline EBITDA, headline operating profit, headline PBIT, net sales margin, headline PBT and headline earnings) is set out in note 31 of the financial statements.

[3] Earnings per share is calculated in note 9 of the financial statements.

[4] One American Depositary Receipt (ADR) represents five ordinary shares. These figures have been translated for convenience purposes only using the Consolidated income statement exchange rates shown on page 186. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

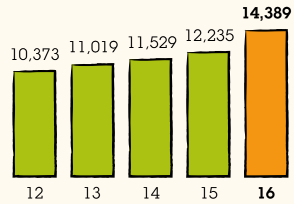
[5] Average net debt is defined on page 234.

* Margin points.

Financial summary

Revenue £m

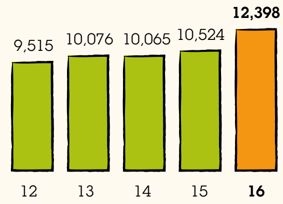
14,389m



Reported revenue was up 17.6% at £14,389 million. On a constant currency basis, revenue was up 7.2% and, on a like-for-like basis, revenue was up 3.0%.

Net sales £m

12,398m

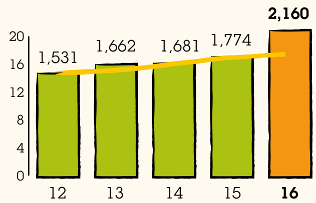


Reported net sales were up 17.8% at £12,398 million. On a constant currency basis, net sales were up 7.4% and, on a like-for-like basis, net sales were up 3.1%.

Headline PBIT[1] £m

Net sales margin[1] %

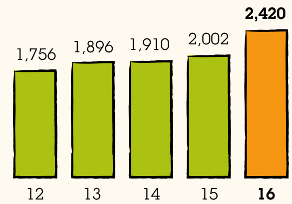
2,160m



Headline PBIT was up 21.8% to £2,160 million, over £2 billion for the first time. Net sales margin was up 0.5 margin points (0.3 margin points on a like-for-like basis) to an industry-leading 17.4%.

Headline EBITDA[1] £m

2,420m

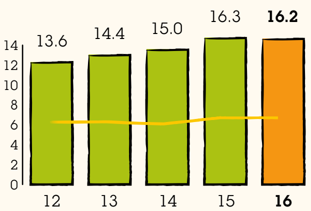


Headline EBITDA (headline earnings before interest, taxation, depreciation and amortisation) rose by 20.8% (8.0% in constant currencies).

Return on equity[2] %

Weighted average cost of capital (WACC)

16.2%

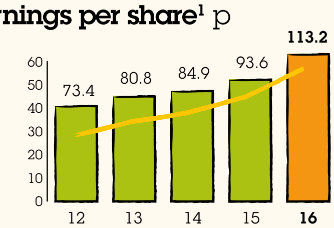


Return on equity decreased marginally to 16.2% in 2016, versus a weighted average cost of capital of 6.4% in 2016, also down from 2015.

Headline diluted earnings per share[1] p

Dividends per share p

113.2p



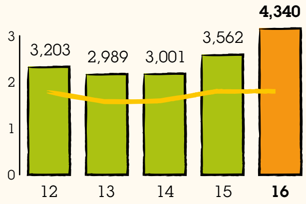
Headline diluted earnings per share were up 20.9% to 113.2p. Dividends were up 26.7% to 56.60p per share, giving a payout ratio of 50%, reaching the targeted payout ratio of 50% one year ahead of schedule.

[1] The calculation of 'headline' measurements of performance (including headline EBITDA, headline PBIT, net sales margin and headline earnings) is shown in note 31 of the financial statements.
[2] Return on equity is headline diluted earnings per share divided by equity share owners' funds per share.

Average net debt £m

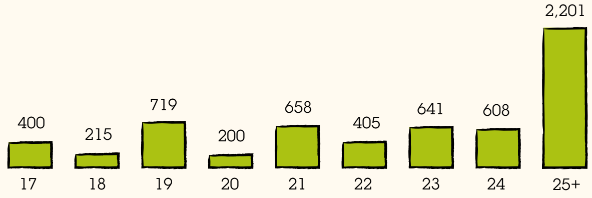
Average net debt to headline EBITDA[2] ratio

4,340m



Average net debt was up at £4.3 billion in 2016, primarily reflecting the weakness of sterling. The average net debt to headline EBITDA ratio remains under 1.8 times, almost in the middle of the Group's target range of 1.5-2.0 times.

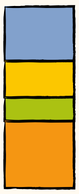
Debt maturity[3] £m



In September 2016, the Group issued £400 million of 30-year bonds with a coupon of 2.875%, refinancing £400 million of bonds maturing in April 2017 with a coupon of 6.0%.

2016 revenue by geography %

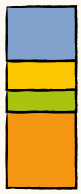
North America	37
UK	13
Western Continental Europe	20
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	30



In 2016, 30% of the Group's revenue came from Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe up almost one percentage point from 2015. Our target is to increase this to 40-45% of revenues over the next five years.

2016 headline PBIT[1] by geography %

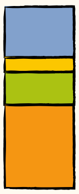
North America	42
UK	12
Western Continental Europe	16
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	30



Profit growth was strongest in Western Continental Europe in 2016, with margin improvement across all regions in the year.

2016 revenue by sector %

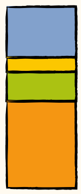
Advertising and Media Investment Management	46
Data Investment Management	18
Public Relations & Public Affairs	8
Branding & Identity, Healthcare and Specialist Communications	28



Marketing services comprised 54% of our revenues in 2016, similar to 2015. Revenue growth was strongest in Advertising and Media Investment Management at almost 5% on a like-for-like basis.

2016 headline PBIT[1] by sector %

Advertising and Media Investment Management	48
Data Investment Management	16
Public Relations & Public Affairs	8
Branding & Identity, Healthcare and Specialist Communications	28



All sectors showed margin improvement in 2016, with the strongest growth in Data Investment Management and Public Relations & Public Affairs.

[1] The calculation of headline PBIT is set out in note 31 of the financial statements.
[2] The calculation of headline EBITDA is set out in note 31 of the financial statements.
[3] Includes corporate bonds and bank loans payable at par value, excluding any redemption premium due, by due date.

Strategic report to share owners*

Dear share owner

2016, our thirty-first year, was another record year, our sixth record year in a row, despite a generally low growth, or tepid, global environment. Top-line growth remained strong, with operating profits and margins meeting and exceeding targets and all regions and sectors showing growth on almost all metrics. For the sixth successive year, WPP was named Creative Holding Company of the Year at the Cannes International Festival of Creativity, in recognition of your Company's collective creative excellence; for the fifth consecutive year, WPP was ranked Most Effective Holding Company in the Effie Global Effectiveness Index; and, for the third year in a row, WPP was named the World's Top Holding Company by Warc.

Cannes International Festival of Creativity
Holding Company of the Year
2011, 2012, 2013, 2014, 2015, 2016

Effie Global Effectiveness Index
Most Effective Holding Company of the Year
2012, 2013, 2014, 2015, 2016

WARC 100 WORLD'S TOP HOLDING COMPANY 2015-2017

* This strategic report to share owners should be read in conjunction with and as part of the Directors' report on pages 121 to 167 and the section headed How we comply on pages 169 to 175.

This strategic report includes figures and ratios that are not readily available from the financial statements. Management believes that these non-GAAP measures, including constant currency and like-for-like growth, and headline profit measures, are both useful and necessary to better understand the Group's results. Where required, details of how these have been arrived at are shown in the notes of the financial statements.

At the same time, we have responded to the changing competitive landscape by accelerating the implementation of our strategic goals, particularly following Brexit. Sector targets for fast-growth markets and new media have been raised from 35-40% to 40-45% over the next four to five years, with the quantitative revenue target of 50% already achieved.

Your share price increased by over 16% in 2016, closing at 1,816p at year end. Since then it has fallen slightly to 1,737.0p, down 4%, at the time of writing. This was primarily due to the Company's reduced revenue and net sales guidance for 2017 from 3% to 2% due to an increasingly challenging economic environment. Dividends increased by almost 27% to 56.60p, a new high. This represents a dividend payout ratio of 50% of headline diluted earnings per share, reaching the recently targeted payout ratio of 50% one year ahead of schedule and up from 47.7% last year.

Reported billings were £55.2 billion, up well over 5% in constant currencies, reflecting good overall performance in net new business. Revenue was up well over 17% to £14.4 billion and up over 7% in constant currencies. Net sales were up almost 18% and over 7% in constant currencies. Including 100% of associates and investments, revenue is estimated to total around £19 billion (over $26 billion). Headline PBIT was up almost 22% to £2.160 billion (over £2 billion for the first time) and up well over 8% in constant currencies. Net sales margins increased by 0.5 margin points to an industry-leading 17.4% and, on a like-for-like basis, were up 0.3 margin points, in line with target, adjusted for the merger with STW Communications Group Limited in Australia.

Reported profit before interest and tax rose almost 26% to £2.113 billion from £1.679 billion, up 12% in constant currencies. Headline EBITDA increased by almost 21% to £2.420 billion, up 8% in constant currencies. Headline profit before tax was up well over 22% to £1.986 billion and reported profit before tax was up almost 27% to £1.891 billion. Diluted headline earnings per share rose by almost 21% to 113.2p (an all-time high) and diluted reported earnings per share were up over 22% to 108.0p, both reflecting like-for-like revenue and net sales growth, margin improvement and the benefit of acquisitions, along with the effect of currency tailwinds.

Return on equity decreased marginally to 16.2% in 2016 compared with 16.3% in 2015, versus a weighted average cost of capital of 6.4% in 2016, also down from 6.7% in 2015. Additionally, the value of the Group's non-controlled investments rose to £1.3 billion during the year, from £1.2 billion in 2015, chiefly reflecting the value of its content businesses, primarily VICE and Refinery29, and the Group's investment in leading media measurement company comScore, which merged with Rentrak in the first half of 2016.

Free cash flow amounted to almost £1.6 billion in 2016. This free cash flow was absorbed by £0.7 billion of net cash acquisition payments and investments, £0.4 billion of share buy-backs and £0.6 billion of dividends, a total outflow of £1.7 billion. This resulted in a net cash outflow of £0.1 billion, before any changes in working capital. Average net debt was therefore £4.3 billion in 2016, compared to £4.0 billion in 2015, at 2016 exchange rates, and net debt at 31 December 2016 was £4.1 billion, against £3.2 billion at 31 December 2015, primarily reflecting the weakness of sterling. This trend has continued in the first two months of 2017, with average net debt of £4.2 billion against £3.8 billion for the same period in 2016, at 2017 exchange rates.

The average net debt to headline EBITDA ratio in 2016 remains under 1.8 times, which is almost in the middle of the Group's target range of 1.5-2.0 times. Headline interest cover in 2016 was 12.4 times. Our long-term debt is currently rated Baa2 and BBB and our short-term debt P2 and A2, by Moody's and Standard & Poor's respectively.

In September 2016, the Group issued £400 million of 30-year bonds with a coupon of 2.875%. These bonds refinance £400 million of bonds maturing in April 2017 with a coupon of 6.0%. This continues the plan to extend debt maturities and take advantage of current low interest rates.

With the equity market capitalisation at the time of writing of approximately £22.2 billion, the total enterprise value of your Company is approximately £27.2 billion, a multiple of 11.3 times 2016 headline EBITDA.

Revenue growth impacted by strong currency tailwinds in the second half

Our reported revenue growth for the year was 17.6%, and on a constant currency basis, which excludes the impact of currency movements, revenue was up 7.2%. This difference of 10.4% reflects the weakness of the pound sterling against most currencies, particularly in the second half, following the UK vote to exit the European Union.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was up 3.0%, with net sales up 3.1%. In the fourth quarter, like-for-like revenue was up 0.5%, the weakest quarter of the year, following like-for-like growth of well over 6% in the final quarter of 2015, which was that year's strongest quarter. North America and the UK slowed in the fourth quarter, again partly the result of stronger comparatives, with Western Continental Europe and Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe continuing to perform well. Like-for-like net sales growth was stronger than revenue growth, over 2% in the fourth quarter, also against a strong comparative in 2015, with all regions, except the UK, showing growth.

Strong growth in many regions

North America constant currency revenue was down almost 1% in the final quarter and like-for-like down almost 3%, largely as a result of the particularly strong comparatives in the fourth quarter of 2015, when constant currency revenue grew over 11% and like-for-like revenue was up almost 10%, reflecting strong growth in Advertising and Media Investment Management, parts of the Group's Public Relations & Public Affairs businesses and in the Branding & Identity, Healthcare Communications and direct, digital and interactive operations. On a full-year basis, constant currency revenue was up almost 4%, with like-for-like up 2%. However, constant currency net sales grew almost 3% in the fourth quarter, with like-for-like up 0.5% and strong growth in the Group's Branding & Identity and direct, digital and interactive businesses.

UK constant currency revenue was down almost 1% in the final quarter and like-for-like down well over 2%, again in part due to very strong comparatives for the final quarter of 2015, which saw growth of well over 6% and almost 3% respectively. Media Investment Management and Data Investment Management like-for-like revenue was up strongly, offset by weaker performance in Advertising, Public Relations & Public Affairs and direct, digital and interactive. Despite the slight slow-down in the rate of revenue growth, constant currency net sales were up almost 2% in the final quarter, with like-for-like down 0.6%. On a full-year basis, constant currency revenue was up strongly at 5%, with like-for-like up almost 2%, with the second half weaker, perhaps reflecting Brexit uncertainties. Full-year net sales were up well over 5% in constant currency, with like-for-like up over 2%.

Western Continental Europe, continued to grow at reasonable and stronger than average rates, although reflecting difficult political and macroeconomic conditions, with like-for-like revenue growth of over 3% and net sales growth of almost 3% in the fourth quarter, compared to well over 5% and over 3% in the third quarter. For the

Constant currency[1] revenue growth %

North America	16	**3.9**
	15	7.9
UK	16	**5.0**
	15	8.4
Western Continental Europe	16	**8.0**
	15	4.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	16	**11.9**
	15	8.5

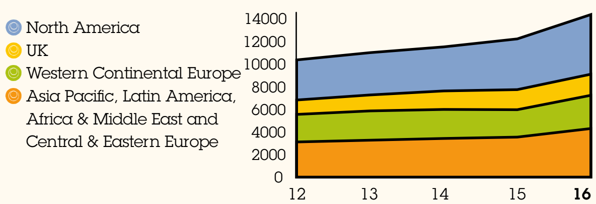
Constant currency[1] net sales growth by geography %

North America	16	**4.8**
	15	4.7
UK	16	**5.5**
	15	7.8
Western Continental Europe	16	**7.2**
	15	4.3
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	16	**11.8**
	15	7.3

Net sales margin[2] by geography %

North America	16	**19.4**
	15	18.8
UK	16	**16.5**
	15	16.2
Western Continental Europe	16	**14.5**
	15	13.7
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	16	**17.2**
	15	16.8

Revenue by geography £m



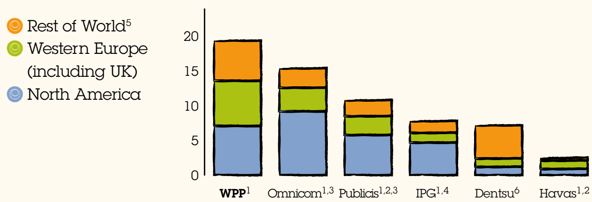
[1] See definition on page 234.
[2] The calculation of net sales margin is set out in note 31 of the financial statements.

year, Western Continental Europe revenue grew almost 5% on a like-for-like basis (over 4% in the second half), compared with almost 5% in 2015, with net sales growth of well over 3% like-for-like (almost 3% in the second half), compared to well over 2% in 2015. Germany, Norway, Spain, Sweden and Switzerland all showed good growth in the final quarter, but Austria, France, Ireland, Italy, the Netherlands and Portugal were tougher.

In Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, on a constant currency basis, revenue growth in the fourth quarter remained strong at almost 12%, the same as the first nine months growth, with like-for-like up almost 4%, the strongest quarter of the year, and well ahead of the first nine months growth of over 3%. Growth in the fourth quarter was driven principally by Latin America, Central & Eastern Europe, the Next 11[1], CIVETS[2], and the MIST[3], with Africa & the Middle East weaker. Constant currency net sales growth in the region was even stronger at almost 13% in the final quarter, with like-for-like net sales up almost 5%, the strongest quarter of the year, and well ahead of the almost 4% achieved in quarter two. There was strong net sales growth in all sub-regions except Africa & the Middle East. In Asia, Cambodia, India, Malaysia, Pakistan, the Philippines and Vietnam showed double-digit like-for-like growth, with Hong Kong, Singapore and Thailand, more challenging.

[1] Bangladesh, Egypt, Indonesia, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam (the Group has no operations in Iran).
[2] Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.
[3] Mexico, Indonesia, South Korea and Turkey.

2016 revenue by geography versus peers $bn



[1] WPP – reportable US$s per WPP results. Omnicom, IPG, Publicis and Havas – company presentations for 2016 with assumed non-Euro countries in Europe are 3% of revenue.
[2] FX. Havas and Publicis assumes $1 = €0.9039 based on the average exchange rates for 2016.
[3] OMC and PUB CEE based on analyst estimates.
[4] IPG assumes Canada is 1.5% of revenue.
[5] Rest of World: Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.
[6] Dentsu based on disclosed pro-forma group revenue splits against 2016 actual reported revenue.

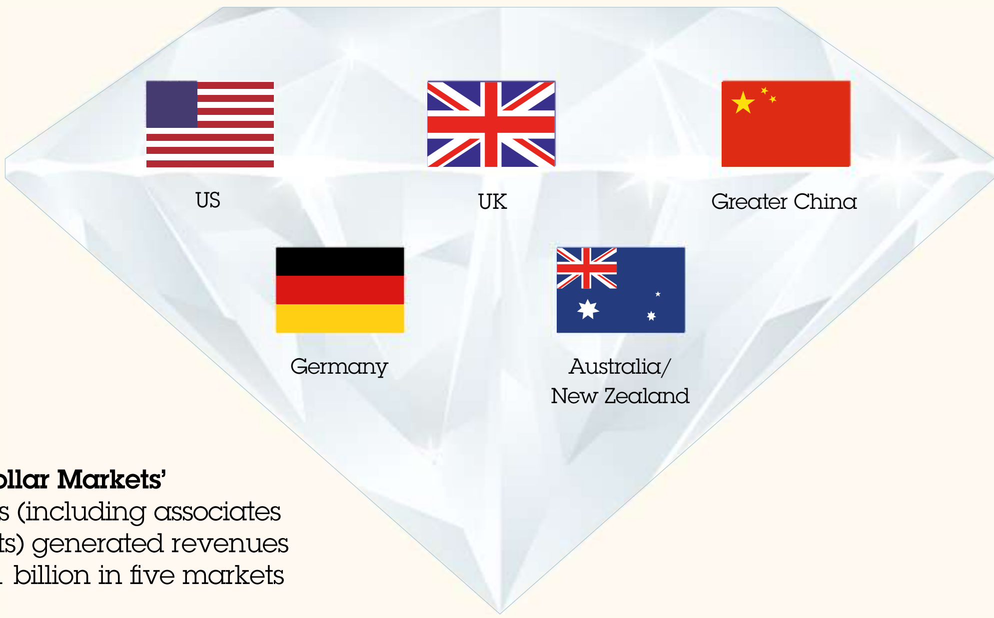
Latin America had its second strongest quarter of the year, with like-for-like revenue up almost 9%, compared with well over 9% in quarter two. Like-for-like net sales grew over 8% in quarter four, also the second highest quarterly growth in 2016, with full-year growth of well over 6% (well over 6% in the second half and similar in the first half). Africa slipped back in the fourth quarter, as it did in the third quarter, with like-for-like revenue down over 1% in quarter four and up 2% full-year. Net sales growth was slightly weaker, down 1.9% like-for-like in quarter four and up 0.4% full-year. In Central & Eastern Europe, like-for-like revenue was up over 10% in quarter four, the second highest quarter of the year, with the Czech Republic, Romania, Russia and the Ukraine up double digits. Croatia, Hungary, Poland and Serbia were tougher. Full-year revenue for the BRICs[1], which account for almost $2.4 billion of revenue, was up almost 2% on a like-for-like basis, with the Next 11 and CIVETS up over 14% and well over 12% respectively. The MIST was up over 16%.

In 2016, 29.9% of the Group's revenue came from Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, up almost 1.0 percentage point from 29.0% in 2015. On a net sales basis there was a similar increase to 30.5% from 29.6% in 2015, which compares with the Group's strategic objective of 40-45% in the next five years. Markets outside North America now account for over 63% of our revenue.

Advertising and media perform well

Advertising and Media Investment Management was the second-strongest performing sector, with constant currency revenue growth of almost 8% for the year, and well over 4% in quarter four. On a like-for-like basis, Advertising and Media Investment Management was the strongest performing sector, with revenue up almost 5% for the year and up almost 1% in quarter four, reflecting the impact of a weaker net new business record. Advertising grew in Asia Pacific in quarter four and the full year, but softened in all other regions, as trading conditions became more difficult. Media Investment Management showed strong like-for-like revenue growth, up over 8% for the year, up just under 3% in quarter four, with strong growth in the UK, Continental Europe and Latin America.

[1] Brazil, Russia, India and China.



Our 5 'Billion Dollar Markets'
WPP companies (including associates and investments) generated revenues of more than $1 billion in five markets

Constant currency[1] revenue growth by sector

%

Sector	Year	%
Advertising and Media Investment Management	16	7.7
	15	9.9
Data Investment Management	16	0.4
	15	3.5
Public Relations & Public Affairs	16	5.0
	15	4.7
Branding & Identity, Healthcare and Specialist Communications	16	11.8
	15	7.3

Constant currency[1] net sales growth by sector

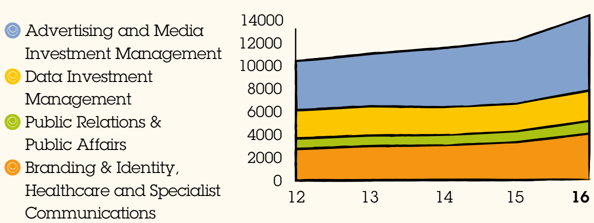
%

Sector	Year	%
Advertising and Media Investment Management	16	6.5
	15	5.3
Data Investment Management	16	3.2
	15	4.6
Public Relations & Public Affairs	16	4.7
	15	4.3
Branding & Identity, Healthcare and Specialist Communications	16	11.8
	15	7.8

Net sales margin[2] by sector %

Sector	Year	%
Advertising and Media Investment Management	16	19.0
	15*	18.5
Data Investment Management	16	17.6
	15	16.2
Public Relations & Public Affairs	16	16.7
	15*	15.6
Branding & Identity, Healthcare and Specialist Communications	16	15.4
	15*	15.2

Revenue by sector £m



[1] See definition on page 234.
[2] The calculation of net sales margin is set out in note 31 of the financial statements.
* Restated to reflect a reclassification of an associate business now split between Advertising and Branding & Identity, Healthcare and Specialist Communications.

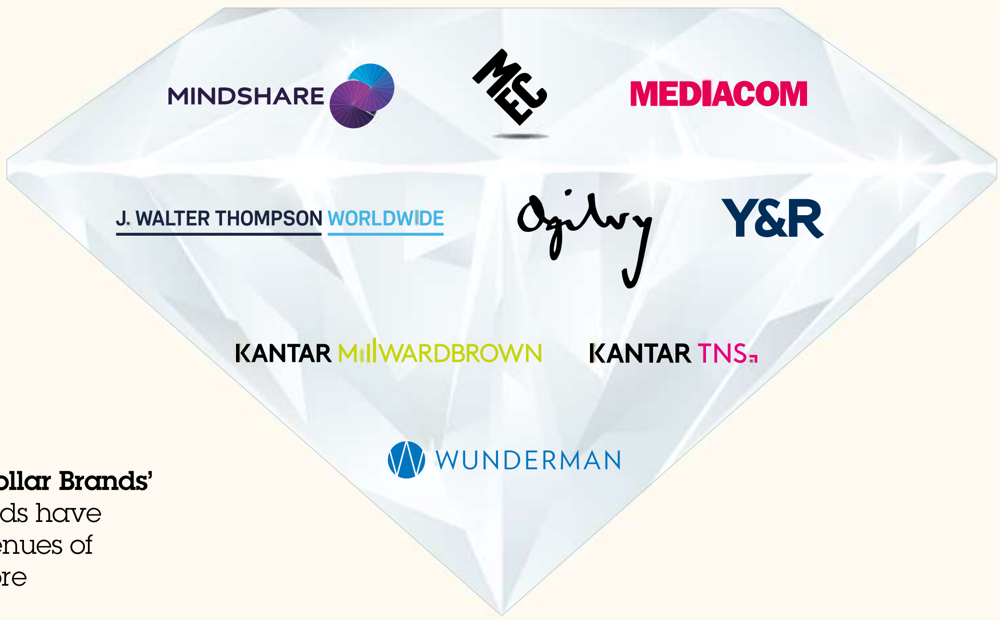
Of the Group's Advertising networks, Grey performed particularly well in 2016, especially in the US. As mentioned above, Asia Pacific was up, but elsewhere conditions were more challenging and overall Advertising remained under pressure. Growth in the Group's Media Investment Management businesses has been very consistent for most of 2016, with constant currency and like-for-like revenue up strongly for the year, but with a weaker second half, largely the result of a more difficult final quarter, as weaker net new business in the US impacted overall performance. Elsewhere, like-for-like revenue growth in Western Continental Europe, Media Investment Management's second largest region, was up 8%, with the UK and Latin America up double digits. tenthavenue, the 'engagement' network focused on out-of-home media, also performed strongly in the fourth quarter, with like-for-like net sales up well over 5%, with strong growth of well over 6% in the second half. The strong revenue and net sales growth across most of the Group's businesses, offset by slower growth in the Group's Advertising businesses in most regions, resulted in the combined reported operating margin of this sector up by 0.5 margin points to 19.0%, up 0.2 margin points in constant currency.

In 2016, J. Walter Thompson Worldwide, Ogilvy, Y&R and Grey generated net new business billings of £1.1 billion ($1.7 billion). In the same year, GroupM (the Group's Media Investment Management company, which includes Mindshare, MEC, MediaCom, Maxus, GroupM Search, Xaxis and now, Essence), together with tenthavenue, generated net new business billings of £2.4 billion ($3.7 billion). The Group totalled £4.4 billion ($6.8 billion), compared with £5.6 billion ($8.6 billion) in 2015.

Data Investment Management revenue was down almost 2% on a like-for-like basis in the fourth quarter, but more importantly, net sales were up well over 1% on the same basis. On a full-year basis, constant currency revenue was up 0.4%, but down almost 1% like-for-like, with a weaker second half. Net sales, however, showed stronger growth with constant currency net sales up over 3%, up almost 1% like-for-like. The mature markets were more difficult, remaining under pressure, but the faster growth markets grew net sales 3%. Syndicated research continues to show resilience, with like-for-like net sales growth up well over 1%, but custom research, which accounts for almost half of Data Investment Management net sales, was down a similar amount. Kantar Worldpanel, Kantar Health, Kantar Public, Kantar Retail and Kantar IMRB all showed strong like-for-like net sales growth, with Kantar Insights more challenged. There seems to be a growing recognition of the value of 'real' first-party data businesses, rather than those that depend on third-party data. Reported operating margins improved 1.4 margin points to 17.6% and by 1.0 margin points in constant currency. Good cost control and the continued benefits of restructuring contributed to the improvement in operating margin. Although there has been further improvement during 2016, the slowest sub-sector continues to be like-for-like net sales growth in the custom businesses in mature markets, where discretionary spending remains under review by clients.

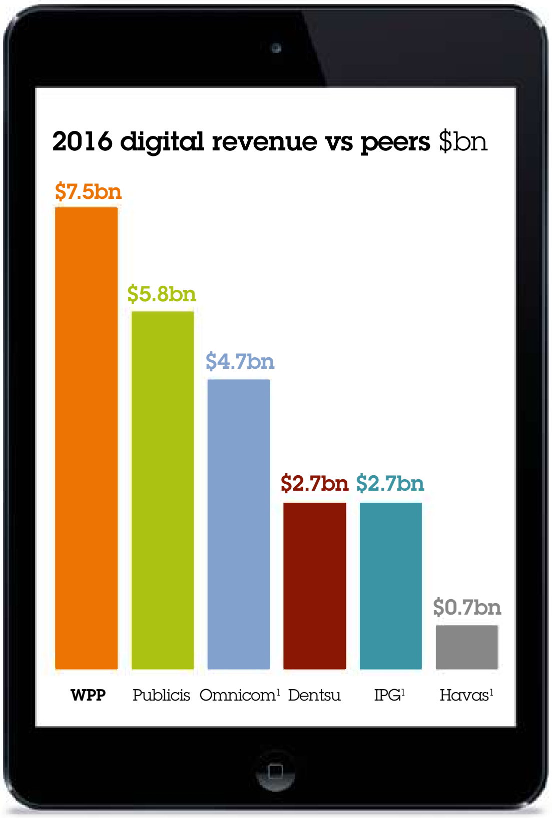
The Group's Public Relations & Public Affairs businesses continued the growth shown earlier in the year, with a stronger second half, but slower fourth quarter, primarily the result of stronger comparatives in the specialist Public Relations businesses in the final quarter of 2015. Constant currency revenue grew well over 2% in quarter four with like-for-like net sales down almost 1%, with strong growth in Continental Europe and the Middle East & Africa, but North America was down over 2%, with the UK down significantly, as a result of lower M&A activity in the Group's specialist financial Public Relations & Public Affairs businesses in the fourth quarter compared with 2015. Despite the slower growth in the final quarter, like-for-like net sales in the Group's specialist Public Relations & Public Affairs businesses were up almost 7% for the year, and Cohn & Wolfe performed particularly well. Ogilvy and Hill+Knowlton Strategies also improved, with Burson-Marsteller less buoyant. An improving top-line and good control of costs resulted in the operating margin improving by 1.1 margin points to 16.7% and by 0.8 margin points in constant currency.

At the Group's Branding & Identity, Healthcare and Specialist Communications businesses (including direct, digital and interactive), constant currency revenue grew strongly at 8% in quarter four, the strongest performing sector, with like-for-like revenue up well over 1%. The Group's direct, digital and interactive businesses, especially WPP Digital, VML and Wunderman performed strongly, with parts of the Group's remaining Branding & Identity, Healthcare and Specialist Communications businesses also growing strongly. Operating margins, for the sector as a whole, improved 0.2 margin points to 15.4% but fell 0.3 margin points in constant currency, with operating margins negatively affected as parts of the Group's direct, digital and interactive businesses in Western Continental Europe, together with Branding & Identity and Healthcare Communications, slowed.



Our 9 'Billion Dollar Brands'
Nine WPP brands have generated revenues of $1 billion or more

In 2016, 38.9% of the Group's revenue came from direct, digital and interactive, up 1.4 percentage points from the previous year, with like-for-like revenue growth of almost 6% in 2016.



[1] Digital revenue based on Exane BNP Paribas estimates.

Margins reach new high

Net sales margin was up 0.5 margin points to a new historical high of 17.4%, up 0.2 margin points in constant currency, and up 0.3 margin points like-for-like, in line with the Group's full-year margin target, adjusted for the merger with STW Communications Group Limited in Australia. The net sales margin of 17.4% is after charging £34 million ($49 million) of severance costs, compared with £24 million ($37 million) in 2015 and £367 million ($486 million) of incentive payments, versus £331 million ($505 million) in 2015.

Group revenue is more weighted to the second half of the year across all regions and sectors, and, particularly, in the faster-growing markets of Asia Pacific and Latin America. As a result, the Group's profitability and margin continue to be skewed to the second half of the year, with the Group earning approximately one-third of its profits in the first half and two-thirds in the second half.

As outlined in previous years, due to the increasing scale of digital media purchases within the Group's Media Investment Management businesses and of direct costs in Data Investment Management, net sales is the more meaningful and accurate reflection of top-line growth, although currently, only one of our competitors reports net sales.

Net sales are a more appropriate measure because Data Investment Management revenue includes pass-through costs, principally for data collection, on which no margin is charged. In addition, the Group's Media Investment Management sub-sector is increasingly buying digital media for its own account on a transparent opt-in basis and, as a result, the subsequent billings to clients have to be accounted for as revenue, as well as billings.

Containment of operating costs continues

During 2016, the Group continued to manage operating costs effectively, with improvements across most cost categories, particularly staff and property costs.

Headline operating costs rose by 16.8%, rose by 7.0% in constant currency and by 2.7% like-for-like. On all bases, the growth in costs was lower than the growth in revenue and net sales.

On a like-for-like basis, the average number of people in the Group, excluding associates, in 2016 was 132,657 compared to 132,315 in 2015, an increase of 0.3%. On the same basis, the total number of people in the Group, excluding associates, at 31 December 2016 was 134,341 compared to 134,479 at 31 December 2015, a decrease of 138 or 0.1%. This reflected the transfer of a further 250 staff to IBM in the first half of 2016, as part of the strategic partnership agreement and IT transformation program, together with the continuing sound management of headcount and staff costs in 2016 to balance revenue and costs. On the same basis, revenue increased 3.0% and net sales 3.1%.

Reported staff costs, excluding incentives, increased by 17.3%, up 7.5% in constant currency. Incentive payments amounted to £367 million ($486 million), which were 14.9% of headline operating profit before incentives and income from associates, compared with £331 million ($505 million) or 16.2% in 2015. Achievement of target, at an individual company level, generally generates 15% of operating profit before bonus as an incentive pool, 20% at maximum and 25% at super maximum.

On a reported basis, operating margins, before all incentives and income from associates, were 19.9%, up 0.6 margin points, compared with 19.3% last year. The Group's staff costs-to-net sales ratio, including severance and incentives, decreased by 0.4 margin points to 62.8% compared to 63.2% in 2015, indicating increased productivity.

As a result of all this, headline PBIT was up almost 22% to £2.160 billion, over £2 billion for the first time, from £1.774 billion and up well over 8% in constant currencies.

In 2016, the Group generated exceptional gains of £277 million, largely representing re-measurement gains in relation to the Group's interest in Imagina and gains on the sale of the Group's interest in Grass Roots. These were partly offset by investment write-downs of £86 million, resulting in a net gain of £191 million, which in accordance with prior practice, has been excluded from headline profit. The Group took a £27 million restructuring provision, primarily IT Transformation costs, resulting in a net exceptional gain of £164 million. After all these gains and restructuring costs, reported PBIT rose by almost 26% to £2.113 billion from £1.679 billion, up 12% in constant currencies.

Net finance costs (excluding the revaluation of financial instruments) were up 14.8% at £174.1 million, compared with £151.7 million in 2015, an increase of £22.4 million. This is due to the weakness in sterling resulting in higher translation costs on non-sterling debt, the cost of higher average net debt and lower income from investments, all partially offset by the beneficial impact of lower bond coupon costs resulting from refinancing maturing debt at cheaper rates.

The Group's headline tax rate was 21.0% (2015 19.0%) and on reported profit before tax was 20.6% (2015 16.6%). The tax charge includes the release of provisions following the successful resolution of a number of tax matters during the year. The headline tax rate for 2017 is expected to be around 1% higher than 2016. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase slightly over the next few years. Reported profit after tax rose by almost 21% (over 7% in constant currencies) to £1.502 billion.

Diluted headline earnings per share rose by almost 21% to 113.2p from 93.6p. In constant currencies, earnings per share on the same basis rose by almost 8%. Reported diluted earnings per share rose by over 22% to 108.0p from 88.4p and increased well over 8% in constant currencies.

A record year, but not without challenges

The Group's record performance in 2016, its sixth record year in a row, was achieved despite a generally low global growth, or tepid, environment. Top-line growth remained strong, with operating profits and margins meeting and exceeding targets and all regions and sectors showing growth on almost all metrics.

> **“India remains the one BRIC star currently continuing to shine”**

Generally, the world seems trapped currently in a nominal GDP growth range of 3.5-4.0%. Historically, the BRICs or Next 11, located in Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe offered higher growth rates. After all, that is where the next billion consumers will come from. However, in the last few years Brazil, Russia and China have all faced various challenges and slowed, although India remains the one BRIC star currently continuing to shine. Whilst that diminishing growth gap has been countered somewhat by better prospects in the Next 11, CIVETS and MIST markets like Mexico, Colombia, Vietnam, Indonesia, the Philippines and Egypt, the growth rates of the mature markets of the US, the UK and Western Continental Europe have also improved, albeit from relatively low levels of growth.

That continues to be the case with the short to medium prospects in the US, at least, strengthening under the Trump administration, which is much more strongly pro-business, much more business-connected than the Obama administration, outlining planned pro-growth tax, infrastructure investment, spending and regulatory reform. The prospects in the UK are more mixed as the post-Brexit vote scenarios will play out over the next two years and uncertainties about the possible outcomes increase. Three of the four leading Western Continental European economies, Germany, France, Italy and Spain face elections or electoral uncertainty. Greece and Portugal also face continued economic uncertainty, and ECB Governor Mario Draghi's probable retirement in 2018/19 may bring policy uncertainty, although Germany and Spain are strengthening financially.

In these circumstances, clients face challenging top-line growth opportunities and uncertainties. And although inflation may pick up in the US because of stimulative economic policy and in the UK because of the weakness of sterling, generally inflation remains at low levels, resulting in limited pricing power. As a result, there remains considerable focus on the short-term and cost and the finance and procurement functions are dominant, certainly equal or more powerful than marketing, rightly or wrongly.

In addition, if you are running a legacy business, you are faced with three simultaneous discombobulating forces – technological disruption from disintermediators, those like Uber or Airbnb in the transportation and hospitality industries; the zero-based budgeting techniques of companies like 3G Capital, Reckitt Benckiser and Coty in consumer packaged goods and Valeant and Endo in the pharmaceutical industries (although their models have become somewhat discredited); and, finally, the attentions of activist investors such as Nelson Peltz, Bill Ackman or Dan Loeb.

> **“Our 10-year experience of measuring brand valuation shows that the strongest innovators and strongest brands generate the strongest top-line growth and total shareholder returns”**

Not helping either in focusing on the long-term, is the average term life of S&P 500 and FTSE 100 CEOs at 6-7 years, CFOs at 4-5 years and CMOs at 2-3 years. As a result, it is not surprising that since Lehman at the end of 2008, the combined level of dividend payments and share buy-backs as a proportion of retained earnings at the S&P 500 has steadily risen from around 60% of retained earnings to over 100%. In effect, managements are abrogating responsibility for reinvesting retained profits to their institutional investors. In fact, in seven of the last eight quarters the ratio has exceeded or almost reached 100%, tapering off in the last two quarters as stock market indices and share prices reached new highs and the relative attraction of buy-backs lessened.

This emphasis on the short-term and consequent disinclination to invest for the long-term may be misplaced. Our over 10-year experience of measuring brand valuation clearly shows that the strongest innovators and strongest brands generate the strongest top-line growth and total shareholder returns. If you had invested equally over the last decade in the top 10 brands identified by our annual *Financial Times*/Millward Brown *BrandZ Top 100 Most Valuable Global Brands* survey, you would have outperformed the S&P 500 Index by over 70% and the MSCI by over four times. Investing in innovation and strong brands yields enhanced returns. Perhaps, surprisingly, corporate structures that seem to offend customary good corporate governance may deliver better long-term results. Controlled companies like the Murdochs' Newscorp and Fox or the Roberts' Comcast or Zuckerberg's Facebook or Brin and Page's Google or, now, Spiegel's Snap may provide the confidence and stability needed to take the appropriate level of risk.

Given this macroeconomic background, it is not surprising that clients are generally grinding it out in a highly competitive ground game, rarely resorting to a passing game or Hail Marys. Recently, reported calendar 2016 results generally reflect this, for example, in the auto, retail, consumer packaged goods and pharmaceutical industries. Although top-line growth may be hard to find and guidance missed or just met, bottom lines are met or exceeded. As top-line growth opportunities become more and more pressurised, acquisitions and mergers become even more attractive as a growth opportunity, particularly if they present opportunities for significant cost synergies and relatively unleveraged balance sheets can be supplemented by still historically low-cost long-term debt.

Our industry is no different. Competition is fierce and as image in trade magazines, in particular, is crucial to many, account wins at any cost are paramount. There have been several examples recently of major groups being prepared to offer clients up-front discounts as an inducement to renew contracts, heavily reduced creative and media fees, extended payment terms, unlimited indirect liability for intellectual property liability and cash or pricing guarantees for media purchasing commitments, although the latter are difficult for procurement departments to measure and monitor. As some say, you are only as strong as your weakest competitor. These practices cannot last and will only result eventually in poor financial performance and further consolidation, the premium being on long-term profitable growth.

Not surprising then that your Company's top-line revenue and net sales organic growth continues to hover around the 3%+ level and on a cumulative basis for the last two years over 6%, as it has done in previous sets of consecutive years. In the first half of 2016, growth was around 4%, due to weaker comparatives and in the second half at around 2% due to stronger comparatives.

Outlook for 2017

2017 is unlikely to be much different. There seems little reason for an upside breakout in growth in terms of worldwide GDP growth, or indeed a downside breakout, despite the possibility of an increase in interest rates in the short-term. Interest rates are likely to continue to remain at historically low relative levels, longer than some think. Whilst Trumponomics may well result in an increase in the US GDP growth rate and the US is the biggest ($18 trillion) GDP engine out of a total of $74 trillion worldwide, political uncertainties in Europe, West and East, the Chinese focus on qualitative growth and the longer-term recovery of Latin America, probably mean that stronger growth will be harder to find outside the US. America First, if the new Administration's plans are implemented, will almost definitely mean a stronger American economy, at least in the short- to medium-term.

2017 is neither a maxi- or mini-quadrennial year, although it will be somewhat influenced by the build-up for the Pyeongchang Winter Olympics, FIFA World Cup in Russia and the mid-term Congressional elections, all in 2018. Nominal GDP growth should continue to grow in the 3.5-4% range, with advertising as a proportion remaining constant overall, with mature markets continuing at lower than pre-Lehman levels, counter-balanced by under-branded faster growth markets growing at faster rates. In our own case, budgets indicate top-line revenue and net sales growth of around 2%, reflecting the impact of a lower net new business record in the latter part of 2016, although new business activity and conversion rates currently remain high.

Our prime focus will remain on growing revenue and net sales faster than the industry average, driven by our leading position in horizontality, faster-growing geographic markets and digital, premier parent company creative and effectiveness position, new business and strategically targeted acquisitions.

At the same time, we will concentrate on meeting our operating margin objectives by managing absolute levels of costs and increasing our flexibility in order to adapt our cost structure to significant market changes and by ensuring that the benefits of the restructuring investments taken in 2015 and 2016 continue to be realised.

The initiatives taken by the parent company in the areas of human resources, property, procurement, information technology and practice development continue to improve the flexibility of the Group's cost base. Flexible staff costs (including incentives, freelance and consultants) remain close to historical highs of above 8% of net sales and continue to position the Group extremely well should current market conditions deteriorate.

"Our prime focus will remain on growing revenue and net sales faster than the industry average"

The budgets for 2017 have been prepared on a cautious basis as usual (hopefully), but continue to reflect the faster-growing geographical markets of Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe and the faster-growing functional sub-sector of direct, digital and interactive, with a stronger second half of the year, reflecting the 2016 comparative. Our 2017 budgets show like-for-like revenue and net sales growth of around 2% and a target net sales margin improvement of 0.3 margin points excluding the impact of currency.

At the time of writing, we have revenue and profit data for the first two months of 2017. The Group has had a relatively slow start to the year, with like-for-like revenue growth up 0.3% in the first two months and net sales up 0.4% on the same basis, against stronger comparatives last year. Operating margins are ahead of budget for the first two months of the year.

All regions and sectors, except North America and Data Investment Management, showed revenue and net sales growth, with Public Relations & Public Affairs, digital, direct and interactive and the Specialist Communications businesses up the strongest. These trends are in line with our budgets, which also indicate a stronger rate of growth in the second half of the year.

Horizontality

Including associates and investments, the Group currently employs over 205,000 full-time people in over 3,000 offices covering 112 countries, now including Cuba and Iran, although in the latter case only through affiliations, because of effectively continuing sanctions. It services 360 of the Fortune Global 500 companies, all 30 of the Dow Jones 30, 78 of the NASDAQ 100 and 892 national or multinational clients in three or more disciplines. 596 clients are served in four disciplines and these clients account for over 53% of Group revenue.

> **"The Group continues to improve co-operation and coordination among its operating companies... an objective which has been specifically built into short-term incentive plans"**

These statistics reflect the increasing opportunities for coordination and co-operation or horizontality between activities, both nationally and internationally, and at a client and country level. The Group also works with 462 clients in six or more countries. The Group estimates that well over a third of new assignments in the year were generated through the joint development of opportunities by two or more Group companies. Horizontality across clients, countries and regions and on which the Group has been working on for many years, is clearly becoming an increasingly important part of our client strategies, particularly as clients continue to invest in brand in slower-growth markets and both capacity and brand in faster-growth markets.

The Group continues to improve co-operation and coordination among its operating companies in order to add value to our clients' businesses and our people's careers, an objective which has been specifically built into short-term incentive plans. We have decided that up to half of operating company incentive pools are funded and allocated on the basis of Group-wide performance in 2016 and beyond. Horizontality has been accelerated through the appointment of 48 Global Client Leaders for our major clients, accounting for over one third of total revenue of almost $20 billion and Regional, Sub-Regional and Country Managers in a growing number of test markets and sub-regions, covering about half of the 112 countries in which we operate.

Emphasis has been laid on the areas of media investment management, healthcare, sustainability, government, new technologies, new markets, retailing, shopper marketing, internal communications, financial services and media and entertainment. The Group continues to lead the industry, in coordinating communications services geographically and functionally through parent company initiatives and winning Group pitches.

Whilst talent and creativity (in the broadest sense) remain key potential differentiators between us and our competitors, increasingly differentiation can also be achieved in three additional ways – through application of technology, for example, Xaxis, AppNexus and Triad; through integration of data investment management, for example, Kantar and comScore (now merged with Rentrak); and through investment in content, for example, Imagina, VICE, Media Rights Capital, Fullscreen, Imagine Entertainment, Indigenous Media, China Media Capital, Bruin Sports Capital and Refinery29.

In addition, strong and considered points of view on the adequacy of online and, indeed, offline measurement, on viewability, on internet fraud and transparency, on online media placement and brand safety and, finally, on fake news are all examples where further differentiation is important and can be secured through considered initiatives. With its leadership position, as the world's largest media investment management operation, GroupM has developed a strong united point of view with its leading clients and associates, like AppNexus, in all these areas and has aligned with Kantar's data investment management capabilities, for example, through comScore, to provide better capabilities. These philosophical differences and operational capabilities are extremely effective in responding to the trade association and regulatory issues that have been raised recently.

Four core strategic priorities

Our reason for being, the justification for WPP's existence, continues to be to add value to our clients' businesses and our people's careers. Our goal remains to be the world's most admired, creative and respected communications services advisor to global, multinational, regional and local companies.

To that end, we have four core strategic priorities, as presented on pages 18 and 19.

1. Advance the practice of 'horizontality' (connected know-how) by ensuring our people work together for the maximum benefit of clients: through cross-Group Communities and Practices, Global Client Teams, and Regional, Sub-Regional and Country Managers.

2. Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45% of revenues.

3. Increase the share of revenues from new media to 40-45% of revenues.

4. Maintain the share of more measurable advertising and marketing services – such as data investment management and direct, digital and interactive – at 50% of revenues, with a focus on the application of technology, data and content.

If we implement this strategy effectively then our business will be geographically and functionally well-positioned to compete successfully and to deliver on our long-term financial targets:

- Revenue and net sales growth greater than the industry average.
- Annual improvement in net sales margin of 0.3 margin points or more, excluding the impact of currency, depending on net sales growth and staff cost-to-net sales ratio improvement of 0.2 margin points or more.
- Annual diluted headline EPS growth of 10% to 15% delivered through revenue and net sales growth, margin expansion, acquisitions and share buy-backs.

Our six specific objectives

Here are six objectives which represent our key performance indicators (KPIs). For an assessment of how we performed against them in 2016, read on.

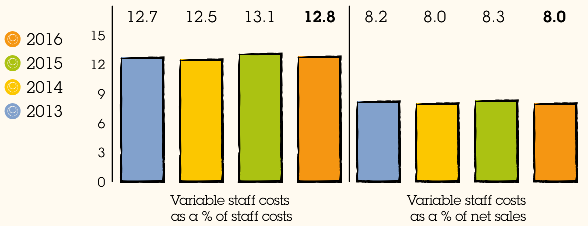
1. Continue to improve operating margins on net sales.
2. Increase flexibility in the cost structure.
3. Use free cash flow to enhance share owner value and improve return on capital employed.
4. Continue to develop the value added by the parent company.
5. Emphasise revenue and net sales growth more as margins improve.
6. Improve still further the creative capabilities and reputation of all our businesses.

1 First, to continue to improve operating margins. In 2016, we achieved an industry-leading margin of 17.4% on net sales.

We continue to believe a margin of well over 19% on net sales, is a tough, but realistic, objective given that our best-performing companies in each services sector have already demonstrated they can perform at a combined Group margin of 18% on net sales. The Group has embarked on a number of programs to improve operational effectiveness including process simplification, shared service centres, offshoring certain tasks to lower-cost markets and, where appropriate, outsourcing. We are consolidating IT infrastructure and services, and centralising systems development and applications to create efficiencies and focus investment. These programs are projected to deliver a 1.0 margin point benefit (excluding the impact of currency) over the course of the next two to four years.

2 Second, to increase flexibility in the cost structure. In 2016, flexible staff costs (including incentives, freelance and consultants) remained close to historical highs of above 8% of net sales and continue to position the Group extremely well should current market conditions deteriorate.

Change in variable costs %



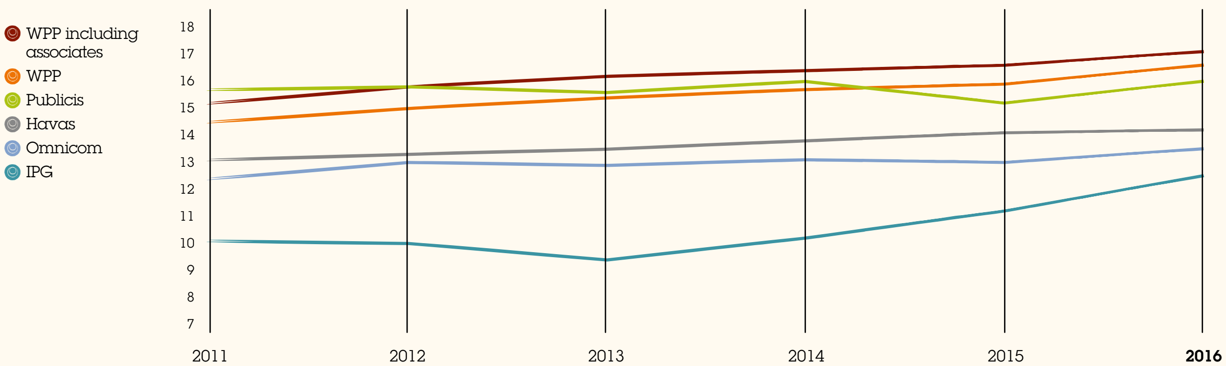
3 Third, to enhance share owner value and maximise the return on investment on the Company's substantial free cash flow of almost £1.6 billion (or almost $2.2 billion) per annum. As capital expenditure remains relatively stable, our focus is on the alternative uses of funds between acquisitions, share buy-backs and dividends. We have increasingly come to the view that, currently, the markets favour consistent increases in dividends and higher sustainable payout ratios, along with anti-dilutive progressive buy-backs and, of course, sensibly-priced, small- to medium-sized strategic acquisitions.

Mergers and acquisitions. There is still a very significant pipeline of reasonably priced small- and medium-sized potential acquisitions, with the exception perhaps of digital in the US, where prices seem to have got ahead of themselves because of pressure on competitors to catch up. This is clearly reflected in some of the operational issues that are starting to surface elsewhere in the industry, particularly in fast-growing markets like China, Brazil and India.

Our acquisition focus in 2016 was again on the triple play of faster-growing geographic markets, new media and data investment management, including the application of technology, data and content, totally consistent with our strategic priorities in the areas of geography, new communication services and measurability. In 2016, the Group spent over £600 million on initial acquisition payments, net of cash acquired and disposal proceeds. Net acquisition spend is currently targeted at around £300 to £400 million per annum, excluding slightly more significant 'one-offs', like IBOPE in Latin America, comScore and Triad. We will continue to seize opportunities in line with our strategy.

Dividends. As outlined in the June 2015 AGM statement, the achievement of the previously targeted payout ratio of 45% one year ahead of schedule, raised the question of whether the payout ratio target should be increased further. Following that review, your Board decided to up the dividend payout ratio to a target of 50%, to be achieved by 2017, and, as a result, declared an increase of almost 23% in the 2016 interim dividend

Headline operating margins[1] vs peers %



[1] Based on headline operating profit as a proportion of net sales as defined on page 234, excluding share of results of associates. As our competitors do not disclose net sales, competitor operating margins have been calculated on a revenue basis, and sourced from relevant public filings.

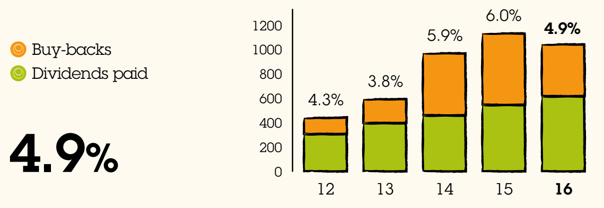
to 19.55p per share, representing a payout ratio of 50% for the first half. This had the effect of evening out the payout ratio between the two half-year periods and consequently balancing out the dividend payments themselves, although the pattern of profitability and hence dividend payments seems likely to remain one-third in the first half and two-thirds in the second half.

> **"Our acquisition focus was again on the triple play of faster-growing geographic markets, new media and data investment management"**

Given your Company's strong progress, your Board proposes an increase of almost 29% in the final dividend to 37.05p per share, which, together with the interim dividend of 19.55p per share, makes a total of 56.60p per share for 2016, an overall increase of almost 27%. This represents a dividend payout ratio of 50%, compared to a payout ratio of 47.7% in 2015, reaching the recently targeted payout ratio of 50% one year ahead of schedule. Dividends paid in respect of 2016 will total approximately £720 million for the year.

Your Board will continue to review the question of whether the dividend payout ratio should be further increased, particularly given the continuing attractive opportunities to reinvest retained earnings in the business.

Distributions to share owners[1] £m



[1] Sum of share buy-backs and dividends paid divided by average shares in issue for the relevant period, as a percentage of the average share price for the relevant period.

Share buy-backs. They continue to be targeted to absorb any share dilution from issues of options or restricted stock. However, given the net sales margin target of 0.3 margin points improvement, the targeted level of share buy-backs will be 2-3% of the outstanding share capital. If achieved, the impact on headline diluted EPS would be equivalent to an incremental improvement of 0.2 margin points.

In addition, the Company also has considerable free cash flow to take advantage of any anomalies in market values, particularly as the average 2016 net debt-to-EBITDA ratio was under 1.8 times, at the mid-point of our market guidance of 1.5-2.0 times. Share buy-backs in 2016 cost £427 million, representing 2.0% of issued share capital.

In 2016, funds returned to share owners were over £1.0 billion. In the last five years, £4.2 billion has been returned to share owners and, over the last 10 years, £5.9 billion.

4 Fourth, we will continue to develop the value added by the parent company and build unique integrated marketing approaches for clients. WPP is not just a holding company focused on planning, budgeting, reporting and financial issues, but a parent company that can add value to our clients and our people in the areas of human resources, property, procurement, IT and practice development, including sustainability. We will continue to do this through a limited group of 400 or so people at the centre in London, New York, Hong Kong, Singapore, Shanghai and São Paulo. This does not mean that we seek to diminish the strength of our operating brands, but rather to learn from one another. Our objective is to maximise the added value for our clients in their businesses and our people in their careers.

Many of our initiatives are possible because of the scale on which we now operate. In the optimum use of property, in IT and in procurement generally, we are able to achieve efficiencies that would be beyond the reach of any individual operating company. But it is also clear that there is an increasing requirement for the centre to complement the operating companies in professional development and client coordination. It is a relatively recent development for certain multinational marketing companies, when looking to satisfy their global communications needs, to make their initial approach not to operating companies, but directly to holding or parent companies.

Such assignments present major, and increasingly frequent, opportunities for the few groups of our size. It is absolutely essential that we have the professional resources and the practice development capability to serve such clients comprehensively, actively and creatively.

Initiatives involving some of the world's largest marketers continue to gain momentum. The world's largest advertiser is itself integrating its efforts around brands, in the areas of advertising, media investment management, market research, packaging design and public relations. For our largest client, amongst others, we have implemented a seamless model, effectively a one-client agency within our Group. All our clients, whether global, multinational or local, continue to focus on the quality of our thinking, coordination of communications and price. In response, we focus on talent, structure and incentives.

Managing talent is the priority

Talent and its management therefore remain at the heart of our reason to be: that is what our clients pay us for. Development of our people and the way we manage that talent is a critical determinant of performance and one on which we continue to make significant progress.

In developing highly-competitive incentives combined with extremely attractive working environments, we increasingly differentiate ourselves from our competitors and improve the attractiveness of WPP companies as destinations for talent. Our quarterly reviews with the operating companies are structured to give time and attention to talent and to clients. Our recruiting efforts throughout 2016 were fruitful as we successfully targeted and recruited top talent within and beyond our industry, often competing with investment banking, management consulting, new media and private equity offers. The war for talent is fierce and will intensify further and with lower birth rates forecast we need to ensure we are an attractive employer for a young workforce.

The blueprint for our executive development curriculum has been completed. Our flagship client leadership training program, *Maestro*, now in its 14th year, continues to help us strengthen the effectiveness and confidence of senior client practitioners and to achieve horizontality in our ways of working. The parent company and each of our operating companies have installed their own approach to performance assessment and succession planning, aimed at developing the careers of their people, improving the quality of feedback, coaching and mentoring they receive and providing for orderly succession.

A diverse workforce is more collaborative, creative and effective and there is clear evidence that businesses with greater diversity in their leadership perform better than the competition. We continued to make diversity a focus during 2016, particularly as we continue to face challenges, including our senior leadership programs such as 'The X Factor', which prepares women for the next level of leadership in the Group, as well as the work of our WPP Stella women's network in the UK (page 162) and initiatives such as Walk the Talk, an intensive coaching program for women that began at Maxus and is being adopted in other parts of the Group. Women now account for 54% of our employees and 34% of our executive leaders, the latter which is clearly not good enough.

"There is clear evidence that businesses with greater diversity in their leadership perform better than the competition"

In 2011, your Company teamed up with the Shanghai Art & Design Academy to establish the WPP School of Marketing and Communications. This jointly-run school offers China's first professional marketing and communications three-year diploma program. In 2015, WPP partnered with the Indian School of Design and Innovation to offer a three-year undergraduate course on marketing communications; and, in 2016, your Company announced the launch of the WPP Africa Academy in Johannesburg, South Africa, in collaboration with the Red & Yellow School of Logic and Magic. This initiative enables WPP companies across Africa to access high quality, relevant and cost-effective training programs for their agency people. Now WPP and Ogilvy UK are partners in Pearson Business School's new Rotational Degree Apprenticeship program, an alternative to traditional degree courses and a new approach for education in the UK.

After more than 20 years, the WPP Fellowship program remains (surprisingly) the only multidisciplinary and multi-geographical recruitment and training initiative in the industry, with a lower acceptance rate than Harvard Business School's MBA program. 194 Fellows have gone through or are participating to date. This is just one of the ways we seek to attract the next generation of diverse talent into our industry – across the Group our companies offered over 6,400 paid internships and apprenticeships in 2016.

To be successful in our industry requires us to offer competitive compensation that allows us to attract the best talent and then ensure we reward them for their achievements and retain them for the long-term benefit of the Group. We do this by ensuring that our compensation levels are aligned to competitors (which is becoming increasingly difficult, particularly against US competitors) and the range of benefits we provide is attractive and designed to meet the needs of all our people.

Communications

At the heart of our internal communications activity is the sharing of company news, information, connections and thinking within and across the Group to promote an understanding of our constituent parts, to demonstrate our collective thought leadership and, specifically, to support WPP's focus on horizontality. We do this through our multi-awarded quarterly global newspaper and ebook, *The WIRE*; regular internal emails, regional communicators' meetings and company FactFiles; the promotion of Group initiatives such as the Atticus Awards, BrandZ studies and WPP Partnership Awards; and our intranet content. The Group intranet now holds an extensive database of WPP talent, as well as a comprehensive range of business and personal development resources.

We aim to be a model of excellence in our external communications, through our social media channels, website content and in print. These include: frequent tweets on noteworthy matters; our monthly public news ebulletin; topical articles by the WPP CEO in global and national media; our proprietary BrandZ studies; our annual *Atticus Journal* of original thinking in communications services; WPPED Cream creative winners; and our consistently-awarded Sustainability Reports and Annual Reports. In the first quarter of 2017, wpp.com was ranked in the top five of 500 corporate websites assessed for accessibility by SiteMorse.

Property management

In 2016, the Group's property portfolio increased by approximately 1% to 24.2 million square feet, reflecting the impact of space acquired through acquisitions (including 0.4 million square feet following the merger with STW Communications Group Limited in Australia), partly offset by the benefit of more 'agile working', supported by more technology in the office environment. Establishment costs increased by 5.8% on a constant currency basis, which compares with net sales growth on the same basis of over 7% and average headcount growth of over 6%. As a result, the establishment cost-to-net-sales ratio dropped by 0.2 margin points (for the second consecutive year) to 6.7%, contributing substantially to the Group's overall margin improvement.

We have also ensured our new buildings are designed to focus on sustainability and we look to achieve BREEAM Very Good in the UK and LEED Gold in the US and similar standards elsewhere. Our operating companies' workplaces continue to be cited for their creativity, innovation and effectiveness.

2016 saw the completion of our Shanghai WPP Campus colocation, housing more than 3,000 of our people, the shared space at Sea Containers House in London housing 2,300 people, and the renovation of our shared space on Lexington Avenue in New York. These new colocation projects all meet our new planning standards and support our horizontality goal. Longer-term colocation projects are in the planning stage for New York, São Paulo, Amsterdam, Milan, Lisbon and central Madrid, where the former Telefónica building will house more than 30 Group companies and 2,500 people.

> **"Our operating companies' workplaces continue to be cited for their creativity, innovation and effectiveness"**

Our goal is to continue to deliver excellent workspace, while reducing the portfolio further and so mitigate the impact of property inflation. Our focus on continuing to reduce the establishment cost-to-net-sales ratio will help the Group achieve its margin targets for 2017, and beyond.

Procurement

In procurement, our goal is to make savings, add value and minimise risk across all of WPP's external spend, with particular emphasis on opportunities to leverage our scale to the benefits of our clients and our companies.

In 2016, we continued to implement and develop a spend analytics system, which now provides supplier-level and category visibility of over $5 billion of external spend, across 15 of our largest markets around the world. Capturing and making sense of 'big data' is increasingly driving procurement opportunity assessment and new project activities across the Group.

For 2017, we will continue our focus on the key drivers of supplier cost, combined with an increased emphasis on internal demand management (what we buy, why we buy and how we buy). For indirect procurement, our goal remains to have a minimum of 50% supplier spend in each major country covered by WPP preferred suppliers and contracts, and for these preferred suppliers to work with us to deliver year-on-year value improvement.

Information technology

2016 was the second year of our multi-year program to transform the Group's IT capability. In June 2016, we commissioned four new regional world-class cloud-enabled data centres and have begun to transfer our legacy server estate into these new facilities, along with the rollout of tooling to enable the remote management of our servers, PCs and network estate.

Continuing to support horizontality and the enablement of WPP's finance shared services strategy, we completed the build of our new core ERP system, with the first deployments scheduled to go-live from the second quarter of 2017.

In 2016, we strengthened our strategic partnership with Adobe, with a global agreement to deploy Adobe's creative cloud technology throughout our agencies to support creativity, collaboration and horizontality.

Practice development

In practice development, we continue to develop horizontal initiatives in a focused set of high-potential areas across our vertical operating brands: in Media Investment Management, healthcare, sustainability, government, new technologies, new markets, retailing, shopper marketing, internal communications, financial services and media and entertainment. Specifically, we continue to invest in sharing insights and developing initiatives through WPP Digital (in digital marketing and media), The Store (in distribution and retail), our Government & Public Sector Practice, WPP Health & Wellness and The WPP Sports Practice.

In key geographic markets we are increasingly coordinating our activities through WPP Regional, Sub-Regional and Country Managers. We continue to believe that increasing coordination is required between our brands at global and country levels, as the arguments for investment in regional management become weaker, partly because of improved technology and client reorgansation to achieve cost reduction. In addition, we have increased the number of WPP Global Client Leaders to coordinate our efforts on behalf of clients and to ensure they receive maximum benefit from their relationships with WPP regional operating brands.

> **"We continue to believe that increasing coordination is required between our brands at global and country levels"**

Furthermore, we continue to encourage internal strategic alliances and promote co-operation. Practice development initiatives have therefore been reinforced in such areas as healthcare, retail, internal communications, corporate sustainability and media and entertainment.

This has been especially important in developing our portfolio of direct investments in new media under WPP Digital and WPP Ventures and where our investments are working with our agencies and people to bring new technology capabilities and understanding to our clients.

All these initiatives are designed to ensure that we, the parent company, really do (as well as being perceived to) inspire, motivate, coach, encourage, support and incentivise our operating companies to achieve their strategic and operational goals.

5 Fifth, to emphasise revenue and net sales growth more as margins improve. One legitimate criticism of our performance against the best-performing competition has been our comparative level of organic revenue growth, although the methods used to calculate rates of organic growth 'vary' to say the least and we may have put too much emphasis on margin improvement, where we outperform. Like-for-like revenue growth of 3.0% and net sales growth on the same basis of 3.1% was (we believe) more than respectable. Our net sales margin was up 0.5 margin points to an industry-leading 17.4%. We continue to believe that profitable growth is preferable to sacrificing margins.

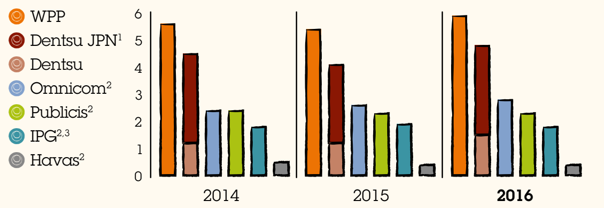
Estimated net new business billings of £4.4 billion ($6.8 billion) were won in the year, continuing the good performance seen in the first nine months, although comparatively weaker in the fourth quarter, following the particularly successful media wins in the final quarter of 2015. Generally, the Group continues to benefit from consolidation trends in the industry, winning assignments from existing and new clients, including several very large industry-leading advertising, digital, media, pharmaceutical and shopper marketing assignments, which partly benefited the latter half of 2016, although offset, to some extent, by a couple of significant media losses. There is, probably, more sizeable net new business to come, reflecting the Group's differentiation in horizontality, technology, data and content.

Our acquisition activities are also aimed at helping us position our portfolio in the faster-growing geographic and functional areas. The Group completed 56 transactions in the year: 20 acquisitions and investments were in new markets; 38 in quantitative and digital; and 10 were driven by individual client or agency needs. Out of all these transactions, 12 were in both new markets and quantitative and digital.

Specifically, in 2016, acquisitions and increased equity stakes have been completed in Advertising and Media Investment Management in the US, Canada, the UK, Turkey, Argentina, Brazil and Ecuador; in Data Investment Management in the US, Denmark, Greece, India and New Zealand; in Public Relations & Public Affairs in Canada, Switzerland, Turkey, Kenya, India and Brazil; in Branding & Identity in the Netherlands and Hong Kong; in direct, digital and interactive in the US, the UK, France, Germany, the Netherlands, Turkey, China, Singapore, South Korea, Brazil, Colombia and Mexico; in Healthcare Communications in the US; and in sports marketing in the US.

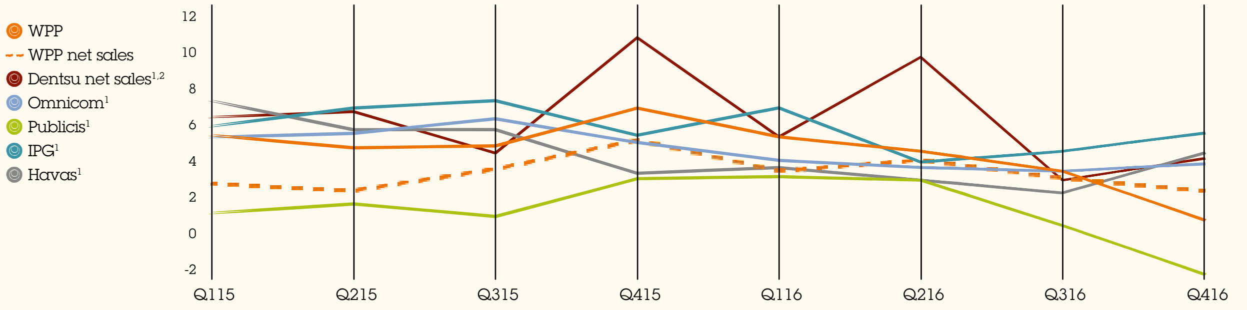
A further seven acquisitions and investments were made in the first two months of 2017, with three in Advertising and Media Investment Management; two in Data Investment Management; and two in direct, digital and interactive.

Revenue in faster-growing markets 2014-2016
$bn



[1] Dentsu revenue reported in Japan.
[2] Peer data sourced from annual results translated at average exchange rate for the year and assumed non-Euro countries in Europe are 3% of revenue.
[3] Assumed Canada is 1.5% of revenue.

Organic revenue growth vs peers %



[1] Peer data sourced from company presentations.
[2] Prior periods have been restated to reflect the transition from Japanese GAAP to IFRS.

These acquisitions continue to target our previously-described strategic priorities; expanding the share of revenues of our businesses in Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45%; in new media to 40-45%; and in Data Investment Management, direct, digital and interactive, to one-half.

Expansion plans

We intend to expand our strong networks – J. Walter Thompson Worldwide, Ogilvy, Y&R, Grey, Scangroup, Mindshare, MEC, MediaCom, Maxus, tenthavenue, Kantar, Hill+Knowlton Strategies, Burson-Marsteller, Cohn & Wolfe, Brand Union, Landor, FITCH, WPP Health & Wellness, Wunderman, Geometry Global, POSSIBLE and AKQA – in high-growth markets or where their market share is insufficient.

We will also enhance our leadership position in Data Investment Management by further development of our key brands with particular emphasis on North America, Asia Pacific, Latin America and Continental and Eastern Europe. We will continue our growth of data panels and have established a Kantar-wide operational capability. We will reinforce our growing position in media research through Kantar Media and Kantar IBOPE Media. This includes our investments in television and internet audience research and Marktest, Finpanel and CSM/CTR, which on a combined basis is the market leader outside North America. With our licensee partners in Europe and Asia Pacific, we currently measure television and/or internet audiences in 52 markets around the world.

In addition, we intend to reinforce our worldwide strength in digital marketing and data through our traditional channels such as Wunderman, Ogilvy, Geometry Global, Blanc & Otus and Lightspeed. We will also invest directly in new channels through start-ups, particularly as US valuations in search, for example, are still prohibitive. Other opportunities will be sought to enhance our online capabilities.

Lastly, we will continue to develop our specialist expertise in areas such as healthcare, retail and interactive and to identify new high-growth areas.

Creativity remains paramount

6 Sixth, to build on, still further, the impressive creative reputation WPP now enjoys globally.

The creative capability of the Group is led by John O'Keeffe, WPP's worldwide creative director. John reminds us constantly that while many issues facing WPP are very important – margin growth, acquisitions, geographical spread and the like – the creative quality of the work will always be priority No.1. We live or die by the ideas we deliver to our thousands of clients: design ideas, media and digital ideas, consumer insights and, of course, Kantar Millward Brown's influential BrandZ studies which is being combined with Y&R's equally influential BrandAsset® Valuator.

Training and development programs remain a key focus, as of course does the judicious use of our M&A skills to identify the best and most like-minded creative businesses to join us.

In 2016, we celebrated our 10th annual internal WPPED Cream awards, showcasing what we consider our very best work. wppedcream.com is a key online destination website for anyone searching for the very best in marketing creative excellence.

For those of us concerned with marketing that actually works, it's common to say that, in order to be effective, you need to be creative. Maybe we should start saying that in order to be creative you need to be effective. Because we do appear to have proven both tenets. For a record sixth time in a row, our peers across the entire industry voted WPP Creative Holding Company of the Year at the Cannes International Festival of Creativity and Ogilvy for the fifth consecutive year as the most creative agency network. Four WPP agency networks, Ogilvy, Y&R, Grey and J. Walter Thompson Worldwide finished in the top seven networks at Cannes in 2016, in positions one, three, six and seven respectively, an outstanding achievement. Grey New York and INGO Stockholm were also voted the second and third most creative agencies in the world. For the fifth consecutive year, WPP was named Most Effective Holding Company in the Effie Global Effectiveness Index, with Ogilvy ranked the most effective agency. For the third consecutive year, WPP was ranked the World's Top Holding Company by Warc.

Assessing and managing our risks

Risk management and internal control

We recognise that the success of the strategic objectives of the Group discussed in this report depends to a significant extent on the identification, understanding of and response to the risks that the Group faces. The Board, with support from the Audit Committee, has overall responsibility for the system of internal control and risk management in the Group. It has reviewed the design and effectiveness of the system during the year and up to the date of this report and carried out a robust assessment of the principal risks facing the Group. The system of controls described below is designed to manage or mitigate, but may not eliminate, the risks of failure to achieve WPP's strategic objectives and is not an absolute assurance against material misstatement or loss.

Control environment and culture

The quality and competence of our people, their integrity, ethics and behaviour and the culture embedded within the Group are all vital to the maintenance of the Group's system of internal control.

The Code of Business Conduct, which is regularly reviewed by the Board and was updated in 2016, sets out the principal obligations of all employees. Senior executives throughout the Group are required to sign this Code each year and all employees are required on joining the Group, and at regular intervals, to complete the WPP How We Behave, Anti-Bribery and Corruption, and Privacy & Data Security Awareness training modules, which embed all of the principles of the Code in addition to operating company training programs. The WPP Policy Book, which is updated with control bulletins, includes required practices in many operational, tax, legal and human resource areas. Breaches or alleged breaches of the Code are investigated by the director of internal audit, head of compliance, the Group chief counsel and external advisers where appropriate. Group companies are also required to follow the Data Code of Conduct and apply the Supplier Code of Conduct.

During 2017, we will launch a sustainability self-assessment questionnaire to all WPP offices to help us identify gaps in implementation focusing on governance, employment practices, environment and supply chain. The Company will use the results of the assessment to prioritise companies for further engagement including on-site assessments and training.

The Group has an independently operated helpline, Right to Speak, to enable our people to report issues that they feel unable to raise locally, and anonymously, if necessary. Through 70 calls to this helpline, a number of issues have been raised during 2016, all of which have been followed through and investigated where appropriate and reported to the Audit Committee. The Compensation Committee continues to review how the Group's performance rewards support the risk management and internal control systems. Clawback provisions were adopted in 2016 and underline the principles of the Code of Conduct.

Risk assessment

The Group uses a three lines of defence model in relation to risk management.

First, each operating company undertakes monthly and quarterly procedures and day-to-day management activities to review their operations and business risks, supported by Group policies, training and guidance on required internal controls over financial reporting and monitoring controls and reviews within their network.

Secondly, the operating network reviews are formally communicated to the Group chief executive, the Group finance director and senior parent company executives in monthly reports and quarterly review meetings and, in turn, to the Board. At each Board meeting, the Group chief executive presents a Brand Check review of each of the business' operations, including an assessment of the risk in each business, providing feedback on the business risks and details of any change in the risk profile since the last Board meeting. The Brand Check includes the possibility of winning or losing major business, succession and the addition or loss of a key executive; introduction of new legislation in an important market; sustainability, including risks relating to marketing ethics, privacy, diversity and employment; political instability and changes in accounting or corporate governance practice.

Thirdly, internal audit at the Company, with Audit Committee oversight and external resource as required, provides an independent review of risk management and internal control via internal audits and management of the testing program for SOX.

Control activities and monitoring

Policies and procedures for all operating companies are set out and communicated in the WPP Policy Book, internal control bulletins and accounting guidelines. The application of these policies and procedures is monitored within the individual businesses and by the director of internal audit, compliance functions centrally and at the operating companies and the WPP Group chief counsel and heads of legal at the operating companies.

Operating companies are required to maintain and update documentation of their internal controls and processes. This documentation incorporates an analysis of business risks, detailed control activities and monitoring, together with IT and financial controls and controls over security of data and the provision of timely and reliable information to management.

The internal audit department was responsible for reviews and testing of the documentation and the relevant controls for a majority of the Group during 2016, the results of which were reported to the Audit Committee.

Financial reporting

Each operating company annually updates a three-year strategic plan, which incorporates financial objectives. These are reviewed by the parent company's management and are agreed with the chief executive of the relevant operating company.

The Group operates a rigorous procedure for the development of operating company budgets, which build up the Group's budget. During the final quarter of each financial year, operating companies prepare detailed budgets for the following year for review by the parent company. The Group's budget is reviewed by the Board before being adopted formally. Operating company results are reported monthly and are reviewed locally, regionally and globally by the business groups and by Group management on a consolidated basis and ultimately by the Board. The results are compared to budget and the previous year, with full-year forecasts prepared and updated quarterly throughout the year.

At each year-end, all operating companies supply their full-year financial results with such additional information as is appropriate. This information is consolidated to allow the Group to present the necessary disclosures for International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the IASB.

The Disclosure Committee gives further assurance that publicly-released information is free from material omission or misstatement.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks and uncertainties affecting the Group as at 31 December 2016 and up to the date of this report and which are described in the table on the following pages. These risks relate to the Group and the industry in which we operate and the strategic decisions taken by the Board. A risk dashboard and map are discussed regularly by the the Audit committee and bi-annually by the Board.

Key:

Increased risk	
No change from last year	
Reduced risk	

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
Clients		
The Group competes for clients in a highly-competitive and evolving industry and client loss to competitors or as a consequence of consolidation in client markets or a reduction in marketing budgets due to economic conditions may have a material adverse effect on the Group's market share and its business, revenues, results of operations, financial condition or prospects.	The competitive landscape in the industry in which we operate is constantly evolving. Competitors include large multinational advertising and marketing communication companies and regional and national marketing services companies, database marketing and modelling companies, telemarketers, information and measurement, social media and professional services and advisory firms and consulting internet companies. Agreements with clients are generally terminable by the client on 90 days' notice or are on an assignment basis and many clients put their business up for competitive review from time to time. The ability to attract new clients and to retain or increase the amount of work from existing clients may be impacted by loss of reputation and be limited by clients' policies on conflicts of interest. The global economy continues to be volatile with uncertainties such as those caused by Brexit in the UK and Europe and technological disruption from disintermediators in certain sectors. In the past clients have responded to weak economic and financial conditions by reducing their marketing budgets which are easier to reduce in the short term than their other operating expenses. The risk of client loss or reduction in marketing budgets has increased.	To continue to improve the creative capability and reputation of the Group's businesses and embed an ethical culture that attracts and retains talent and clients. The Group's different agency networks limit potential conflicts of interest and the Group continues to improve co-operation and coordination across the operating companies, adding value to client businesses. The appointment of 48 Global Client Leaders for major clients and going forward half of incentive pools to be funded and allocated based on Group-wide performance. Differentiation from competitors through talent and creativity and by application of technology, integration of data investment management and investment in content. Brand Check at every Board meeting to identify the potential risk of client loss.
The Group receives a significant portion of its revenues from a limited number of large clients and the net loss of some of these clients could have a material adverse effect on the Group's prospects, business, financial condition and results of operations.	A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's 10 largest clients accounted for 15.5% of revenues in the year ended 31 December 2016. Clients generally are able to reduce advertising and marketing spend or cancel projects on short notice. The loss of one or more of the Group's largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Group's financial condition.	Global Client Leaders, horizontality and the 'Team' model seeks to ensure the Group maintains partnership relationship with major clients. Operating companies seek to establish reputations, talent and technical capability in the industry and an ethical and diverse culture that attract and retain clients and key talent. Increase flexibility in the cost structure (including incentives, consultants and freelancers). Brand Check at every Board meeting and regular dialogue between Executive Directors of the Company and directors of the Group's largest clients.

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
Cyber and data security		
The Group is subject to strict data protection and privacy legislation in the jurisdictions in which it operates and relies extensively on information technology systems. The Group stores, transmits and relies on critical and sensitive data such as strategic plans, personally identifiable information and trade secrets. Security of this type of data is exposed to escalating external threats that are increasing in sophistication as well as internal data breaches. Existing and new data protection laws, in particular the GDPR and E-privacy regulation in the EU concerning user privacy, use of personal information, consent and online tracking may restrict some of the Group's activities and increase costs. The Group is carrying out an IT Transformation project and is reliant on third parties for the performance of a significant portion of its worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on our business.	The Group may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs and client loss if the Group fails to adequately protect data or observe privacy legislation in every instance. A system breakdown or intrusion could have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects.	The Group assists the operating companies in developing principles on privacy and data protection and compliance with local laws. The Group has commenced extensive training ahead of GDPR implementation in 2018 and the roll out of a GDPR toolkit to assist the operating companies to prepare for implementation. Nominated senior executives provide leadership on privacy and data protection. Our people are required to take Privacy & Data Security Awareness training and understand the WPP Data Code of Conduct and WPP policies on data privacy and security. The WPP Data Health Checker survey is performed annually to understand the scale and breadth of data collected by WPP agencies, so the level of risk associated with this can be assessed. The IT Transformation project will enhance the Group's data security. In addition, the Group has established a global internal IT company responsible for providing core IT shared services to all Group companies and manage external technology providers.
Financial		
The Group is subject to credit risk through the default of a client or other counterparty.	The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days. The Group commits to media and production purchases on behalf of some of its clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look to the Group to pay such amounts to which it committed on behalf of those clients.	Evaluating and monitoring clients' ongoing creditworthiness and in some cases requiring credit insurance or payments in advance. The Group's treasury position is a recurring agenda item for the Audit Committee and the Board.

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
Operational		
The Group's performance could be adversely impacted if it failed to ensure adequate internal control procedures are in place in relation to the Group's media trading.	Failure to ensure that trading activities are compliant with client obligations where relevant could adversely impact client relationships and business volumes.	The principles of adherence to the terms of client contracts are embedded through the networks and reinforced by audits at a WPP and network level. Regular monitoring of KPIs for trading are undertaken to identify trends and issues. An authorisation matrix on inventory trading is agreed with the Company and the Audit Committee.
People and succession		
The Group's performance could be adversely affected if it were unable to attract and retain key diverse talent or had inadequate talent management and succession planning for key roles at the parent and operating companies, including but not limited to the founder CEO and long-serving members of the management team.	The Group is highly dependent on the talent, creative abilities and technical skills of our personnel as well as their relationships with clients. The Group is vulnerable to the loss of personnel to competitors and clients leading to disruption to the business. The founder CEO has over 30 years' service with the Company and is identified with the success of the Group's strategy and a failure to plan for his succession could impact investor confidence in the Company.	The Group's incentive plans are structured to provide retention value, for example by paying part of annual incentives in shares that vest two years after grant date. The Group seeks to establish reputations in the industry that attract and retain talented and diverse personnel, including by improving the quality of their creative output and by offering competitive performance-based compensation and by providing extremely attractive working environments. Succession planning for CEO, CFO and key executives of the Company is undertaken by the Board and Nomination and Governance Committee on a regular basis and a pool of potential internal and external candidates identified in emergency and planned scenarios. Compensation Committee oversight for the Group's incentive plans and compensation.
Regulatory, sanctions, anti-trust and taxation		
The Group may be subject to regulations restricting its activities or effecting changes in taxation.	Changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax or competition authorities, may expose the Group to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.	The Group actively monitors any proposed regulatory or statutory changes and consults with government agencies and regulatory bodies where possible on such proposed changes. Annual briefings to the Audit Committee of significant changes in tax laws and their application and regular briefings to the Executive Directors. The Group engages advisors and legal counsel to obtain opinions on tax legislation and principles. The Group will introduce new training and control procedures in 2017 in response to the introduction of the new offences in the UK of failure to prevent the facilitation of UK or foreign tax evasion.

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
The Group is subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which it operates.	The Group operates in a number of markets where the corruption risk has been identified as high by groups such as Transparency International. Failure to comply or to create a corporate environment opposed to corruption or failing to instil business practices that prevent corruption could expose the Group and senior officers to civil and criminal sanctions.	Online and in-country ethics, anti-bribery, corruption and anti-trust training on a Group-wide basis to raise awareness and seek compliance with the WPP Code of Conduct. Confidential, independently operated helpline for WPP staff to raise any concerns, which are investigated and reported to the Audit Committee on a regular basis. Due diligence on acquisitions and on selecting and appointing suppliers and restrictions on the use of third party consultants in connection with any awards of client contracts. Gift and hospitality register and approvals process.
The Group is subject to the laws of the US, the EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries.	Failure to comply with these laws could expose the Group to civil and criminal penalties including fines and the imposition of economic sanctions against the Group and reputational damage which could materially impact the Group's results.	Online training on a Group-wide basis to raise awareness and seek compliance and updates to Group companies on any new sanctions. Regular briefings to the Audit Committee and constant monitoring by the WPP legal team with assistance from external advisers of the sanctions regimes.

Longer-term viability statement

The directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The directors' assessment of the Group's viability for the next three years, has been made with reference to the Group's current position and prospects, the short-term notice periods or assignment nature of many of the client contracts, the volatility of global economic conditions, the changing competitive landscape and the Company's ability to achieve the stated dividend policy and cover interest payments on the Group's debt. This period has been chosen as it aligns with our three-year plan and budget. Sensitivity analysis has been applied to reflect the potential impact of one or a combination of the principal risks on the Group and consequential contract breach, loss of reputation, client loss and inability to win new business and the impact of revenue loss. Based on the results of this analysis and the assumption that the global economy and markets continue to function, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going concern

The directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and, in particular, the three-year plan and budget, the directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Sustainability matters

The Group's commitment to, and investment in, sustainability supports major business wins, increases access to talent, improves efficiency and reduces risks to our business. We estimate that clients who engaged with WPP on our approach to sustainability were worth over £1.6 billion in revenues to the Group in 2016, equivalent to over 11% of total revenues.

We are in business for the long term and, like all leading companies today, we recognise our wider responsibilities and the opportunity to generate value for share owners, clients, our people and the world at large through our business. Sustainability at WPP cuts across all areas: from the work we do for clients, to the time we donate to causes through pro bono work, the way we run our Company and look after our people, and our commitment to respect human rights.

> **"It is the ability to create, recognise, refresh and maintain those long-term brand values that provide most big companies with their most reliable profit streams"**

Sustainability issues are ever more important to our clients as they adjust to the impact of long-term demographic, environmental and social trends, they need a marketing services provider who understands the changing landscape and shares their values. WPP companies are already advisors to pioneering businesses looking to embed sustainability and purpose into their brands, products and marketing and our own track record on sustainability gives us credibility.

A summary of the Group's approach to sustainability can be found on pages 161 to 167. Please also see our annual Sustainability Report on the work our clients and our people do in this important area.

Sustainability performance summary

	2016	2015	2014
Value of client business supported by our sustainability credentials[1]	**£1.64bn**	£1.29bn	£1.35bn
Gender diversity (% female employees)	**54%**	54%	54%
Gender diversity (% female executive leaders)	**34%**	33%	31%
Investment in training	**£45.1m**	£41.1m	£38.2m
Carbon footprint (tonnes of CO_2 per employee)	**1.86**	2.07	2.28
Social contribution[2,3]	**£42.3m**	£40.2m	£46.9m

[1] Value of clients who requested information on our sustainability policies and performance through their supplier management process.
[2] Includes free media space donations.
[3] The 2015 figure has been restated to reflect correct exchange rates in the calculation of free media space.

And finally…

The business we are in demands that we be quick on our feet; quick to take advantage of new opportunities; quick to respond to new challenges; quick to understand new popular attitudes. 2016, more than any we can remember, was a year that made countless such demands.

But there is another skill, at least as important, that gets less recognition. It is less newsworthy, rarely draws attention to itself and is perhaps closer to wisdom. It is the ability to create, recognise, refresh and maintain those long-term brand values that provide most big companies with their most reliable profit streams. At a time when all external pressures seem to call for instant, short-term responses, an understanding of the value of confidence, consistency and continuity has never itself been more valuable.

It requires no less attentiveness and no less sensitivity to change in a market's dynamics. But it knows when a gentle turn of the wheel is going to be far more favourable for a brand's future than a dramatic change of course.

The results reported here are the outcome of tens of thousands of different client projects undertaken by tens of thousands of talented individuals working for a great diversity of companies within WPP. Some of these companies have yet to celebrate their fifth birthday; others are as old as their clients' oldest brands. Increasingly, they work together.

We thank them all for another record-breaking year.

And the uncertainties of 2017 mean that we shall be more than ever grateful not only for their fleetness of foot, but also for the benefit of their considered thoughtfulness and accumulated experience.

Roberto Quarta
Chairman

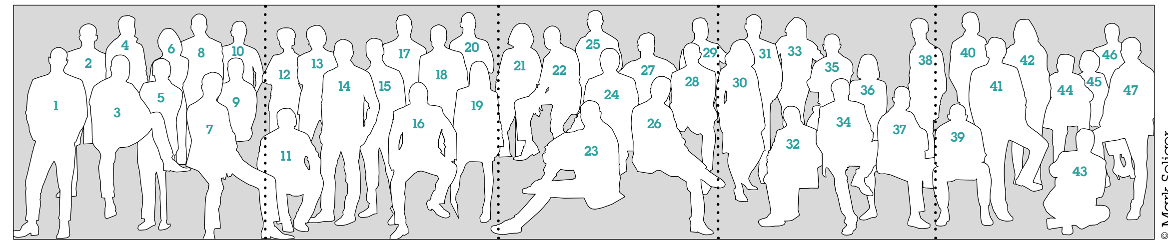
Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

Forward-looking statements

In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-looking statements (as defined in the 'Reform Act') in oral or written public statements issued by or on behalf of the Company. These forward-looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward-looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, delays or reductions in client advertising budgets, shifts in industry rates of compensation, regulatory compliance costs or litigation, natural disasters or acts of terrorism, the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK) and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described under the heading Principal risks and uncertainties on pages 46 to 50, which could also cause actual results to differ from forward-looking information. In light of these and other uncertainties, the forward-looking statements included in this document should not be regarded as a representation by the Company that the Company's plans and objectives will be achieved. The Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

WPP Leadership Conference, London 2016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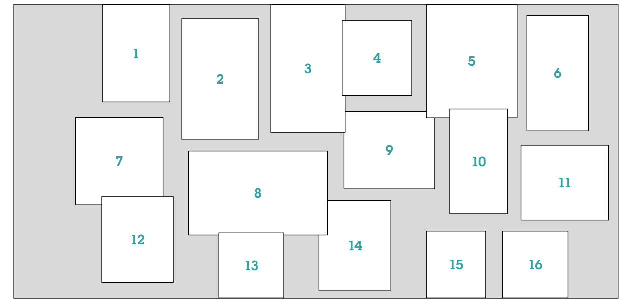
1. Michael Houston
Grey
2. Mark Inskip
Kantar Futures
3. Nick Emery
Mindshare
4. Alexander Jutkowitz
SJR
5. Stuart Smith
Ogilvy
6. Lindsay Pattison
Maxus
7. Mark Povey
WPP Digital
8. Laurence Mellman
Specialist Communications
9. Jed Beitler
Sudler & Hennessey
10. Travyn Rhall
Insights, Kantar
11. Jon Cook
VML
12. Michelle Harrison
Kantar Public
13. David Sable
Y&R
14. Stefano Zunino
J. Walter Thompson Worldwide
15. Dan Khabie
Mirum
16. John Seifert
Ogilvy
17. Matt Giegerich
Ogilvy CommonHealth Worldwide
18. Eric Salama
Kantar
19. Donna Imperato
Cohn & Wolfe
20. Brian Gleason
Xaxis
21. Lois Jacobs
Landor
22. Charles Courtier
MEC
23. Josep Montserrat
Kantar Worldpanel
24. Jack Martin
Hill+Knowlton Strategies
25. Bart Michels
Kantar Added Value
26. Brian Fetherstonhaugh
Ogilvy
27. Shane Atchison
POSSIBLE
28. Jim Prior
The Partnership
29. Donald A. Baer
Burson-Marsteller
30. Lynnette Cooke
Kantar Health
31. David Patton
Grey
32. Simon Bolton
Group XP
33. Tamara Ingram
J. Walter Thompson Worldwide
34. Mark Read
Wunderman WPP Digital
35. Phil Smiley
Kantar Retail
36. Mary-Ellen Howe
Specialist Communications
37. Toby Southgate
Brand Union
38. Rupert Day
tenthavenue
39. Richard Ingleton
Insights, Kantar
40. Stephen Allan
MediaCom
41. Toby Hoare
J. Walter Thompson Worldwide
42. Sabina Teshler
SET
43. David Moore
Xaxis
44. Irwin Gotlieb
GroupM
45. Lynn O'Connor Vos
ghg
46. Frank-Michael Schmidt
Commarco
47. Steve Harding
Geometry Global



Group photograph of WPP company leaders, above, taken at the global WPP Leadership Conference, London, September 2016; and left, those who were not present for the photoshoot.

1. Preeti Reddy
Kantar IMRB
2. Ajaz Ahmed
AKQA
3. Matt Eastwood
J. Walter Thompson Worldwide
4. Beth Ann Kaminkow
Kantar Vermeer
5. Jim Heekin
Grey
6. Tim Castree
MEC
7. Peter Law-Gisiko
Y&R
8. Joel Johnson, Michael Feldman, Carter Eskew (left to right)
The Glover Park Group
9. Ralf Hering
HERING SCHUPPENER
10. Andy Brown
Kantar Media
11. Christian Juhl
Essence
12. Kelly Clark
GroupM
13. Roland Rudd
Finsbury
14. Christopher Graves
Ogilvy
15. Eric Hoyt
Bravo
16. Wendy Lund
GCI Health

Reports from our company leaders

Our business is best understood through an understanding of its constituent parts. On the following pages, the leaders of our major companies give summary accounts of their performance and progress in 2016.

Advertising

J. Walter Thompson Worldwide

Report by Tamara Ingram
Chief executive officer, worldwide

As a 152-year-old agency, J. Walter Thompson has a rich legacy of pioneering that has shaped the industry and our clients' brands. In 2016, we solidified the strategy that will empower us to continue delivering innovative, inventive, and memorable solutions for our client partners: We are *hungry*. We move *fast*. We *move the dial* on people, culture and commerce.

One of our biggest steps forward this past year is our investment in digital. We added Washington DC's iStrategyLabs (ISL) and Turkey's Wanda Digital to our roster. Alongside Mirum, which expanded its global footprint in the India and MEA markets, Wanda and ISL deepen our ability to create digital and physical experiences for our clients.

We had significant new business wins across our markets, including Air China, Newell, Nespresso, Danone, TJX, and Tudor. We were particularly proud of the evolution of our partnership with Lux. After working with Lux for 91 years, we became its global digital agency of record for the first time in our shared history.

2016 also marked a creative leap forward. Across the year's awards circuit, we showed significant jumps in rankings. At the Cannes Lions International Festival of Creativity we saw our best performance at the festival in our entire history, with 80 Lions. JWT Amsterdam was also named Cannes' Innovation Agency of the Year, and JWT Latin America earned the premier title of Latin American Network of the Year.

We also had major recognition across other global shows, including D&AD, Clios, Goafest, and Spikes. Several of our creatives were recognized across *Advertising Age*'s Creativity 50, a list of the 50 most creative people of the year, and *Business Insider*'s 30 most creative people in advertising under 30. These creative milestones earned us the title of *The Gunn Report*'s Biggest Mover of 2016.

While our award wins set us apart from the competition, one of our biggest key differentiators is JWT Intelligence, our engine for culture and consumer insights. Last year alone, the team produced nine reports, surveyed over 150,000 consumers, and worked with 260 clients in 39 offices.

We also launched an extraordinary piece of innovation called Pangaea, an internal Artificial Intelligence designed and powered by Mirum and JWT, which allows us to ask questions and get answers from any one of the 12,000 people across our network. Pangaea leverages the diversity of our massive network. And, as I've said, the way we will create better thinking, better ideas, and more innovation is to have different people with different skills and backgrounds. This speaks to an important piece of our renewed energy.

Moving fast and forward is not just about being agile, efficient, and productive; it also means that we pioneer and push cultural and societal progress forward. In that vein, we've begun piloting multiple global diversity initiatives, including blind recruitment and unconscious bias training.

We partnered with consulting firm InQUEST to provide an independent review of our policies and practices, and we've also developed an internal network hotline. With the hotline, employees can essentially act as our diversity and initiative partners and can securely and anonymously share their thoughts or concerns about how we make JWT an even more inclusive workspace.

In line with these initiatives, we bolstered the presence of women in leadership roles and across our creative departments. Today, we have female CEOs leading key offices/countries: New York, Chicago and Canada, Buenos Aires, Beijing, Egypt, Portugal and Italy. And we have many women in other leadership roles: head of new business, London and New York; head of design, Mirum North America; head of planning, South Asia, Singapore; head of production, London; and our global chief creative talent officer.

In helping to shape a more diverse industry in the next generation of talent, we've also continued our Helen Lansdowne Resor Scholarship and our Jump/Start programs. Both are dedicated to mentoring and nurturing talent from a range of academic, professional and cultural backgrounds.

Our *Female Tribes* study, launched in early 2016, also continued to blossom with our offices in India, the Middle East & Africa, the Philippines and Vietnam, building market-specific studies dedicated to helping their clients' brands unlock the capital of female consumers.

We are consistently and actively looking for new opportunities to invest in creating change, understanding and progress for our employees, our clients, and the industry.

I am incredibly proud of the hard work we've done in the past year. I am thrilled to see where this new momentum carries us.

Ogilvy

Report by John Seifert
Worldwide chairman and chief executive officer

In 2016, I became the ninth chairman and CEO of Ogilvy since David Ogilvy founded the agency in 1948. The responsibility is one that I take on with both enormous pride and great humility. I have been with Ogilvy for 38 years, starting in the Los Angeles office as a summer intern. I stand on the shoulders of so many talented Ogilvy leaders who have come before me to serve this amazing company. I never want to let them down.

As I traveled the Ogilvy worldwide network this past year – meeting extraordinary staff, clients, and partners of the brand – I was constantly reminded of our assets. We have wonderfully talented people who represent a wide range of professional skills, diverse cultures and multiple generations with great values. We have an enduring creative culture that David Ogilvy personally built with a close-knit team of partners over decades. We have a portfolio of the world's most admired clients. And we have a truly global presence that enables us to project the Ogilvy brand, and serve our clients, everywhere that matters in today's world.

With this solid foundation, I started drafting a strategy, 'Ogilvy – The Next Chapter,' as soon as I transitioned into the role of CEO in January 2016. Before I go into detail about our 'Next Chapter' agenda, I want to share some highlights of our performance this past year and recognize a few of the leaders who were responsible for our success across the network.

2016 was an outstanding year for the company in terms of creative recognition, client portfolio development, expansion of services, and advances in workplace diversity.

Our relentless commitment to producing work for our clients that is both creative and effective (what we call 'Twin Peaks') propelled us to our fifth straight win as Network of the Year at the Cannes International Festival of Creativity, and helped us to regain our title as the Effies' World's Most Effective Agency Network. In recognition of this outstanding creative performance, we closed 2016 by being named, for the first time ever, *Adweek* magazine's Global Agency of the Year. *Adweek* singled out the diversity and quality of our global creative product, and the seamless continuity of our network leadership team as the key reasons for selecting us.

I'm so fortunate to have Tham Khai Meng, worldwide chief creative officer, as my partner. We are deeply grateful for his stewardship of our 'Twin Peaks' creative mission, and his passionate leadership of our sparkling worldwide creative community. Ogilvy has scaled the top of the creative mountain over the past decade and we intend to climb ever higher in the years to come.

Our new business record in 2016 was equally impressive and diverse, encompassing some of the world's top brands. Our high-profile wins included: Aldi in China and Germany; Perform Group's live sports streaming service, Dazn, in Japan; Southwest Airlines in New York; Tesco in the UK, Czech Republic and Poland; Tyson Foods in Chicago; Unilever in the Philippines; Whaley Technology and Yili Group in China; and Lenovo, already a client in China, named us global agency of record, which includes the Motorola brand. After a 25-year break, we also won back Nationwide, a former client whose relationship with Ogilvy dates back 50 years.

> **"... a comprehensive reorganization of our enterprise will shift Ogilvy... to a unified and single Ogilvy brand offering"**

For the third year in a row, we received a perfect score on the Corporate Equality Index, a benchmarking survey and report on corporate policies and practices related to lesbian, gay, bisexual and transgender workplace equality, administered by the Human Rights Campaign Foundation. While there is a lot of talk in our industry right now about diversity and inclusion in the workplace, we have championed diversity in all its forms since our founding. This past year we put in place concrete performance measures globally to raise standards in our industry and accelerate the accomplishment of our own diversity and inclusion goals, none more important than realizing gender equality across our worldwide leadership ranks within the next five years.

Our specialist marketing services of Influence and Public Relations, Customer Engagement Marketing and Strategy Consulting performed particularly well in 2016, and will accelerate the delivery of even more 'modern marketing' solutions across our business.

Under the worldwide leadership of Stuart Smith, our influence marketing and public relations professionals performed brilliantly in 2016, growing the value of the top five clients served by these professionals alone by an unprecedented 41%, and the value of the top 20 clients served by 17% versus last year. We've expanded these client engagements to encompass other Ogilvy offerings including brand strategy and advertising, content management, digital and customer engagement marketing.

Our public relations professionals also enhanced Ogilvy's reputation for creativity overall by contributing strongly to our performance in Cannes, and with Agency of the Year recognition in China, Singapore, Hong Kong and the Middle East. In addition, our thought leadership and delivery of 'earned influence' as a critical marketing practice won critical acclaim, topping the prestigious *Holmes Report*'s list of 2016 'best innovations in public relations.' Our growing influence and public relations capabilities will increasingly drive a more comprehensive modern marketing offering for the company overall.

Under the worldwide leadership of Brian Fetherstonhaugh, our customer engagement professionals delivered strong business results in 2016. The strength of our creative product, led by precision targeting through data-driven customer insights and purchase behavior, enabled us to win new client assignments in key business sectors such as retail, consumer goods, financial services and airlines. A particular proud moment was being named a leader in global digital agency rankings by Gartner Research. Our new Social Customer Relationship Management (SCRM) and Marketing Automation offerings will remain key points of competitive differentiation and accelerate enterprise growth over the coming years.

Under the worldwide leadership of Carla Hendra, we founded a consulting practice six years ago with the idea that clients experiencing disruption needed advice and counsel from a trusted partner steeped in strategic brand and marketing knowledge. We delivered record growth through this practice in 2016, and will accelerate the momentum for our global enterprise in 2017 and beyond by expanding the practice throughout key markets in Europe, Asia Pacific and Latin America.

In this fast changing and dynamic industry of ours, we have learned never to rest on our laurels. David Ogilvy instilled in all of us a core value of 'divine discontent' – a constant reminder that we can always do better, and must be vigilant in anticipating what is coming around the corner to deliver more value to clients. In this current climate of seismic change – socially, politically, economically and technologically – clients are demanding deeper connectivity across the full range of modern marketing capabilities that their brands and businesses require. In light of these heightened expectations, we must deliver better thinking, better work, and better delivery from the Ogilvy brand.

> **“This [transformation strategy] will enable our global enterprise to be more client-centric and our people to deliver the most creative and modern solutions”**

It is with this context in mind that I have set out, with the enthusiastic support of Sir Martin Sorrell, WPP leadership and all of my Ogilvy partners, to transform our company under the 'Next Chapter' strategy mentioned earlier. Underpinning this strategy is a comprehensive reorganization of our enterprise structure, which will shift Ogilvy from a collection of individually-managed (vertical) business units and P&Ls (e.g. Ogilvy & Mather Advertising, OgilvyOne, Ogilvy Public Relations, and more) to a unified and single Ogilvy brand offering, which will be led and managed through an integrated financial framework and business operating system as one Ogilvy.

This new entity, with the shared purpose of making brands matter, will be comprised of deep capabilities of modern marketing experts and expertise – encompassing data, strategy, creative content and specialist marketing and media services – that work seamlessly together to provide the most creative, most effective, and most cost-efficient solutions for our clients. We will roll out the first phase of business transformation across our US operations in early 2017, with the rest of our markets following throughout the year.

This transformation strategy centers on our people, our work and our clients. Refocusing our leaders to these essentials, and away from financial and administrative management of an organization grown too fragmented and complex, has to be a good thing! We will break down the barriers of a legacy organization structure designed for a different era of client service and marketing. This will enable our global enterprise to be more client-centric and our people to deliver the most creative and modern solutions demanded of our industry.

Our clients expect their strategic partners and suppliers to create better work – with more accountability for business value – faster and less expensively than ever before. Understanding that there are no brilliant ideas or differentiated client experiences without flawless execution, we are also launching a new function, called Ogilvy Delivery, as part of our enterprise transformation. Ogilvy Delivery revitalizes our commitment to the art of making, focusing on the critical craft skills required to bring big ideas to life in all channels and touchpoints in the most agile, cost-efficient and effective way possible.

The Ogilvy brand has always been at the leading edge of change. David Ogilvy demanded it. For the next chapter of Ogilvy, we intend to 're-found' the entire company in the spirit of David Ogilvy's original business point of view and core beliefs, but with an expanded portfolio of specialist capabilities, new ways of working together and partnering across WPP, and with a revitalized determination to transform the Ogilvy brand experience for our people and our clients. This agenda will define Ogilvy for decades to come.

I could not be more confident in our collective ability to deliver our Next Chapter ambition. Our shared purpose and mutual commitment to work together as one organization will ensure our future is even brighter than our past. Most of all, I have tremendous faith in the incredible people of Ogilvy. It is their spirit, talent, resilience, and drive to win that will push Ogilvy into its next great age.

Our mission is clear: we are a founder-branded, pervasively creative, modern marketing organization that makes brands matter. We are Ogilvy.

Ogilvy CommonHealth Worldwide

See report on page 84.

Y&R Group

Report by Peter Law-Gisiko
Chief executive officer

It is close to 45 years since the Y&R Group first pioneered what is now considered a best practice of top agencies, seamlessly integrating a full range of marketing disciplines to best service our clients and engage and motivate their customers.

The advances in marketing technology, the abundance of data, the proliferation and fragmentation of media, as well as the need to connect to the much empowered consumer, has helped amplify each of our company's core competencies through the filter of our changed environment. Today, each Y&R Group company has more perspectives and tools than ever before to help their clients create enduring brands that will thrive in the evolving marketplace.

At the same time, clients, now more than ever, require us to be nimble and focused on driving efficiencies without sacrificing effectiveness. Our team approach, among ourselves and with WPP, is key to making sure we deliver on both sides of the equation, for our clients and for our business.

The different uses of marketing technology, data and storytelling are the ingredients that make Y&R Group so effective on behalf of its clients and a natural partner in so much of the horizontality that underpins WPP.

In just one example, Y&R, Wunderman, VML and Burson-Marsteller work side-by-side in Memphis, Tennessee to help the U.S. Navy recruit the next generation to their ranks.

The use of data is being driven in different and unique ways across the Group. Landor's Brand Community model overturns traditional hierarchical thinking about brand management, using data-driven tools like Brand Differential. Burson-Marsteller is leveraging its renowned polling resources to help drive content and creative work.

The Science & Learning program at Sudler & Hennessey is designed to help clients leverage critical data. Y&R just launched its second year of Best Countries rankings, in partnership with *US News & World Report* and The Wharton School, and part of a larger platform based on BAV methodology that analyzes data to understand nations as brands.

> **"Each Y&R Group company has more perspectives and tools than ever before to help their clients create enduring brands"**

The ways that our companies continue to reinvent themselves only serve to deepen the synergies between them, creating greater incentives to collaborate, and numerous ways to leverage the different ways the Y&R Group companies engage with new technologies and data models in order to tell stories that have marketplace impact.

Y&R Group initiatives benefitted all of the companies. The Group's IT, for example, worked to improve the technology structure, creating a new platform, UHUB, that optimizes the development operations of the digital teams. Through better code management and enhanced collaboration, UHUB improves productivity, increases capacity, reduces risk and improves margin. Over 80 offices are using it and driving it around the network is a goal for 2017.

In 2016, Y&R Group embraced WPP's focus on the United Nations Sustainable Goal of gender equality, with an ultimate goal of increasing the ranks of women in all areas and in particular senior leadership roles. At the Group level, we are beginning to pilot an unconscious bias training program focused on gender equality, with a second program dedicated to helping those returning to the workplace that will be launched later this year.

Reports on 2016 from each of the companies follow.

Y&R

Report by David Sable
Global chief executive officer

Resist the Usual. The saying comes from Young & Rubicam's founder, Raymond Rubicam, who was, himself, an unusual leader for his time. As the first creative to found an agency, Rubicam was convinced that it was our job to resist the typical, the expected, on behalf of our clients. As he was fond of saying, "Resist the Usual."

Jeff Bezos of Amazon has said: "If you're only going to do the things you know are going to work, you're going to leave a lot of opportunity on the table." That might sound like a reckless statement, were it not for another corollary of his – to obsess over customers, not competitors. In fact, we can't think of a more customer-centric strategy than to Resist the Usual.

Resisting the Usual in 2016 produced great results. With Resist the Usual as our call to action, in 2016 we were named the No.3 Creative Global Network at Cannes, with 99 Lions spanning 26 offices. We were the No.1 agency of the EMEA Effies, No.2 in China's Effie Awards and No.2 for the Asia Pacific region.

Resisting the Usual is always about people first. That has never been more true than now, when data is prolific and algorithms too often left to do the job that only people can do – apply instincts and insights and historical knowledge to make full and credible analyses.

Resisting the Usual is also finding new ways to apply data. Our Best Countries platform, partnered with *US News & World Report* and The Wharton School is in its second year. The 2017 data has not only generated new Best Countries rankings – with some surprising results in a volatile year – but also provides a gold mine of insights about nations as brands, useful to governments, businesses and the general public.

And last year saw the key appointment of David Patton, who joined Y&R as the global president, moving from Grey. Based out of our Y&R London office, David is helping to operationally manage our extensive global network. A creative champion, a masterful strategic thinker, we are already feeling his impact and inspiration.

Resist the Usual added up to close to $100 million of new business revenue around the world, including the massive U.S. Census win, major Pfizer brands, as well as JPMorgan Chase, Cirque du Soleil in the US, Chanel, Premier League and, in early 2017, JD Williams in Europe and Xtep in China.

Resist the Usual meant leveraging the full force of our Global Boutique in new ways, for example, creating new work for Dannon Activia that brought the right people to the table from Y&R New York, Buenos Aires and London. It also meant building on our deep partnerships with VML, iconmobile and TAXI.

It meant creating new practices. Howard Courtemanche joined us as the president of a new Health and Wellness practice, which in its first six months scored four wins for over $21 million revenue. Its mission is to Resist The Usual in creating communications for consumers, always pushing for breakthrough solutions. Charter clients include Merck, Galderma, Boehringer Ingleheim, Teva, MD Anderson and Optum. In 2016, our first year, a flurry of additional new clients were won, including BMS, Pfizer OTC, PhRMA, Orexigen and Bayer. And Joe Rivas, who is the global lead on our Dell business, is heading up a Technology & Business practice. It will help clients, current and new, benefit from a shared understanding of the challenges in the sector, as well as from learnings, experience and proprietary tools we have developed. In the first quarter of 2017, we launched a third practice, Y&R Inspire Change, which will focus on helping non-profits, NGO and CSR initiatives, leveraging our deep experience helping companies, hospitals and other organizations, particularly as they face the key challenge of developing a new generation of 'givers.'

Resist the Usual saw BAV's fielding approach transition to a digital, online format. Even more important, we explored brand equity and BAV and how it aligns to social equity in the online space, with the objective of building a practice around that understanding.

Resisting the Usual generated a new wave of our Innovation incubator, led by our global director of innovation, Mansi Jayakumar, who was also named this year as one of *Forbes* magazine's 30 Under 30 and a *Shots* Rising Star NYC. The new SparkPlug program has five new start-ups that will take up residence at our global HQ in New York, helping our clients find new ways to engage their customers all the while we help them shape their offering to best do that.

We also Resisted the Usual, by leveraging our HR/Talent experts to help bring new thinking to our clients' businesses. In the fall, based on our deep relationships with colleges (from which we recruit talent and for our apprenticeship program) we worked with the Navy Partnership to arrange an IdeaHack. Y&R executives, representatives of the Navy and our Navy team, trekked up to Boston for a 48-hour exercise of creating ideas for millennials with Northeastern students in Journalism, Computer Science and Design. It was a win for everyone – new ideas that gave us insights into recruitment targets, and clearly this taste of our business adds to our ability to recruit the best and brightest.

In 2016, we expanded into two new markets – Memphis and Washington, DC – to provide the U.S. Navy and the U.S. Census with the best staffing model that is all about the professionalism, proximity and productivity they need.

Finally, Resist the Usual was about telling great stories. In Asia, we partnered with VICE to create a webcast that showed the renaissance in the Myanmar market, done as an extended eXploring exercise. In London, despite having lost the Marks & Spencer business, we signed off with what was declared the UK's most beloved holiday campaign this year – 'Mrs Claus'. In New York, we created a new platform for the newly split Xerox company, 'Set the Page Free,' and launched it by reimagining a classic spot, 'Brother Dominic' from 40 years ago to show the dramatic changes in Xerox technology. Also in New York, we created a campaign for PhRMA about biomedical research set to Dylan Thomas' famous poem, 'Do Not Go Gentle Into That Good Night.'

VML

Report by Jon Cook
Global chief executive officer

On every conceivable level, the pulse of VML has never been stronger. From the second consecutive year of *Advertising Age* A-List honors – naming VML as one of the top five most influential and impactful agencies in the entire industry – to the most creatively awarded year in our history, it's undeniably the most productive and prosperous period in our 25-year history.

VML's global network credentials have never been stronger, equally balancing creative capabilities, technology proficiency and strategic thinking. We enjoyed our best-ever showing at Cannes, with a record number of Lions and shortlists – spanning a dozen diverse categories, Lead Agency recognition in the *Forrester Lead Agencies Wave* report, Leader ranking in the *Gartner Magic Quadrant for Digital Agencies* study and much more.

We've strengthened Most Important Partner relationships by leading clients through brand, technology and consumer engagement transformations. Whether it be through expanded experiences for long-standing partners such as Bayer, Ford, Sprint, Tyson and Wendy's – or through new agency of record client partnerships with Electrolux and New Balance.

VML continues to extend capabilities and collaboration around the world, supporting clients such as Bridgestone, Colgate-Palmolive, Dell, Kellogg's, Kimberly-Clark, Ford, Microsoft and PepsiCo across multiple VML markets and regions. VML global offices secured new business relationships with brands such as GoDaddy, HSBC, Netflix and Verisign. Additionally, multiple VML global offices garnered Agency of the Year honors.

In short, VML has never been more relevant for a growing number of respected and renowned global brands. We're thrilled that our 25th anniversary year coincides with the strongest momentum in our history.

Wunderman

Report by Mark Read
Global chief executive officer

Wunderman enjoyed a very successful 2016, delivering its best results in five years. We ended the year positioned to grow stronger on recent client wins and to benefit from the increasing opportunities from clients looking to transform their marketing and customer experience to take advantage of the digital revolution.

Over the past two years, we have worked on positioning Wunderman for the future, building more innovative capabilities, hiring new people, making a number of critical acquisitions and integrating much more closely our creative and data skills. Today, we can offer the progressive client, one who recognizes the power of data and technology but knows that brilliant creative ideas are needed to inspire consumers, a trusted partner to help them map out their future.

> **"Wunderman is very well placed, with our heritage in data, to leverage the benefits of AI for its clients"**

Wunderman is a 'Creatively Driven. Data Inspired.' organisation. We believe in strong creative ideas but also in delivering measurable results founded in our expertise in data. We have integrated our three major disciplines – Data and Analytics, Creative Communications and Experiences, and Technology-Enabled Marketing – across our 175 offices. This combination not only enhances our expertise; it also enables us to offer end-to-end solutions for our clients. At its heart is COLLISION, our unique way of working, which builds on the notion that the best results come out of the collision of creativity and data, and delivers results through rigorous frameworks, easy access to data and a collaborative way of working. Our people now work side by side across disciplines, taking full advantage of each other's knowledge and strengths.

In 2016, we made a number of acquisitions. We welcomed Acceleration into our network from WPP Digital, adding 150 seasoned technology and consulting experts to our team. Founders Jacques van Niekerk and Stephan Pretorius joined us in broader roles as CEO of Wunderman Data and Global CTO, respectively. We extended our data business in Europe with Conexance joining us in France. And late in the year, Brazil's leading marketing automation company, Pmweb, joined our network. This new infusion of talent improved our ability to deliver data and technology consulting and extended our offer into end-to-end digital transformation services.

Our efforts, I am pleased to say, are paying off. Globally, we won more than $75 million in new business in 2016, including from leading brands such as GSK, Danone, T-Mobile, Shell, HSBC, Nestlé, U.S. Navy, Ford and Dyson. We gained major new assignments in every region and practice. What's more, many of those assignments are in new areas for us, including data and technology strategy, product innovation, content strategy and virtual reality.

Creatively, we continue to improve and are gaining recognition for our efforts. Our offices in Belgium and Buenos Aires won Cannes Lions last year alongside awards for our Shanghai office at the IAB Mixx Awards, our Buenos Aires and Lima offices at the El Ojo festival, our Paris office at the Cristal Festival, and our Seattle and London offices at the Data & Marketing Association's events.

Our specialist groups, Wunderman Health and Wunderman MSC, also continued to perform particularly strongly with double-digit growth in the past year. Wunderman Health has positioned itself as a change agent, as the healthcare industry increasingly commits to digital and customer-centric marketing. During 2016, the agency was buoyed by wins like GSK Consumer Health's selection to its global digital roster. In 2017, it will launch an evolved personalized marketing practice, unveil proprietary research and further expand into emerging fields of wellness and health services.

Our ecommerce expert, FusePump, has built exciting proprietary mobile applications aimed at the digital shopper.

Finally, we are thinking ambitiously about our future and how advances in computing power are driving artificial intelligence (AI). Wunderman is very well placed, with our heritage in data, to leverage the benefits of AI for its clients. We have successfully delivered a number of projects for clients that benefit from the application of AI to marketing and are investing with some key strategic partners in new areas.

Above all, the more than 7,000 people who make up Wunderman around the world are energized by their achievements in 2016 and ambitions for the future. I would like to thank them for what they have done and what they will do together in 2017 to realise our ambition of inspiring people to take action.

Burson-Marsteller

Report by Donald A. Baer
Worldwide chair and chief executive officer

In 2016, we continued strengthening and combining the two pillars of our growth strategy – world-class strategic counseling and cutting-edge integrated communications – to build a fully modernized firm. On both fronts, we won significant business from current and new clients.

Leading corporations and business associations chose us to spearhead major campaigns aimed at their most important reputational challenges. We reignited our US government work, winning major federal contracts. New clients tapped our crisis capabilities to cope with particularly controversial situations. And we continued to deepen our capabilities in evidence-based, content-driven, creative work, building out our StudioB across our global network while collaborating with our polling arms Benenson Strategy Group and Penn Schoen Berland, and our media partnership arm Palisades Media Ventures.

New offerings introduced in 2016 included Burson-Marsteller Advantage Women, which helps organizations further their goals to close the gender gap and create opportunities for women to rise as leaders. We also added a higher education specialty that helps college and university administrations handle the new wave of social issues sparking debate and unrest on campuses across the US.

Adding more world-class strategic communications professionals, building state-of-the-art integrated social media and creative services and deepening strengths to help clients address 21st century needs helped lead to a 44% year-over-year increase in awards for our work, including being named Large Agency of the Year in the US by *PR News*. We are proud of the progress we have achieved, building on a culture rooted in performance, urgency and progress.

Landor

Report by Lois Jacobs
Chief executive officer

Exceptional financial growth, a radical new model for managing brands, and the most awarded branding agency at Cannes for the second year running. 2016 was an outstanding year for Landor.

We expanded our brand engagement and verbal identity practices; we added Landor Lab (an intensive incubator experience), and we created Brand Differential (a predictive research and prioritization tool). We welcomed new clients such as Airbus, Fidelity Investments, Huawei, Jabal Omar, Metro Group, One&Only Resorts and Siemens.

Our revolutionary approach to brand management – The Brand Community Model – is already achieving great traction with both new and existing clients. It recognizes that traditional tools are failing in today's hyperconnected, complex market. Top-down command and rigid control are no longer effective. Landor's new model helps clients build, nurture and sustain enduring and effective brand communities.

Client highlights include the rebrand of the Australian Open – which broke all attendance records – and the launch of Axway, Alawwal Bank, Holler & Dash restaurants, Airbus company Navblue and S&P Global.

Bravo

Report by Eric Hoyt
President and
chief executive officer

2016 was a challenging year but Bravo has emerged smarter and more effective than ever. Our core offering has become highly integrated, delivering omni-channel solutions for clients that build their brands and grow their business.

In an increasingly multicultural America, Wendy's, Mazda, Pfizer, Coca-Cola, Chevron and SC Johnson continue to entrust their needs with Bravo.

Central to Bravo's performance are people and partnerships. Talent optimization and enhancing the skills of our best people ensure our clients and our agency are driven by superior marketing professionals. Continued collaborations with Y&R, VML, Wunderman, Ogilvy, Red Fuse, Garage, GroupM and Geometry attest to Bravo's strategic and creative excellence in the increasingly integrated world our clients require.

Sudler & Hennessey

See report on page 85.

Grey Group

Grey

Report by Jim Heekin
Chairman and
chief executive officer

2016 marked our ninth year in a row of record financial and creative performance. We began the year with Global Agency of the Year honors from *Adweek* and continued our momentum.

High-profile new business wins included Marriott International, Weber, Procter & Gamble's Herbal Essences, Marks & Spencer, C&A and Bose. Many of our current clients awarded us significant new assignments including Eli Lilly, Kellogg's, Ally Financial, Pfizer and Nestlé. Importantly, we emerged from the GlaxoSmithKline global review with five global brands, one more than we previously served. And early 2017 marked the announcement of Walgreens Boots Alliance's global account consolidation with Team WBA, of which Grey is a key member. Grey will be the client's lead advertising agency in the US.

Our creative reputation continued to soar at the Cannes International Festival of Creativity. We won 93 Lions from 14 countries in four regions, including a Grand Prix and Titanium Lion. Grey won in 20 categories from film, radio and outdoor to the newest disciplines of mobile, creative data and entertainment. The agency ranked sixth globally and Grey New York ranked as the No.1 most creative agency in the US and North America and No.2 in the world.

Adweek wrote, "Grey is winning big for work that worked and busted through the boundaries of advertising. It's entertaining, inspiring, useful stuff; meaningful work that people want to be around."

Our Gillette Olympic commercial, 'Perfect Isn't Pretty,' chosen by Procter & Gamble to run in the opening ceremony, to our 'Song of the Open Road' for Volvo to 'Super Bowl Babies Choir' for the NFL, all exploded in popular culture true to our 'Famously Effective' philosophy.

We enhanced our leadership ranks for the future with the promotion of several talented executives who have driven our success for years. Michael Houston took up his duties as global president of Grey, an expanded worldwide management role. Alain Groenendaal was appointed president and chief executive officer of Grey Europe, after leading Grey Latin America. Eduardo Maruri became president of Grey Latin America, having built our market-leading agency in Ecuador. Nirvik Singh, who has been key to our growth in Asia for nearly three decades, took on added duties as chairman and chief executive officer of Grey Asia, Middle East and Africa. Per Pedersen, our chairman of the Grey Global Creative Council, was named global creative chairman. Importantly, Debby Reiner became chief executive officer of Grey New York, a new position. During her many years of leading our Procter & Gamble business, Grey has become one of the foremost beauty agencies in the world.

> **"*Adweek* wrote, "Grey is winning big for work... that busted through the boundaries of advertising... entertaining, inspiring, useful stuff""**

Grey continued its strategic acquisitions to enhance the network's capabilities and critical mass. We acquired Tank, a leading healthcare and consumer agency in Canada. We strengthened our presence in the Benelux region acquiring FamousGrey, one of the largest independent agencies. In Ecuador, we took a majority stake in Maruri Grey, our long-time partner. Finally, we continued our expansion in China, acquiring Easycom, a premier social media agency in Shanghai.

Not many advertising agencies survive yet alone thrive to mark their centennial. As we celebrate our 100th anniversary throughout 2017, I'm convinced Grey's best days lie ahead.

Commarco

Report by Frank-Michael Schmidt
Chief executive officer

Commarco is the second-largest Germany-based marketing communications group. With our broad portfolio of agency brands and specialised disciplines, we are deeply rooted in the biggest European market and see ourselves as experts for Germany. Our companies work for clients such as BMW, Opel (GM/PSA), Siemens, Samsung, Unilever, Vodafone and many organisations in the public sector. We look back on 2016 as a year of numerous successful projects, new competence centres and new business wins.

Our flagship brand **Scholz & Friends** celebrated its 35th anniversary with its best business results since joining WPP. Its new management system, established in 2015, bore fruit by generating collaboration beyond silos and new entrepreneurial initiatives: the 'content desk' for real-time content marketing; the specialised employer branding unit; and the new agency brand Scholz & Friends Trademarks for retail marketing. Many new business wins rounded out a successful year, for example: RWE, Germany's largest energy provider, with the innogy launch and IPO campaign; AirBerlin, Germany's second-largest airline; Car2Go, the world's largest car-sharing provider; and many others.

> **"We are deeply rooted in the biggest European market and see ourselves as experts for Germany"**

gkk DialogGroup, our CRM specialist, welcomed Siemens Financial Services, innogy and Porsche as new clients and enlarged its social media business with Samsung and KIA, making it one of the top 10 social media agencies in Germany.

Our full-service web design agency **deepblue networks** expanded its strategic focus and launched a specialised unit for gaming and e-sports, helping to position brands as first mover in the ascendant e-sports business.

Blumberry augmented its digital portfolio and launched the world's biggest branded content travel portal for TUI Group with its 'Content Live Hub' technology.

KKLD* conducted the global brand design relaunch for MINI and launched an innovative brand experience space for MINI: the A/D/O design space in Greenpoint, Brooklyn – with co-working and prototyping facilities as well as event spaces for designers, influencers and brand aficionados.

With these and many other companies and clients, Commarco will continue its innovation and growth strategy within the highly-fragmented German communications market.

Media Investment Management

GroupM


Report by Irwin Gotlieb
Global chairman
and
Kelly Clark
Global chief executive officer

GroupM delivered another year of strong results in a challenging environment.

Slow growth and complexity in the supply chain force advertisers to seek value and transparency. In 2016, the level of new business reviews was significant. GroupM lost two major clients but still won a market-leading $5.6 billion of new business, according to RECMA.

> **"Our global 'brand safety' unit has been active for three years, and no such unit exists elsewhere in the industry"**

Trust must underpin the relationships between advertisers, buyers, sellers and the technologies that connect them. GroupM is leading the market in ensuring the digital supply chain's integrity through improved viewability, more robust measurement, and the protection of clients from content pirates and fraudsters. Our global 'brand safety' unit has been active for three years, and no such unit exists elsewhere in the industry.

The future is clear. Media allocation, optimization and attribution have to be informed by data and executed at the speed of the platforms on which advertisers need to win. At the same time, we must maintain our unique perspective that comes from deep visibility and executional skills across and between 'walled gardens' and other channels, advertiser categories and geographies.

> **"GroupM is leading the market in ensuring the digital supply chain's integrity"**

We announced the creation of [m]PLATFORM to meet these needs. [m]PLATFORM will enable GroupM, its agencies and our partners across WPP, to create personalized communications for clients at scale with improved performance and efficiency.

In addition to creating an outstanding leadership team for [m]PLATFORM, GroupM appointed a new global CEO, as did our agency MEC. We salute Dominic Proctor, our outgoing president and WPP's first media agency leader, who has moved onto new challenges after 30 years of service to the Group.

We aspire to be more intelligent and responsive than ever, and relentless in the pursuit of talent and applying that talent to the advantage of our clients through better and faster insights and actions. We remain, as always, focused on our clients' success.

Mindshare

Report by Nick Emery
Global chief executive officer

2016 was another great year for Mindshare and we head into 2017 stronger than ever.

We ended 2015 winning Facebook, booking.com and General Mills and being re-appointed across 60 markets by Unilever. We continued that momentum across 2016 with many stand-out performances.

The year was peppered with some great new business wins – Kangshifu, Yili, 21st Century Fox, Malaysian Airlines, Haribo, Achmea, Uniqlo, JD.com, OLX, The Weather Channel, Avon, Aujan and Deutsche Bahn.

In Australia, the last quarter saw wins from IKEA, BUPA, QSR and REA. In the US, Chicago finished 2016 on a great new business run, securing Tyson Foods. China continue to set new benchmarks by giving us our largest haul of new business from any country, including our appointment as the first gaming agency of record for Yili.

Our team in India beat last year's haul of awards and broke all records with 250 awards: Agency of the Year at FOMA APAC; SMARTIES™ Agency of the Year APAC; the first Agency of the Year at the Content Marketing Awards. Its Cannes Glass Lion Grand Prix was a cause for global celebration. *Campaign Asia Pacific* named us SE Asian Media Agency of the Year and also SE Asia Digital Agency of the Year.

We won the *Campaign* Media Network of the Year for Asia Pacific and were named Mobile Agency of the Year in EMEA and Asia Pacific by the Mobile Marketing Association. We also won Agency Network of the Year at the Festival of Media Asia.

We garnered Agency of the Year and Digital Agency of the Year in Austria and Italy, the Most Effective Agency in the UK, Media Plan of the Year in the US and were named Agency of the Year in Portugal, Turkey, India, Sri Lanka, Japan, Vietnam, Malaysia, Indonesia, China, Thailand, Bangladesh, Hong Kong and Singapore. We also won gold for Digital Agency of the Year in Vietnam, Indonesia, Bangladesh and Pakistan.

In 2017, our focus continues to be on the marriage of the worlds of branding and outcomes and how we create new models for our clients around data, digital and content. We are brilliantly placed to deliver.

Mindshare is 20 years old on 1 November 2017 – we will be making 2017 a year of celebration.

MEC

Report by Tim Castree
Global chief executive officer

I joined MEC in January 2017 and am honored to head a company that accomplished so much under Charles Courtier's 14-year leadership. We wish Charles continued success and happiness.

2016 was again dominated by new business pitches. Our biggest wins included Nationwide and BMW in the UK, Vodafone in Australia, Hertz in US/Latin America and Friesland Campina globally. We retained Beiersdorf in Europe, Mitsubishi in Australia, SABMiller in EMEA, Calzedonia in Italy, Erste Bank in CEE and Johnson & Johnson came back to MEC Russia less than a year after moving its business. We are taking the lessons of the loss of AT&T in the US and Mexico very seriously.

MEC UK was named *Campaign*'s Media Agency of the Year and scored over 30 other industry awards for client work. In Asia Pacific, we saw strong performance with sustained top-line growth. China is making huge improvements, notably winning back Mercedes less than six months after losing it, and launching an analytics team which is the new model for that discipline across GroupM China. Globally, our content offering, MEC Wavemaker, continues to grow at an exceptional pace, now present in over 20 markets.

> **"Our content offering, MEC Wavemaker, continues to grow at an exceptional pace"**

And we continue to lead the talent transformation agenda with numerous types of industry recognition for our initiatives.

As we look forward, we recognize that MEC is at a critical moment. Clients are being disrupted by the same forces of change that are impacting our core business and they need MEC and GroupM to be their partners in transformation.

We are excited about the ongoing reinvention of our company and are hard at work to make a difference to our clients' business and to make MEC the distinctive and admired media, technology and content agency for the future.

MediaCom

Report by Stephen Allan
Worldwide chairman and chief executive officer

Looking back at 2016, we are delighted with how we responded to our challenges and grew stronger.

Our loss of Volkswagen Group after 19 successful years was well documented, but it's our fightback that deserves more attention. Since the decision, we have regrouped, refocused, and refreshed our Content + Connections offering to deliver excellent new business results.

In total, we have recorded wins worth more than $2 billion in less than a year, with major successes in every market (and the pitch pipeline is still full). Most recently, we won Walgreens and Duane Reade in the US, and Boots in the UK as part of a wider WPP solution for Walgreens Boots Alliance through Team WBA – and there are further international opportunities ahead.

> **"We have regrouped, refocused, and refreshed our Content + Connections offering to deliver excellent new business results"**

In North America, we also welcomed FanDuel, Electrolux, PhRMA and WholeFoods to the agency, while EMEA-specific highlights include winning IKEA in Germany and British Gas in the UK. In Latin America, we won Pfizer in Mexico and extended our relationship with P&G across its LADMAR region.

We grew our P&G relationship in China too, and also added Uber in that market. Elsewhere in Asia Pacific, we retained Vinamilk in Vietnam, and won Unilab in the Philippines and Agoda in Indonesia. Buoyed by these successes, we have since opened new offices in Sri Lanka and Bangladesh to extend our influence in the region.

Powered by our 'Systems Thinking' philosophy, we continued to deliver best-in-class work, winning more than 240 awards. These included 12 Cannes Lions for P&G, Deutsche Telekom, Fonterra and Mars, 11 trophies at the Festival of Media Global Awards and 12 at the M&M Global Awards, including Agency of the Year.

This strong performance means we remain second in RECMA's *Network Diagnostics Report*, which measures overall agency quality. This is a wonderful achievement, made possible thanks to the continued dedication of our people.

Building on this momentum, we have relaunched our operating system, 20|20 Connections, to take full advantage of GroupM's [m]PLATFORM, which uses a database of more than 1.5 billion individual IDs. This will help our teams serve increasingly personalised messages to consumers and deliver even greater efficiencies for our clients.

Maxus

Report by Lindsay Pattison
Worldwide chief executive officer

2016 was about putting the engine in place that will propel Maxus in the future.

Innovative, ambitious new clients came into our agency: BT/EE, US digital retailer jet.com and Huawei appointed us in 35 markets. These visionaries are just a few examples of those who are absolutely reliant on new technology and new forms of communications.

Technology inside and out has been our focus. New services included our Tech Consulting group and a unique PAYG DMP for clients who want nimble access to data. Internally, we restructured our agency to ensure that TED (technology, effectiveness & data) sits at the heart of what we do, creating outputs that differentiate our ability to plan, activate and optimise media.

But tech doesn't matter without the best talent. We've made it a mission to improve gender equality at Maxus. In 2016 we launched Walk the Talk (*https://twitter.com/maxus_wtt*), an intensive coaching experience for senior Maxus women, arming them with the confidence for their 'bigger game', ensuring that our leadership is reflective of the wider world around us. Over 800 women have completed the course and 22 secured promotions within eight months.

The average age of a Maxus colleague is (just) 28. Gen Y have a very different set of values and motivations for work; for example diversity, transparency and a desire for global mobility. So we launched the Maxus Global Exchange (*https://maxusglobalexchange.tumblr.com/*). This saw 75 Maxus people from 45 countries travel to experience another culture, ways of working and forge strong relationships.

> **"We launched Walk the Talk, an intensive coaching experience for senior Maxus women"**

Our talent initiatives were driven by Rudi Symons, promoted to chief talent officer. Also welcomed to our global board were Dan Benedict, chief client officer, and Pam Sullivan, our LA leader. And we promoted Jen Smith as our first global creative director to collaborate and create with other WPP agencies around the world.

Essence

Report by Christian Juhl
Global chief executive officer

As our first full year operating within the WPP/GroupM network, 2016 proved to be one of expansive growth with new-found scale. We opened offices in Chicago, Delhi, Shanghai and Sydney, bringing our headcount to over 650 full-time people and continuing our mission to 'make advertising more valuable to the world'. Growth-wise, all of our regions are up year-on-year. As with 2015, Asia Pacific was the rocket ship, almost doubling for the second year in a row. North America and EMEA were impressive in their own right, contributing towards our 10th year in a row of double-digit growth. And, our investment in ad tech maintained momentum, as our proprietary media management platform, Olive, almost doubled its contribution year-on-year towards our overall revenue.

> "Asia Pacific was the rocket ship, almost doubling for the second year in a row"

On the new business front, in North America we won the Target account in conjunction with GroupM's Team Arrow, and picked up two global pieces of business – FrieslandCampina and DAZN. Together with our organic growth, these new accounts contributed to our billings climbing 30% year-on-year; crossing over the $1 billion mark. Key hires such as a chief talent officer, a global head of strategy, an EMEA CEO and a new global head of analytics reaffirmed our commitment to hiring the best talent in the business, as well as our unwavering loyalty to further developing our data and analytics offerings globally.

Xaxis

Report by Brian Gleason
Global chief executive officer

2016 was a year of diversification and international growth for Xaxis.

We welcomed plista, a leading native advertising company from Berlin, into the fold and launched its offering into 12 new markets, including China and the US. We also expanded the footprint of Light Reaction, our performance offering, across 33 countries. Finally, in November 2016, we completed the acquisition of Triad Retail Media, which now provides our clients with a unique opportunity to reach and engage consumers as they shop online with leading retailers like Walmart.

As the integrity and contribution of various players within the programmatic advertising value chain came under increased scrutiny throughout the year, we remained true to our guiding principle of delivering measurable results for brands and a positive experience for consumers, fulfilling our mission of making advertising welcome.

We heard the advertisers' call for a simpler and more accountable approach to programmatic media, hence our 2017 focus is on consolidating Xaxis' position as the leading provider of outcome-based media, ensuring our clients' digital marketing investments deliver optimal returns.

To do so, we will further invest in areas that help us deliver long-term competitive advantage and value in a rapidly-changing multiscreen environment:

- Access to Xaxis' unique algorithms and machine learning capabilities.
- An experienced and talented workforce.
- Strategic media partnerships with the leading global and local media brands.

As the path to purchase becomes ever more diverse and consumers' attention increasingly fragmented, our clients can count on Xaxis to make the complex simple and to deliver consistent and measurable results for their brands.

tenthavenue

Report by Rupert Day
Chief executive officer

2016 was a significant year for tenthavenue.

As the global leader in reaching people 'on the move', we see continued interest in the support of out-of-home (OOH) inventory against other channels driven by the following key factors:

- Increased demand for inventory based on targeted audiences versus simple location data.
- Cross-channel integration such as geo-located OOH combined with mobile display.
- Further automation resulting in increased efficiency of creative distribution.
- Ability to optimise the creative on a real-time basis.
- Advertisers' concerns over fraud, viewability, brand safety and waste of digital programmatic.

tenthavenue is best placed, among its peers, to take advantage of this momentum and deliver optimised branding as well as drive-to-store solutions by integrating:

- Creative production/origination and content acquisition/specialist platform versioning through the partnership of **Candyspace** and **Spafax**.
- Technical delivery infrastructure, with its proprietary technical competence around developments such as **Reach**, or its digital reformatting capabilities, **Spafax Hub**, and OOH media specialists, **Kinetic** and **Aviator**.

Our sales-side business strategy is driven by a focus on reaching travellers: consumers who travel for business; leisure/entertainment and retail; and the understanding of interactions around these different activities.

To best deliver this we have organised our businesses into three units:

1. Creation of audiences

In the last quarter of 2016, we launched **Bookmark** by merging Forward Worldwide and Spafax Content. The new entity will work with travel and retail clients to build audiences aligned with their brand – either funded directly by the client or through third-party advertising.

2. Exclusive rights or products to sell into existing audiences

Spafax Networks and **TMARC** (with the acquisition of Platform5) will build exclusive opportunities to reach traveller and retail audiences.

3. Audience networks

tenthavenue media offers travel audience solutions by selling directly to advertisers and supported by tech, creative and data fees on a fully-transparent basis.

As a specialist, we constantly need to re-affirm our point of difference so, in 2017, we will build new opportunities across these three areas, again focusing on travellers, through a mixture of acquisitions, partnerships and in-house product development.

It is with many thanks to the 1,500 people who work within tenthavenue, our clients and partners that I feel confident that 2017 will be our seventh consecutive year of above-market growth.

Data Investment Management

Kantar

Report by Eric Salama
Chairman and
chief executive officer

The world at large will obviously remember 2016 for Brexit and the election of President Trump. The combination of these events and the competitive pressure which our clients are facing has changed the environment in which we work, too. Clients at the highest level are questioning how best to understand the attitudes and behaviours of ordinary people and are more open to shifting budgets, experimenting and trialling new technology than ever before. Inertia is not a concept that holds much sway at the moment!

Against this backdrop, our focus has been on accelerating our efforts in getting the best of Kantar to all of our clients, delivering work that helps our clients have impact within their organisation, innovating in ways that reduce cost and that make our output more predictive and real-time, and being the kind of thought leader which our clients feel compelled to partner with.

In doing so, a characteristic of much of our best work are insights and a way of activating those insights that combine multiple data points, points of view and people from across all our brands. Recent work for clients in areas as diverse as driverless cars and Parkinson's Disease were great examples of analysing a mix of data – survey, ethnographic, big data, social media, device-originated telemetry, wearable – and delivering insights and actionable recommendations that we would have been unable to produce only a few years ago.

Innovation that drives impact

Much of our focus has been on using technology and big data to help clients get a more complete understanding of their market, to help them optimise budgets and to do this at lower cost and faster.

> **"Clients at the highest level are questioning how best to understand the attitudes and behaviours of ordinary people"**

Kantar Worldpanel has used smartphones and receipt scanning technology to launch panels that measure out-of-home-consumption in China, Thailand, Indonesia and much of Latin America as well as the world's first ecommerce panel in France. Kantar Media has become a world leader in analysis of return-path data in a way that enables us to measure media consumption of niche channels in markets as diverse as South Africa and Malaysia and in measuring all content consumption on all devices in markets such as the Netherlands and Denmark. Kantar Added Value, Kantar Futures and Kantar TNS combined to use social media data to deliver habits and attitudes work for Unilever at half the previous cost in half the time. Numerous parts of Kantar have tapped into WPP's wider deal with Spotify to help clients understand how music can be used as a proxy for mood and as a source of segmentation. Kantar TNS, Kantar Millward Brown and our operations teams have partnered with, for example, ZappiStore and Qualtrics to enable clients to test new concepts and advertising in less than eight hours, rather than the five weeks it used to take, and have taken data collection to mobile and to the cloud. Kantar Retail has expanded its virtual reality offering so that clients can now test new in-store layouts and packaging through proprietary software and portable VR headsets.

Kantar Health continued to strengthen its reputation as a leader in healthcare consulting and market research. The primary contributors behind another year of growth were the global expansion of real-world evidence consulting and data analytics; the launch of CancerLandscape™ – a novel solution that enables unprecedented insight into the innovations being developed in cancer; and continued commitment to the empowerment and education of consumers and patients worldwide.

But clients want more than just a better understanding. They want to understand how to optimise their spending and how to make sense of multiple insight streams.

In combining the segmentation work that Kantar TNS has done for L'Oréal with Kantar Worldpanel data, we enabled the client to understand where the biggest opportunities were and how to access them; in combining Kantar Millward Brown brand tracking with Kantar Worldpanel data in an approach called PowerPurchase we have enabled clients in many markets to understand the extent to which their trade activity was building on their brand building activity and how best to leverage it. Through our partnership with Facebook and VICE we offer clients the ability to measure the ROI of Facebook campaigns and of long-form content; and in rolling out Kantar TNS Connect and Kantar Retail XTEL we have enabled clients to optimise their media allocation by touchpoint and maximise the impact of their promotional spend.

"Kantar Public was one of only two organisations to predict correctly the outcome of the Brexit vote"

In carrying out this work, we have significantly expanded our client portfolio. Local clients, such as JBS out of Brazil, Pladis out of Turkey and Indofoods out of Indonesia and BBVA out of Spain, have become big clients for us in their home market and as they globalise. Clients such as Facebook, Google, Hulu, Twitter, Alibaba, eBay, Didi and Ola have shown how new technology-driven sectors such as ecommerce, search and transport have come to recognise the importance of understanding their brand and their customers and maximising their chances of success.

Compelling thought leadership

In this environment, thought leadership isn't just a nice to have. Clients want partners that they feel can guide them through uncertain times.

Some of our thought leadership has involved a continuation of programs started several years back. BrandZ™, which tracks the value of global brands and is now the world's largest brand database, is into its 20th year and saw events held globally and in markets as diverse as China, Indonesia, India, Brazil, Mexico and Peru. Now in its fourth year, Kantar Worldpanel's Brand Footprint measures the extent to which brands are purchased around the world and has both analysed and predicted the growth of local brands and the way in which penetration is the key driver of future market share in categories as diverse as skincare and mobile phones. Kantar Retail's PoweRanking studies and its China Digital Power have become, over time, the industry benchmarks for understanding the relative strength of individual retailers and manufacturers in their relationship. And Kantar Vermeer followed up its involvement in the Marketing 2020 program with Insights 2020, the largest global marketing and insights leadership initiative, and it saw its work leveraging the findings for Unilever appear as the cover story of the *Harvard Business Review*.

But some of our thought leadership has been new and even more visible. Kantar Public was one of only two organisations to predict correctly the outcome of the Brexit vote having consistently done so for a month before the actual vote. Kantar Public in Australia carried out a seminal study regarding domestic violence against women which was debated in Parliament and led to new legislation. Kantar Futures' Defying Gravity work has mapped out ways in which clients can grow in a slow-growth low-inflation environment. Kantar Health's Edge of Insight series helped clients understand the importance of secondary influencers in healthcare decisions and of the way in which technology is shaping the mobile health consumer. Across the US, we have rolled out our

FragmentNation approach to help understand the way that the nation has fragmented and to understand some of the current dialogue and polarization.

Getting the best of Kantar to clients and to the market

In previous years we have talked about the need to scale some of the great work we do to more clients and markets and to make sure that we get the best of Kantar to all our clients.

We have had success in doing so but we recognised the need to go faster. So, at the beginning of 2016, we changed our approach. We eliminated our internal P&Ls, rebranded everything with a Kantar prefix, made our proprietary data available to everyone internally, appointed Kantar Country Leaders, reorganised the way we approach HR, finance, operations, marketing, launched Kantar Public and Kantar Consulting, and appointed a unitary management team for our insights brands.

> **"We eliminated our internal P&Ls, rebranded everything with a Kantar prefix"**

The aim of all this was to eliminate any siloed way of thinking and to ensure that our clients get the best of Kantar and that our people get the full benefits of working for Kantar. It has been a big change – not as big as Brexit, perhaps – but which has been warmly welcomed by clients and our people alike.

Most importantly, it is a change that clients and staff are actually experiencing – we are determined to make sure that it reaches every interaction and is deeply embedded in the way we behave.

Recognition for our brands and people

Finally, a point about recognition. Other than internal and client awards, a number of our brands and people have been recognised publicly. Kantar TNS and Lightspeed swept the board at the UK's MRS awards, Kantar IMRB swept the board at the Indian Research Industry awards and Kantar TNS won the Australian B&T Research Agency of the Year award. Numerous units, including Kantar Worldpanel in the UK, France, Thailand, Taiwan, and Latin America as well as the Kantar Delivery Centre in India and Kantar Health in the UK, won awards as a top place to work.

Individuals such as Mike Kelly, David Hanlon, Jon Puleston and BL Chen were recognised for their individual contribution to their industry.

But every month each of our 30,000 Kantar people around the world know of examples of how they have impacted their clients and made a difference to our company. They work for corporate clients, for the public sector and on charitable causes such as Unicef and the Special Olympics. They don't get recognised for it publicly and we, as management teams, should say thank you more than we do. To all of our people for all of those occasions, a public thank you here for all you do to make our company special and an indispensable partner to so many of our clients.

Public Relations & Public Affairs

Burson-Marsteller

See report on page 64.

Hill+Knowlton Strategies

Report by Jack Martin
Chief executive officer
and chairman

We are living in uncertain times. The solutions to our biggest problems can seem deceptively small at first glance, as can the origins of our direst threats. In this environment, a handful of tiny start-ups can still topple multi-billion-dollar industries, or create them out of nothing. A handful of hackers can find equal footing with any superpower. And a single social media account, wielded skillfully, can be the tipping point in a US Presidential election.

> **"By tapping into the limitless power of storytelling content, SJR is continuing to open up new ways for H+K to transform reputations, conversations, and entire industries"**

The future belongs to those thinkers who can perceive the unique advantages and opportunities inherent in this environment. To navigate uncertainty, it isn't enough to solve the problems our clients put before us. We have to think of solutions that are bigger than the problems themselves, and blaze new paths when all existing paths lead nowhere.

I've been greatly encouraged by the spread of this kind of thinking throughout Hill+Knowlton Strategies over the past year, sparked especially by SJR in New York and our Global Center of Creative Strategy in London. Because of this new approach, 2016 was a year of growth, one of the best we've seen for a number of years.

Under the leadership of Alexander Jutkowitz, SJR has been the catalyst for explosive growth, both creative and financial. Its unique approach to problem solving, in which they convene top talent and don't confine it with job titles or assumptions, has allowed SJR to pivot quickly around our clients' needs. And by tapping into the limitless power of storytelling content, SJR is continuing to open up new ways for H+K to transform reputations, conversations, and entire industries.

Under the leadership of Richard Millar, our Global Center of Creative Strategy has brought a new sense of purpose both to H+K and to our clients' communications strategies. Through its dedication to creativity and curiosity, it is at the forefront of learning how to drive and not just adapt to the way that influence works.

Across H+K, we are test-driving the model of innovation, transformation and hungry, restless energy that our clients so urgently need from us in this uncertain world.

Cohn & Wolfe

Report by Donna Imperato
Chief executive officer

You are likely reading this report among other PR agency reports – but Cohn & Wolfe is no longer a traditional public relations agency. Fueled by our vision to own the future of communications, Cohn & Wolfe has thoroughly evolved into an idea-driven, integrated communications agency that is channel-neutral and media agnostic. Our transformation is paying off.

2016 saw the strongest year of growth in the agency's history and our third sequential year of double-digit growth. Cohn & Wolfe is now 50% larger globally than we were just three years ago.

> **"Cohn & Wolfe has evolved into an idea-driven, integrated communications agency that is channel-neutral and media agnostic"**

The power of our integrated communications offering is attracting marquee clients across all regions, including China telecom leader ZTE, Newell Brands (25 brands across 13 markets), DineEquity and Applebee's and Twentieth Century Fox Home Entertainment. Backed by our expanding geography, more wins than ever were global or shared across regions. We also deepened our relationships with long-term clients across every sector with the addition of digital and content assignments.

2016 was also an especially rewarding year for industry recognition. We added 17 Cannes Lions, three Clios and 19 Eurobest Awards, not to mention the WPPED Cream PR Crème de la Crème Award. Recognition continues to build across all regions. North America was named *The Holmes Report* Large Agency of the Year. In Europe, we were recognized as Regional Network of the Year by The International Communications Consultancy Organization, as well as Best European Network to Work For by *The Holmes Report* and Best Place to Work by *PRWeek* UK. In Asia, we were honored with two Agency of the Year Awards from *Marketing* magazine (Silver for Malaysia and Bronze for Singapore). Our Asia network is still relatively young, so it was quite an achievement to be a *Holmes Report* finalist for both Asia-Pacific Technology PR and Southeast Asia PR Consultancy of the Year.

Never content to rest on our laurels, we are now hyper-focused on further growth in 2017. By combining our creative excellence with foresight about consumer demand for fully immersive brand experiences, we are poised to build an industry-leading creative technology capability. It is what today's C-suite needs to succeed in our rapidly changing, technology-driven communications industry. And Cohn & Wolfe is ready to deliver!

Finsbury

Report by Roland Rudd
Chairman

Finsbury continues to expand its influence as a globally-integrated strategic communications consultancy. It specialises in managing complex assignments in corporate reputation, financial and transaction communications, public affairs and crisis management. Finsbury has offices in the UK, the US, mainland Europe, the Middle East and this year boosted its presence in Asia by opening an office in Japan.

2016 marked the beginning of a strategic partnership between Finsbury and HERING SCHUPPENER, the leading strategic communications consultancy in Continental Europe. The now seamless global offer has resulted in more than 20 joint projects, notably on large M&A transactions including Bayer/Monsanto and Linde/Praxair, and major global reputation management mandates for ABB and KION, as well as the global crisis management assignment from Volkswagen.

> **"2016 marked the beginning of a strategic partnership between Finsbury and HERING SCHUPPENER"**

In 2016, revenues increased as Finsbury added significant new assignments for Viacom, Nando's, iHeart, Prada, Barings and KSA Ministry of Finance among others, to complement its existing work for major clients including Toyota, Sky, UnitedHealth Group, CPPIB, Aviva and Ahold. Finsbury also managed a number of high-profile deals including Softbank's acquisition of ARM, Sainsbury's acquisition of Home Retail Group and the initial public offering for Convatec.

HERING SCHUPPENER

Report by Ralf Hering
Principal partner and chief executive officer

With double-digit growth in revenue and profits, 2016 was another record year for our firm.

Our capital markets business almost doubled, advising clients in the largest transactions and initial public offerings in Germany and Europe. Thanks to our newly-created global strategic partnership with Finsbury, our world-class capability to advise on cross-border mandates has become another strong competitive advantage.

Together we have formed a globally-leading strategic communications advisory supporting our clients in mission-critical situations covering all important markets in Europe, the UK, the US and Asia.

We strengthened our dominant market leader position in Germany and remained No.1 in the *Mergermarket* rankings in value and volume, now for 13 consecutive years. We also boosted our business in CEO transitions, corporate crises and public affairs with a strong digital transformation offering as a cross-function for all our mandates.

> **"Our world-class capability to advise on cross-border mandates has become another strong competitive advantage"**

In May, *The Holmes Report* named us again EMEA Consultancy of the Year 2016.

Buchanan

Report by Richard Oldworth
Executive chairman

Buchanan's positioning as a strategic communications boutique produced increased revenues and profits in 2016. The first half saw some interesting corporate restructuring assignments as well as higher underlying retained fee income. While the Brexit vote adversely affected our UK-centric IPO pipeline in the second half, a resurgent natural resources sector helped push our year-end retainer run rate almost 20% higher than a year earlier.

We expect good growth in 2017 and are targeting the addition of a select number of senior recruits to further enhance our offer.

Branding & Identity

Landor

See report on page 64.

Group XP

Report by Simon Bolton
Group chief executive officer

Group XP is a unique consulting model formed through the partnership between Brand Union, FITCH, SET and SET Live. We believe that great customer experience is the key driver of business growth. By connecting diverse perspectives and skills in our network, we bring a holistic view of experience to create transformative interactions between brands and people.

> **"Horizontality remains a key element to the success of the Group XP offer"**

We partnered with Kantar Millward Brown and BrandZ to launch the Group XP Experience Index, a first-of-its-kind report that enables us to quantify the role brand experience plays in building financial growth. The results, a global ranking of the Top 30 experience brands, were launched simultaneously in London and New York in October.

Horizontality remains a key element to the success of the Group XP offer and we are now serving Adidas, JTI, Samsung, Simply Health and VW Group across at least two operating companies, a trend that we expect to grow in 2017.

Brand Union

Report by Toby Southgate
Worldwide chief executive officer

2016 was challenging in a number of key markets. We saw twin drivers of change: the commoditisation of our packaging design offer and the impact of the value investors.

In contrast, we find continued value in our core purpose. We have been part of WPP for 30 years, and have done our best work breaking ice: engaging senior clients with practical, agnostic advice on how best to communicate and organise their brands. In 2016, this focus secured significant new engagements with Aetna, Tyson Foods, Le Group, National Grid, Liberty Mutual and IAG.

We evolved structurally, too. In Asia Pacific we created a unified regional model under chairman Monica Lee and CEO Graham Hitchmough. In the UK, we established a new leadership team with CEO Alex Clegg, who joined us after a successful decade leading Ogilvy Group Vietnam.

There were areas of outstanding performance. Madrid, under Pilar Domingo, is a model of sustained organic growth. New York, led by Christina Falzano and Don Forringer, delivered another strong year; through the dedication of Coleen Cahill, we grew our business with Bank of America. In Germany, CEO Tobias Phleps has built a successful start-up story in Berlin. In a ruthless economy, Epigram Brand Union in São Paulo delivered growth.

We ended the year with guarded confidence, and having delivered the strongest quarterly new business performance in several years. For 2017 we predict modest growth fuelled by both a refreshed clarity of purpose and our relationships across Group XP and WPP at large.

FITCH

Report by Simon Bolton
Worldwide chief executive officer

We enjoyed a successful year as we grew the network on all key dimensions. Growth was fuelled by acquiring major new client assignments from T Mobile, Ann Inc., Samsung, PetSmart, JTI and Carpoly.

In the retail sector, we continue to evolve our offer ahead of the market curve and have been particularly potent in marrying the online and offline worlds, despite the tension often inherent between those environments.

Given this context, we added further bench strength to our Asia Pacific network through the acquisition of an independent agency in Hong Kong that comprises a blended 2D, 3D and interactive studio. Led by Jonathan Cummings and Cally Williams, the team brings full branding solutions to clients such as SWIRE Properties, Genting Resorts and Nord Anglia.

The leadership structure, led by three regional CEOs, Hermann Behrens (NA), David Blair (EMEIA) and Andrew Crombie (SENA), ensures a tight, collaborative network that sees resource, talent and skills deployed internationally to best meet client needs.

> **"In the retail sector, we continue to evolve our offer ahead of the market curve"**

Tim Greenhalgh, chairman and CCO continued to position FITCH as the go-to retail and design agency for ambitious clients. Tim sat on a number of major awards juries and delivered a keynote on 'Generous Brands' at the NRF and talked to the Store of the Future at WPP's World Retail Forum.

At the time of going to press, I am delighted to announce the well-deserved promotion of David Blair to global CEO. David and I will work closely together to steer FITCH through 2017.

SET

Report by Sabina Teshler
Founder and
chief executive officer

SET continues to work towards its mission of 'making experiences through physical interactions the most powerful and most craved media channel for people and brands today.' As brands continue to allocate a greater share of the overall marketing budget to non-traditional channels, SET is uniquely positioned to capture a greater portion of this spend.

Our financial performance in 2016 reflects this trend. With net revenue growth exceeding 50%, 2016 was truly a banner year for our agency. With the support of WPP and Group XP, SET has enjoyed some major client wins connected to the NY studio including Verizon, The North Face, The Gap and Sennheiser, leading to threefold growth of the studio.

As our client relationships increasingly move upstream, we continue to elevate our strategic and creative talent and thus broadening our service offering to support the experience needs of marketing executives. Last year we added two ECDs to our team, Simon Hatter and Jodi Terwilliger. We've also created a digital production team that supports the new experience needs of our client partners.

The Partnership

Report by Jim Prior
Chief executive officer

Our hybrid structure of five distinct but closely collaborative companies yielded encouraging results in its second full year since formation. A number of significant new client opportunities were created through The Partnership companies working in combination, while the specialist, client-focused approaches of each individual company were well-suited to the general operating environment, resulting in good growth overall. This group continues to set an industry-leading creative standard and enjoyed award wins in multiple competitions around the world.

Addison Group

The company continued to diversify its mix of business in 2016 achieving a well-balanced portfolio of digital, corporate branding and corporate content work. CEO Tom Robinson led Addison Group to establish several new relationships with high-profile clients, including Diageo, National Grid and QinetiQ.

Lambie-Nairn

Clients are increasingly recognising Lambie-Nairn's Dynamic Brands approach as the most contemporary and fit-for-purpose method with which to manage their brands across multiple markets and multiple media. In 2016, the company retained its global role with Telefonica after a competitive review and won several important new clients, including JLL.

PeclersParis

Under the leadership of CEO Eric Duchamp, PeclersParis had a strong year. Fashion and beauty trend consulting services expanded significantly, globally and particularly in China. The company's trend books sold well and remain a crucial source of inspiration to clients worldwide, and its digital business continues to grow.

The Partners

The combination of senior-level brand consulting skills with multi-award winning design capabilities helped The Partners to another year of excellent growth, with its London and New York offices performing particularly well. New clients in 2016 included Nespresso and Revlon. Another successful year at the Cannes International Festival of Creativity, most notably with work for Argos, was a creative highlight.

VBAT

It was a momentous year for VBAT as its acquisition of dBOD was completed and the two firms merged to create a market leader in branding and design in the Netherlands. The newly-merged company, now under the leadership of CEO Remco van der Sluis, further strengthens the company's relationship with Heineken and offers market-leading capabilities to clients in its home market and internationally.

Healthcare Communications

WPP Health & Wellness

Report by Mike Hudnall
Chief executive officer

WPP Health & Wellness is a new entity that unites the Group's broad capability under one banner to significantly advance our offer for our clients across the spectrum of health.

The growing ubiquity of health today is ushering in an era of unprecedented cross-industry partnerships and innovation that present tremendous opportunities for our clients and our business. Building on WPP's areas of competitive advantage, we are well positioned to seize these opportunities, accelerate growth and new value for our clients. Our strategy centers around advancing horizontality, which we began with the formation of this healthcare specialist practice. Beyond that, we are establishing health-focused partnerships with Group companies designed to strengthen our collective healthcare capabilities, and create modern specialized services that will accelerate growth in 2017 and beyond.

2016 was a strong year for our healthcare business, punctuated with coveted new business assignments and meaningful contributions to client partnerships that drove substantial growth across our healthcare portfolio. We also won more Cannes Lions Health awards than any other holding company last year, underscoring WPP's creative reputation.

Ogilvy CommonHealth Worldwide

Report by Matt Giegerich
Retiring chairman and chief executive officer

In 2016, Ogilvy CommonHealth Worldwide expanded its leadership position in the healthcare communications industry, adding 21 clients never worked with before, in more diversified categories than ever before, with significant growth in Specialty Marketing, Medical Affairs and Market Access.

> **"Throughout the year, we drove horizontality through collaboration within Ogilvy and across WPP"**

Global macro healthcare trends, and our deep understanding of them, continue to guide the agency. With consolidation and contraction ongoing, our clients have laser focus on efficiency and ROI, a renewed emphasis on Real World Evidence, accelerated R&D in specialty medicines and continue to experience access/reimbursement pressures.

Our response to these trends includes the formation and launch of NANO – a specialized, highly nimble unit designed to work with emerging healthcare and selfcare companies. We developed and launched a comprehensive Patient Access Service offering, and saw exponential growth of our proprietary properties such as the Element Access Tool that delivers real-time, office-level reimbursement data and unique EHR initiatives delivering key messages within the workflow.

Of course, we continue investing in talent, growing staff in such critical areas as medical strategy, planning, and digital engagement strategy, while elevating our creative product across all disciplines.

Throughout the year, we drove horizontality through collaboration within Ogilvy and across WPP, working with OgilvyRED, Effective UI, Bottle Rocket, social@ogilvy, Y&R and more, while remaining key contributors to the healthcare Team accounts.

In 2017, although full of potential change, we will likely face similar market pressures. But we approach the year with enthusiasm as part of the new WPP Health & Wellness group, building on the strengths and resources of the healthcare specialist agencies, and supporting the new Ogilvy Health & Wellness practice in its efforts to capitalize on this growing and dynamic market. We are excited to enable new cross-agency collaboration – horizontality – for the benefit of our clients and development of our people.

After 25 years with the agency, I retired from Ogilvy CommonHealth Worldwide in April 2017. I handed over executive and managerial duties to my very able successors: managing partners Darlene Dobry, Michael Parisi, Shaun Urban and Marc Weiner, who now co-lead the agency.

Sudler & Hennessey

Report by Jed Beitler
Chairman and chief executive officer worldwide

Sudler & Hennessey celebrated its 75th anniversary by producing a big idea that will ensure great talent for decades to come: S&H implemented a global apprenticeship for 75 college graduates and provided two months of training and real-world work experience – *and* a stipend.

Additionally, two initiatives were launched: Science & Learning, an education and training model led by Louisa Holland, to help clients strategically leverage critical data to secure stronger positions for their brands; while Rob Rogers was appointed to lead promotional efforts for Sudler New York and Sentrix Communications Healthcare, to execute plans with a fresh attitude and new talent, and a new business effort.

> **"S&H implemented a global apprenticeship for 75 college graduates"**

In the realm of recognition, Chris Duffey was appointed a juror at Cannes Lions Health, two Sudler New York teams were named among the top 10 Young Lions Health finalists, and *BeLive*, the first wearable and app to track pain in real-time, won 18 awards, including Sudler's first-ever Cannes Lion; IntraMed was honored with the MAHF's Digital Pioneer Award.

Rounding out the year's activities, S&H acquired the San Francisco-based digital specialist shop, Viscira, expanding the range of interactive solutions and technology horsepower, and new senior leadership was appointed in Australia and Japan.

ghg

Report by Lynn O'Connor Vos
Chief executive officer

ghg|greyhealth group had another consecutive year of growth, fueled by breakthrough, multi-channel agency launch campaigns, innovative medical education, healthcare-access programs and cutting-edge health IT. As a recognized leader in partnering with medical affairs for 'pre-commercialization,' ghg achieved high growth in our scientific and value-based communications.

ghg works with some of the world's most influential companies, creating everything from TV and digital content, to CRM, mobile apps and virtual-reality experiences. We have forged partnerships with some of the industry's biggest game-changers, such as IBM Watson and VICE (Tonic). We have also invested in tomorrow's technology leaders, including OptimizeRx, ScrollMotion and Text4Baby (recently featured in an exhibit at the Cooper Hewitt, Smithsonian Design Museum).

> **“We have forged partnerships with some of the industry's biggest game-changers, such as IBM Watson and VICE”**

But what truly differentiates us, beyond award-winning campaigns and high-science initiatives, is the reputation we have acquired as inventors of healthcare solutions – we have built, designed, and/or developed the following: the Quitter's Circle app for smoking cessation, which was the first healthcare app on the Apple iWatch; the Metastatic Breast Cancer Advisor with IBM Watson – an AI program that allows patients, physicians, payers and policy-makers to access 10 years of global research on metastatic breast cancer; the Gum Health Physical tool, for Colgate, to aid in patient education, awareness and compliance; and our vaccines team supplied the first branded Facebook page in a key client's history, helping that company usher in a new era of social sharing.

ghg continues its thought leadership and original research with new studies about millennials and health activators, in partnership with Kantar Health. Our white paper, *The New World of Healthcare: What Millennials Want*, explores this quickly-growing, soon-to-be-primary healthcare consumer cohort, which is changing the industry with its unique outlook, preferences, and habits.

At ghg, we believe 'Communication is the Cure.' It's the way we live, and what we do for our clients every single day.

CMI/Compas

Report by Stan Woodland
Chief executive officer

CMI/Compas is a leading healthcare media planning and buying firm, and we're on a mission to become an indispensable partner to each and every client. As we worked to redefine the agency-client relationship, taking on accountability for our clients' business goals, and even putting our own money behind some client initiatives, we gained the notice of WPP, which acquired CMI in March 2016. The company's upward trajectory of growth continued with the winning of several competitive RFPs and an industry-leading client retention rate, allowing CMI/Compas to sustain an average annual revenue growth of more than 30% per year over the last four years. Among the growth drivers were a full launch of our Drive® offering, comprising best-in-class healthcare SEM/SEO and social media capabilities. CMI/Compas also expanded our customers' insights offerings with robust quantitative and qualitative research about the physician audience.

GCI Health

Report by Wendy Lund
Chief executive officer

GCI Health continued its record of double-digit growth, fueled primarily through an expansion of key offerings and diversifying our account base with over 30 new business wins. We take great pride in not only the unsurpassed results of the cutting-edge programming we execute, but also becoming an extension of our clients – partners in most cases – to add to their business performance.

The healthcare industry is increasingly focused on digital content creation and marketing. Whether collaborating with clients to use augmented reality to show their commitment to corporate responsibility, helping to execute a major social promotional push to refresh a 10-year campaign or launch a suite of social channels featuring a branded Facebook community with open commenting (a rarity in the healthcare space) – we have helped our clients to not only keep pace, but truly innovate in the digital healthcare space.

> **"We have helped our clients to not only keep pace, but truly innovate in the digital healthcare space"**

We are also committed to providing forward-thinking thought leadership in today's ever-changing, often volatile healthcare landscape. This, combined with our focus on putting Patients at the Center and challenging our staff to 'Do Something Different,' has continued to garner industry recognition including 2016 SABRE Award for Rx Campaign of the Year, Global SABRE for PR Campaign of the Year and *PRWeek*'s Global Breakthrough Campaign of the Year.

Getting beyond the stellar work of our employees, we pride ourselves on a company that embraces partnership and performance while fostering a fun environment and staff development, all of which has resulted in us being recognized as 2016 Best Places to Work by *PRNews* and *The Holmes Report*.

In 2017, GCI Health will continue to help our clients succeed in a changing healthcare landscape and launch breakthrough programming across the entire health sector with a multi-channel, integrated approach. Where we are today is just a starting point for where we're going in the future.

Digital, eCommerce & Shopper Marketing

AKQA

Report by Ajaz Ahmed
Chief executive officer

In a world where digital is everywhere, AKQA's passion is a thoughtful, considered and intelligent experience at every connection. Our primary motivations are as relatable and easily understood as the work they help to inspire. The three metrics that matter most to us are:

1. The creation of genre-redefining work that makes a cultural impact;
2. Encouraging positive feedback from audiences; and
3. Contributing to the career development of our colleagues.

That's why our focus is predominantly on progressing a culture that gives our team the canvas and environment to create work that elevates the spirit and why we care about delivering meaningful results for our clients.

> **"... the goal of each assignment [is] to be the best of its kind in the world"**

It's heartening therefore to have achieved a 93% client retention rate, being voted by our people as one of the UK's top three employers, while achieving incredible feedback from audiences worldwide from the work we create. At the same time, we won more than 100 honours in 2016, including seven Cannes Lions, and were also named Agency of The Year and Gaming Agency of the Year by IAB and PromaxBDA respectively.

Many of our ideas are born from the frustration of looking at what already exists and asking the question: "why does it have to be this way?," making the goal of each assignment to be the best of its kind in the world. Through artificial intelligence, the conversational interface and technological advances, we create beautiful, memorable work that's helping to simplify and enhance the way people live and communicate.

With ideas that move the world, we architect and deliver remarkable brand and customer experience. A common thread has now emerged amongst the clients we collaborate with: the need for a strategic partner to provide a cohesive blueprint and future vision for their business, rooted in reaching the audiences of today and tomorrow. This clarity of purpose will help our clients to increase their relevance and expand their connection in an environment that's now defined by accelerating change.

Geometry Global

Report by Steve Harding
Global chief executive officer

In just our third full year of operation, we continued to strengthen our core capabilities, expand key clients and grow our reputation. We made significant progress in making our way of working consistent across the network, attracting top talent, and winning new assignments from both current clients and new ones.

We added two key leaders to our global management team in 2016. Fadi Shuman joined as global chief digital officer to consolidate our digital and ecommerce assets and help us achieve our vision of becoming a device-agnostic, omni-channel expert in ecommerce. Diana Cawley was appointed regional CEO for Asia Pacific, bringing a deep understanding of brand activation and shopper marketing to the region. She will oversee a transformation from executional activation to more strategic, creative, and digital activation in Asia, and especially in China where she is based.

> **"For key clients… we focused on building resilient team structures to further support the globalization of the accounts"**

For the key clients we service in multiple markets, we focused on building resilient team structures to further support the globalization of the accounts. The hiring and placing of new Global Client Leaders and local teams strengthened our client relationships, resulting in considerable growth on Unilever, Coca-Cola and Emirates, among others.

As we build our reputation on our ability to change people's behavior in ways that drive conversion for our clients' brands, we continue to be validated by the response we receive from new prospects. In 2016, we welcomed many new clients to our roster, including Chase, Kimberly-Clark Professional and Electrolux.

All told, we have a strong proposition, business momentum, solid partnerships with clients and WPP agencies, and a passion for creating campaigns that convert brand equity into action.

Specialist Communications

Report by Mary-Ellen Howe
Chief operating officer, Specialist Communications, North America
and
Laurence Mellman
Chief operating officer, International Specialist Communications

WPP's Specialist Communications division comprises individual business units with separate and distinct marketing expertise by industry, audience segment or medium. Our clients benefit from the depth of knowledge and strategic focus of these specialists; the Group benefits through the flexibility these companies offer as partners for sister WPP companies when serving clients' integrated marketing needs. Our role in managing this portfolio is to help these companies grow on their own terms and to support co-operation opportunities across the Group.

In aggregate, the portfolio of companies achieved a strong 2016 result and expectations are that they will continue to enjoy good growth in 2017.

WPP Scangroup is listed on the Nairobi Securities Exchange, operating a multi-agency model as WPP's partner across multiple disciplines in sub-Saharan Africa, with offices in 25 African countries. 2016 saw the first full-year benefit of new offices in Nigeria (H+K Strategies) and the launch of a new office in Gabon. The company's agencies continued to win numerous awards across the region. Alongside collaboration with sister agencies, acquisition opportunities continue to be assessed to broaden both service and geographical offerings.

In 2016 **Berlin Cameron** continued to build on its core business with its biggest client, Capital One. The agency relocated alongside BAV Consulting and together they won assignments for Lexus, the National Kidney Foundation and Sequential Brands Group. The agency also furthered its start-up and branding practice with wins from MyHeritageDNA and Underclub.

At Seattle-based **Cole & Weber**, growth continued strongly after winning new business from Regence Blue Cross Blue Shield and driving organic growth with clients including Hydro Flask. The agency is well positioned as nimble and medium-sized, combining the creativity of a boutique with the strategic partnership of business consultancy and the digital prowess of a digital shop.

> **"Our role in managing this portfolio is to help these companies grow on their own terms and to support co-operation opportunities"**

Sra. Rushmore was, for the 12th year in a row, voted the No.1 advertising agency in both original and effective creativity in Spain, as well as the most attractive integrated agency overall. This past year has been the agency's most international year with campaigns being aired in more than 125 countries worldwide.

The Farm Group had another active year which saw the opening of its 33,000 square feet, state-of-the-art headquarters in London, as well as the supply of a technical and editing team in Rio for the BBC's feed of the Summer Olympics. The Farm HQ is equipped with new UHD and HDR technologies, ready to supply programs to suppliers like Amazon and Netflix as well as traditional broadcasters. One of the first major projects in the new facility was *The Grand Tour* for Amazon.

US-based corporate events company, **MJM**, created inspiration and impact for top-tier clients including Deloitte, NAPA, Discover, McKinsey and Unilever. MJM took talent development and corporate assembly to the next level with creative strategy and production for their clients' most significant internal-facing events.

Technical production company **Metro Broadcast** strengthened its position in the live events industry by investing further in technology and combining its talents in broadcasting with traditional event production. Introducing broadcast elements to live events and utilising the latest in audio visual tech, Metro added the Bank of England and ITV to its client portfolio while extending its reach in the global pharmaceutical market. Expanding the agency's managed service business by winning a bid to manage YouTube's new studio spaces in London and Berlin boosted Metro's credentials in this growing market, where professional video production facilities are made accessible to artists, celebrities and vloggers.

Mando has continued to expand throughout Europe and South Africa. The promotional risk management company also picked up the illustrious Company of the Year award from The Institute of Marketing in the UK for outstanding work over the year, with a range of blue-chip clients including Ferrero, McDonald's and GSK.

Pace continues to expand its real estate offerings with new assignments for Pier Village, a residential development in New Jersey and The Bristol, a 25-storey condominium development in West Palm Beach. Its Florida division, **Green Advertising**, continues to service outside of real estate with work in the education and healthcare sector as well as security services.

The Food Group has continued to expand its food and beverage marketing and content development business with growth coming from its core clients such as Mars, Mondelēz, Kraft Heinz and Perdue Foods. In addition, it has added some other great clients to the roster such as Aramark, World Kitchen, Saputo, Tampa Maid Foods and the Dairy Farmers of America. Its culinary division, Creative Food Solutions, continues to grow as it has added clients Rich Products and Jennie'O Foods, among others.

141 Hawaii aligns branding and experiential marketing for Sony as well as global and national companies while mobilizing a partnership between Friends of Hawaii Charities and the Harry & Jeannette Weinberg Foundation to generate significant funds for Hawaiian charities. It kicked off the full-field PGA TOUR season for the 20th year with the Sony Open in Hawaii. In addition to this flagship PGA TOUR property, it services several other professional golf management and marketing events on the LPGA Tour and Champions Tour.

Specialist UK CRM agency **EWA** continued to build on new services around political polling, surveys and telephone contact with voters for the EU Referendum and local elections. Core services focused on improving relationships between clients and their customers through the delivery of promotions, campaign response and customer experience solutions, generating new business from HS2, JET and Linden Homes.

BDG architecture + design is a team of architects, designers and creative thinkers. The belief that architecture is most successful when it is able to connect people and spaces has seen the team continue to grow and expand their European coverage in 2016. Following the successful completion of the agile working environment for Ogilvy and MEC in London at the beginning of 2016, large-scale colocations of WPP companies are now currently under design in Madrid, Amsterdam, Milan and Lisbon. Significant UK client wins included Sky, Money Supermarket and Teach First.

WPP Digital

Report by Mark Read
Chief executive officer
and
Mark Povey
Chief operating officer

WPP Digital is a group of companies that drives marketing transformation and innovation for leading global brands. Combining technical expertise with a consumer-focused, insight-driven approach, WPP Digital companies deliver award-winning solutions that allow our clients to reach consumers in context across all digital touchpoints. 2016 was another successful year, with the expansion of existing client relationships, significant new client wins and multiple industry accolades.

POSSIBLE, an integrated agency, continued its focus on data, technology, creativity and emotion. Its Empathy Model, a proprietary tool for analysing the emotions of social posts, made Coca-Cola the leader in social media marketing at the 2016 Summer Olympics. POSSIBLE expanded its Commerce practice by building specific services and expertise that optimise marketing and sales performance for brands on Amazon and Alibaba's Tmall, and continued to strengthen relationships with Microsoft, Nestlé, AT&T, Procter & Gamble and Turner, and added Aston Martin, Adidas, LEGO and Specsavers to its roster. The agency launched POSSIBLE POV, a curated collection of articles on all things digital. The agency also expanded into Germany, Brazil and Argentina and strengthened its Adobe expertise through the acquisition of Conrad Caine.

SYZYGY enhanced its CGI, virtual reality, innovation, customer experience, data and media management offerings. The company acquired USEEDS, a Berlin-based customer experience specialist, opened new offices in Munich and London and expanded in the US. Creative director Piotr Jaworowski was awarded The Internationalist Agency Innovator award and the agency won Cannes Lions and MM&M awards for its work on Soolantra. SYZYGY continued to work successfully with Global Avis globally and Mazda; new clients included Lufthansa, L'Oréal, Muller, American Express and Facebook.

Creative agency **Johannes Leonardo** experienced continued success with its guiding mantra 'The Consumer is the Medium.' JL helped make Adidas Instagram's most-liked brand within its category and won new work with Sonnet Insurance, New York City Football Club, NBC, Alexander Wang and Bleacher Report. The agency also added Mass Mutual to its roster and continued to strengthen relationships with Google and Coca-Cola.

> **"As the network of communication channels available to consumers grows increasingly complex, we will remain at the forefront of marketing innovation"**

Hogarth had a very successful year. Growth in digital was particularly strong, fuelled by the opening of a specialist offshore digital production facility in Brazil and the deployment of dynamic advertising content for use on the web. The company continued to expand its offer in TV primary and post production, working with a number of global brands to consolidate its TV production activity around the world. Major client wins included Nespresso, GSK and General Mills. In addition, it substantially grew the scope and scale of its relationships with P&G, Santander, TK Maxx and Dow Jones, amongst several others. The global nature of Hogarth's leading client relationships has driven activity across the whole company. Revenue grew across all regions in 2016, with particularly strong performances in the US and Latin America.

F.biz maintained momentum, despite a challenging economic environment in Brazil, and was recognized as the No.1 digital agency in Brazil by Scopen. In addition to a Cannes Lion for Unilever work, COO Guilherme Jahara received the Caboré Award, the most prestigious national professional award for creative professionals in Brazil. New clients included Honda Motorcycles and Ovaltine.

Blue State Digital, the leading purpose-driven creative and technology agency, expanded its portfolio of clients to include Airbnb, Fair Trade USA, March of Dimes and Yale University and continued to work with Google, Lloyds Banking Group and Colgate-Palmolive to deepen their engagement with customers. BSD's technology powered Bernie Sanders' grassroots movement along with hundreds of political candidates and advocacy organizations during the 2016 US election. BSD received a number of awards including a Lovie for its Tate Modern creative work, a Shorty Award for the 'Love Must Win' campaign with Freedom To Marry and Webbys for work with NYU's Tisch School of the Arts, the Sierra Club and several trade associations.

Rockfish experienced another year of solid performance driven by best-in-class ecommerce strategy and execution of pure-play and omni-channel experiences. It expanded its offering and activations in innovation-based services for existing, long-term clients Southwest Airlines, Ford Motor Company and Sam's Club, while leaning into emerging technologies with commerce-focused Internet of Things and mobile connectivity innovations for CPG and retail clients. Additional highlights include being named Innovation Agency of the Year at the iMedia Awards, key horizontality partnerships within WPP, and new business wins with Intel, Colgate-Palmolive, Patient Point and Luxottica/EyeMed.

Digital technology consultancy **Cognifide** added Barclays Africa Group Limited to its roster. The company expanded geographically with new offices in New York and Johannesburg. Cognifide was named as the UK's Top Tech Agency in the EConsultancy Top 100 and recently spearheaded the WPP Common Ground initiative in support of #techmums, a project that empowers women through technology.

WPP's largest ecommerce agency **Salmon** expanded into Northern Europe and India with the acquisition of ecommerce consultancy Eperium. Salmon launched new commerce initiatives for Audi UK, Ted Baker, Habitat and Punch Taverns, in addition to driving digital growth with existing clients DFS, Game, Sainsbury's and Selfridges. The company grew to 700+ employees and has driven billions worth of digital transactions through its clients' sites to date.

The Data Alliance, a horizontal team that helps WPP companies access and leverage data, entered into partnerships that will benefit WPP companies and their clients. The group established partnerships with Spotify, Mobilewalla, Snapchat and VICE. The group will continue to pursue opportunities that provide access to valuable insights for all members of the WPP network.

"The Data Alliance established partnerships with Spotify, Mobilewalla, Snapchat and VICE"

WPP Digital expanded its investment portfolio in 2016 with the addition of **Mitú**, the largest community of Latino content creators and social media influencers, **Woven**, a digital media company that produces and distributes pop culture content, and Russel Simmons' **All Def Digital**, a leading producer of music and content tailored to the urban-centric youth population.

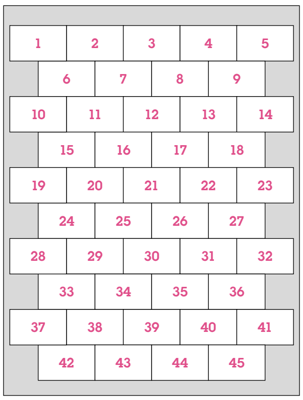
In 2017, WPP Digital will continue to explore acquisition and investment opportunities that enhance and augment our expertise. As the network of communication channels available to consumers grows increasingly complex, we will remain at the forefront of marketing innovation.

WPP's Global Client Teams

WPP was the first marketing services group to offer the 'Team' model of client service: pulling together talent and resources from across the Group's different agencies, specialisms and markets to provide fully integrated solutions that are tailor-made for each client.

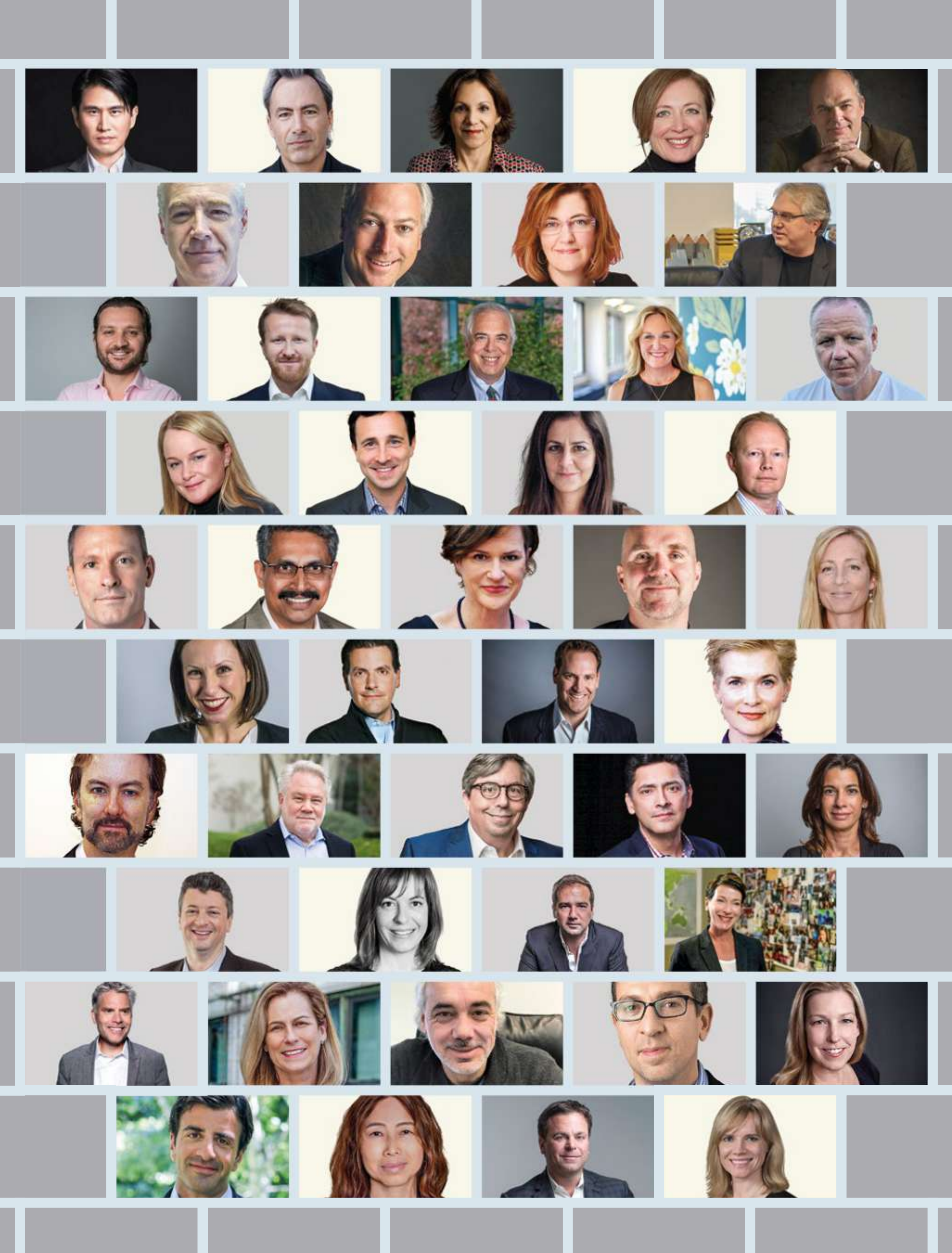
The Global Client Team is the most advanced form of horizontality – WPP's strategy of ensuring our businesses and people work together effectively for the benefit of clients.

There are now 48 Teams, involving almost 40,000 of our people and accounting for more than a third of our revenues. Each has a dedicated Global Client Leader, who provides a single point of leadership and acts as a gateway to WPP's collective capabilities.



1 Anthony Wong
2 John Lynn
3 Millicent Badillo
4 Alina Kessel
5 Christian Schroeder
6 Phil Lancaster
7 George Rogers*
8 Erin Byrne
9 Steve Forcione
10 Joseph Petyan
11 Jamie Copas
12 David Chapman
13 Kim Brink
14 Chris Hunton
15 Jennifer Graham Clary
16 Daniel Goldberg
17 Ida Rezvani
18 Chris Butler
19 Mike Hudnall
20 Gowthaman Ragothaman
21 Heather MacPherson
22 Anders Kinberg
23 Deborah Kerr
24 Julia Hammond
25 Lou Aversano
26 Jon Cook
27 Michelle Harrison
28 Sean Howard
29 Michael Buttlar
30 Peter Dart
31 Jaime Prieto
32 Rose Wangen-Jones
33 David Pullan
34 Cecile Berger
35 Philip Heimann
36 Gloria Gibbons
37 Carl Hartman
38 Maggie Helmig
39 Rafael Esteve
40 Joe Rivas
41 Malia Supe
42 Stephanos Klimathianos*
43 Serene Wong
44 Shane Atchinson
45 Eva Ruzicka

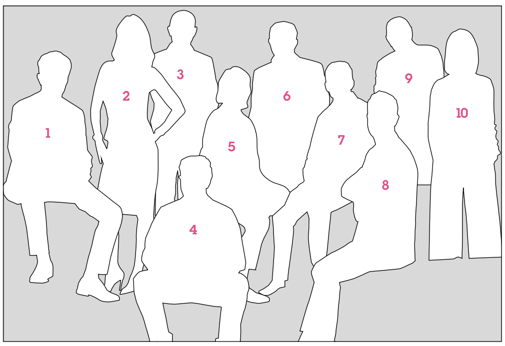
* more than one client.



WPP's Regional, Sub-Regional & Country Managers

The primary role of WPP's Regional, Sub-Regional & Country Managers, who now cover about half of the 112 countries in which we operate, is to foster horizontality in their markets by helping our businesses to coordinate their activities and deliver the best resources to clients.

They also ensure we hire the best local talent, and seek out acquisition opportunities that boost our clients' and our own business.



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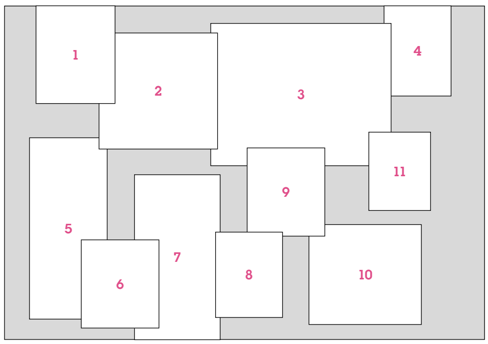


1. Pierre Conte
France
2. Demet Ikiler
Turkey
3. Polo Garza
Mexico
4. Mike Connaghan
WPP AUNZ
5. Ranjana Singh
Indonesia & Vietnam
6. Roy Haddad
Middle East & North Africa
7. Andrew Scott
UK & Continental Europe
8. Scott Spirit
Strategy & Digital, Global
9. Ranjan Kapur
India
10. Bessie Lee
Greater China

1. TB Song
Greater China
2. Manuel Maltez
Portugal
3. JP Donnelly
Ireland
4. Ruslan Tagiev
Russia
5. Massimo Costa
Italy
6. Miguel Barroso
Cuba
7. Shenan Chuang
Greater China
8. Geoff Wild AM
Australia & New Zealand
9. Sung Lee
South Korea
10. Roberto Coimbra
Andina region
11. David Lhota
Czech Republic

Group photograph of WPP Regional, Sub-Regional & Country Managers above left, taken at the global WPP Leadership Conference, London, September 2016; and above right, those who were not present for the photoshoot.

WPP Leadership Conference, London 2016

What we think

WPP's collective intelligence

WPP CEO Sir Martin Sorrell reports

When Tim Berners-Lee wrote his proposal for an information management system at CERN, the European particle physics laboratory, it was out of frustration that the different parts of the organisation – both human and technological – struggled to communicate with each other.

Data was hard to find, there were multiple, incompatible computer systems, and knowledge was not shared efficiently.

Nearly three decades later, the World Wide Web that Berners-Lee imagined has transformed how we communicate and the way we live our lives – and yet improving coordination within companies remains one of the business world's most stubborn challenges. →

Why? Because it is a problem that technology alone cannot fix. When organisations are successful in getting their people to work together effectively, it is not because they have a common IT infrastructure, intranet or cloud-based file-sharing system, but because they have solved a complex equation of which technology is just a part – alongside leadership, motivation, incentives, structure, process, culture, communication and more.

This is difficult to do, and in large firms that do not operate under a single brand, it is even more difficult.

Take WPP. As a company that has grown – to a significant degree – through acquisition, the Group is made up of many individual agency brands that, traditionally, have operated largely independently from one another. Each has its own identity, its own way of doing things, its own relationships with clients.

This has been a source of great strength for those companies and for the Group as a whole, and will continue to be so. But it can also be a barrier to communication and collaboration between WPP's constituent parts.

Once upon a time this would not have mattered very much. It wasn't important to clients, so it wasn't important to us. But clients' needs have changed – and marketing services businesses need to change to meet them.

Advertisers or clients increasingly tell us that they want to take advantage of the full scale and capabilities of WPP, to receive a tailor-made range of integrated communications services, and to tap into our talent and resources wherever they sit within the Group.

> **"WPP's 205,000+ individual brains represent the planet's greatest store of marketing services insight, expertise, creativity and experience"**

Some especially forward-thinking clients began asking for this over 10 years ago. It was clear that, as well as serving them through single agencies (each organised as a separate, 'vertical' silo), we needed a 'horizontal' offering that spanned the entire Group. We needed to stimulate co-operation across company, functional and national boundaries, and we needed to share information much more effectively. And so something we call 'horizontality' was born.

Connected know-how

Horizontality is best described as 'connected know-how': a way of working that unites people with diverse skills to deliver seamless solutions for clients. We have made it our first strategic priority, because client demand for coordination between the different companies and disciplines within parent groups is growing stronger all the time. We need to continue to do it better than our competitors, several of whom have now woken up to its advantages.

Including those of our associates and investments, WPP's 205,000+ individual brains represent the planet's greatest store of advertising and marketing services insight, expertise, creativity and experience. The more we work together, the more we can draw on that collective intelligence, and the more effective we are on behalf of our clients as a result.

So how do we connect all that know-how, and deploy all that talent?

Horizontality takes various forms, ranging from relatively small-scale collaborations between different agencies and specialisms around the world to its most advanced manifestation: the Global Client Team.

Global Client Teams pull together people and resources from across WPP's companies, disciplines and markets to provide the most creative and effective solutions for a single client's business. The model is infinitely flexible, with each Team built around the client's unique needs.

All Teams have a dedicated leader, who provides a single point of leadership and access to WPP's collective talent and capabilities. This allows clients to pull from the best of the best, from anywhere within the Group.

WPP pioneered the Team model of client service, beginning with Ford and HSBC over a decade ago. Ford, through GTB (Global Team Blue) and Colgate, through Red Fuse, are the most complete examples today. There are now 48 Global Client Teams, accounting for more than a third of WPP's total revenues and involving almost 40,000 of our people.

Another important integrator is the Country Manager, whose job is to encourage horizontality in specific geographic markets in order to deliver the best resources to clients, to identify acquisition opportunities and to help recruit local talent. We currently have WPP Country and Regional Managers, covering about half of the 112 countries in which we operate.

We have also established a number of sector-specific WPP practices and other cross-Group units, through which our companies share knowledge, pool resources and coordinate services for clients. They include The Store (retail), WPP Digital, The Government & Public Sector Practice, The Data Alliance, WPP Health & Wellness and, most recently, The WPP Sports Practice.

WPP Health & Wellness is particularly significant as it represents the first time in our history that an operating company has carried the WPP brand. Comprising all of our healthcare agencies, pharmaceutical and consumer healthcare client teams, and new horizontal health partnerships across all the Group's major companies, it breaks new ground by going to market explicitly under the WPP banner.

WPP united

We will continue to travel in this direction, behaving less and less as a loose federation of independent companies, and more and more as one, united firm.

This will be particularly pronounced in our media investment and data investment businesses, GroupM and Kantar, which between them represent approximately half of the Group's revenues.

> **"WPP Health & Wellness breaks new ground by going to market explicitly under the WPP banner"**

When we have been successful in winning big pitches over the last year or so, it was because we presented a tightly integrated offer, with media and data in lockstep alongside creative and strategy. And when we failed to present an integrated offer, we failed to win the business.

We are unique among our industry peers in having our own data business. Our ability to leverage that proprietary first-party data and apply our insights to the media investment we make on clients' behalf, and to our wider business, is a source of value to those clients and competitive advantage to us.

For some, the idea of 'one WPP' is controversial. We certainly can't push agencies down this road too fast. It needs to be a gradual process, handled with great care. Controversial or not, though, such integration is inevitable if we are to retain our place as essential partners to brands. As Marc Pritchard, Procter & Gamble's chief brand officer, put it when addressing agencies at an industry conference last year: "Your complexity should not be our problem."

With ever greater frequency, global clients are conducting reviews and calling pitches at the level of parent company rather than individual networks or agencies. Those with the most joined-up, comprehensive offer, and who present it most compellingly, will be the winners in this new landscape.

The collaborative instinct

The large majority of people within our agencies don't, in fact, need much pushing.

Tim Berners-Lee's proposal wasn't just a response to a problem – it was a hopeful vision of what might be possible. He identified not only the need for a better approach, but the potential of an idea based on essential truths about human nature.

"CERN is a wonderful organisation," he wrote. "It involves several thousand people, many of them very creative, all working toward common goals. Although they are nominally organised into a hierarchical management structure, this does not constrain the way people will communicate, and share information, equipment and software across groups."

He also said his best source of information was often asking people what they were working on while they were having a coffee break – which if nothing else shows that particle physics is as reliant on caffeine and gossip as our own business.

His point was that you don't have to force people to collaborate – they do it naturally. The challenge, then, is to facilitate that collaboration, and to remove those things that stop it happening.

For our people, horizontality provides exposure to, and the opportunity to work with, a wider range of colleagues and clients across a broader spectrum of marketing disciplines. This is particularly the case in our new colocations, such as the WPP Campus in Shanghai, which bring the Group's agencies together under one roof in a single, beautifully designed, ultra-modern building. Madrid and Amsterdam are next, with more to follow.

Informal interaction and networks are critical to organisations of all kinds, and our new shared office spaces are specifically designed to enable the open, face-to-face exchange of ideas and information (including conversations over coffee) that help people do their best work.

Common platforms

In a group of our size and international spread, virtual spaces are, of course, vital for collaboration too.

In 2014, we began a major program of transformation and investment in our global information technology systems. Many of our operating companies now share a common IT infrastructure and set of applications. If this sounds a little underwhelming, consider that for the first 30 years of our existence, most of WPP's companies had their own, often proprietary systems that (like some agency CEOs) resolutely refused to talk to each other.

Happily, in both cases, that no longer applies. For the first time, there is a single email and calendar platform, a directory with the details of everyone within the Group and a common file-sharing application. Simple things that have a huge impact on how we all work together.

Team Unilever, which handles one of our biggest global client relationships, has taken advantage of these shared platforms with the launch of Central, a new community and publishing platform for the 15,000 people and 80 different agencies working on Unilever business worldwide.

It is a tool not only for sharing news and information but also for building a greater sense of cohesion, understanding what colleagues are working on and, critically, sourcing talent and expertise. Expect to see more initiatives like this among our other client teams.

Horizontality within

Horizontality is happening not only between our companies but within them.

In January 2017, Ogilvy & Mather, the global marketing communications network, unveiled a transformation program that will see the company unified as a single-branded, fully integrated enterprise, Ogilvy. The reorganisation will simplify both how the company markets itself around the world and its own internal structure.

Like all WPP businesses, Ogilvy's essential offering is the quality of its talent, and the company's 'One Ogilvy' strategy is designed to ensure that its people are able to work together as seamlessly as possible.

In September 2016, Kantar, our data investment business, launched a new corporate identity covering its 12 operating brands, reflecting its own ongoing change program. As well as creating a single family of brands, the program fosters and rewards much greater collaboration between them, with the aim of presenting clients with more easily-navigable and connected solutions that draw on the best of Kantar's expertise.

And in November 2016, GroupM, the parent company to our media agencies, announced the creation of [m]PLATFORM, the industry's most advanced technology suite of media planning applications, data analytics and digital services.

"Horizontality is happening not only between our companies but within them"

The platform brings together – under one team – capabilities from GroupM and other WPP businesses, including search, social, mobile, digital ad operations and programmatic. It connects wide-ranging WPP data sources across Kantar and Wunderman; third-party data providers; GroupM's data from unique agreements with global media partners; and clients' own data when they choose.

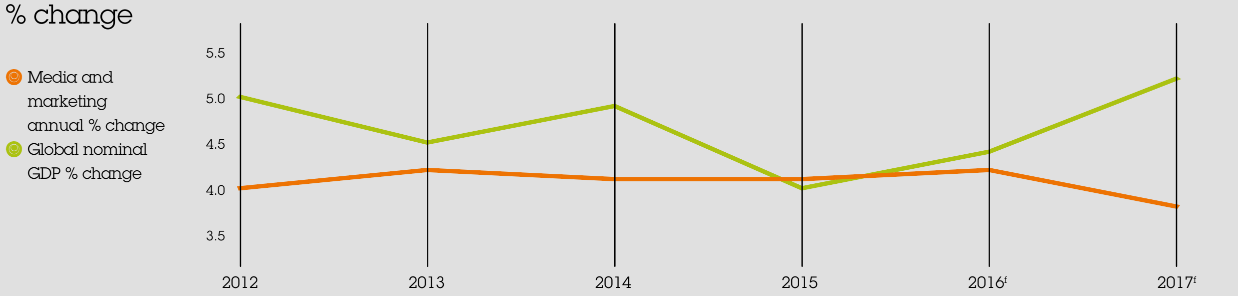
[m]PLATFORM is supported by a team of data scientists, technologists and digital practitioners from GroupM specialist companies and Xaxis, our programmatic digital media platform, and it allows media planners at all GroupM agencies to use the most detailed consumer data to achieve results for their clients.

Worldwide communications services expenditure 2016 $m

	Advertising	Data investment management	Public relations	Direct & specialist communications	Sponsorship	Total
North America	188,675	19,640	4,300	109,681	22,400	**344,696**
Latin America	36,412	1,800	480	38,084	4,500	**81,276**
Europe	105,569	16,800	2,700	114,759	15,900	**255,728**
Asia Pacific	176,515	6,000	4,950	61,442	14,800	**263,707**
Africa & Middle East	17,414	760	158	2,204	2,600	**23,136**
Total	**524,585**	**45,000**	**12,588**	**326,170**	**60,200**	**968,543**

Source: GroupM
Note: Healthcare communications ($5.0 billion) is distributed pro-rata in Direct & specialist communications.

Media and marketing investment vs GDP 2012-2017[f]
% change



Source: GroupM
f: Forecast.

A model for our times

One of the reasons that clients are increasingly attracted to WPP's horizontal, Team model of service is the efficiencies of scale we are able to offer. In today's low-growth, cost-constrained corporate world, this is becoming ever more important.

Since the financial crisis, heralded by the collapse of Lehman Brothers nearly a decade ago, top-line growth has been hard to come by, boards and investors have been ultra-conservative, and companies have been reluctant to invest.

As a result we have seen a much greater focus on cost reduction, consolidation on a massive scale, the widespread stockpiling of cash, and a boom in share buy-backs and dividends.

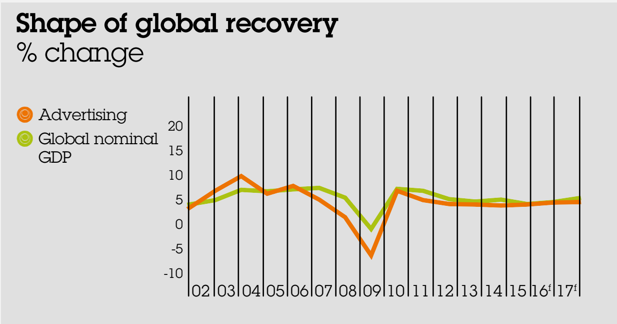
By one measure, at least, corporate America is shrinking. In 2009, 60% of earnings across the S&P 500 were spent on share buy-backs and dividends. That ratio passed 100% at the beginning of 2015, and rose to 131% in the first quarter of 2016. In the FTSE 100, the dividend-payout ratio has climbed from below 40% in 2011 to over 70% in 2016.

Worldwide, corporate investment as a proportion of GDP has continued to decline. In the US, fixed capital investment by business is at its lowest ebb for more than 60 years. Companies are, consequently, sitting on huge amounts of uninvested cash. McKinsey & Company estimate that corporate cash holdings are the equivalent of 10% of GDP in the US, 22% in Western Europe and 47% in Japan.

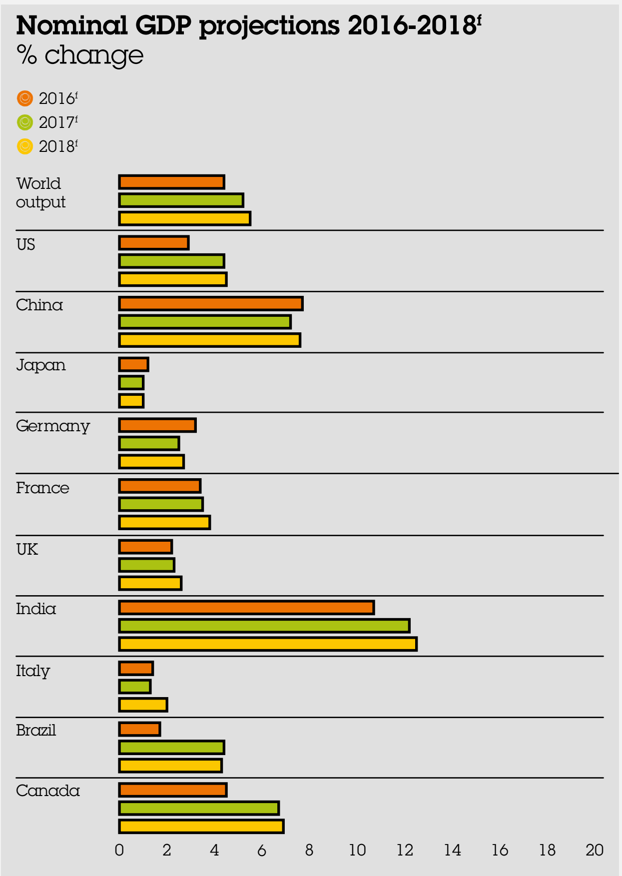
What all this tells us is that companies lack the will or, perhaps, the confidence to invest in their own growth and development, and prefer instead the seemingly risk-free approach of returning funds to shareholders or retaining ever-larger cash balances.

By choosing short-term risk-avoidance, though, they are piling up far greater dangers for the future. Long-term success relies on investment in those things that drive a business forward – brands, research and development, innovation and marketing.

The pressure faced by leaders to manage their businesses for short-term results is intense. The number of listed firms in the US has halved in the last 20 years, driven by consolidation and the pursuit of savings. In 1990, there were



Source: GroupM
f: Forecast.



Source: GroupM
f: Forecast.

11,500 M&A deals worldwide; since 2008, the number has more than doubled to 30,000 a year, with a value equivalent to approximately 3% of global GDP.

So-called legacy companies are squeezed from all sides – by activist investors, by zero-based budgeters, and by new, disruptive competitors. Analysts and the financial press, meanwhile, obsess over the minutiae of quarterly results as if they were the key to a company's entire future, rather than a snapshot of its fortunes over a mere three months.

Short-termism on the rise

In a 2013 McKinsey survey of more than 1,000 top executives, nearly two-thirds said that pressure to deliver short-term financial performance had increased in the prior five years, and nearly 90% agreed that "a longer time horizon to make business decisions" would boost corporate performance.

> **"The potential value unlocked by companies taking a longer-term approach was worth more than $1 trillion in forgone US GDP over the last decade"**

When the exercise was repeated in 2016, the situation had deteriorated further. Whereas, in 2013, 79% felt under particular pressure to demonstrate results within two years or less, by 2016 that figure had risen to 87%.

The 2016 study identifies the vicious circle of short-termism that makes it such a difficult disease to cure: "While executives may feel that investor pressure forces their hand, the short-term objectives and metrics they set also push investors to shorten their horizons to match the data available to them."

CEOs have complained of this for some time, but until now there has been little evidence to support their case. In February this year, McKinsey published a new piece of research led by Dominic Barton, the firm's global managing partner. It identified US companies that take the long view and found that, between 2001 and 2014, their revenue grew on average 47% more than that of other firms; their earnings grew 36% more; and their profit grew 81% more.

Long-term companies invested almost 50% more in research and development; their market capitalisation grew $7 billion more than that of other businesses; their total shareholder return was greater; and they added nearly 12,000 more jobs on average.

The report lays bare the cost of short-termism: "Had all firms created as many jobs as the long-term firms, the US economy would have added more than five million additional jobs over this period… this suggests, on a preliminary basis, that the potential value unlocked by companies taking a longer-term approach was worth more than $1 trillion in forgone US GDP over the last decade."

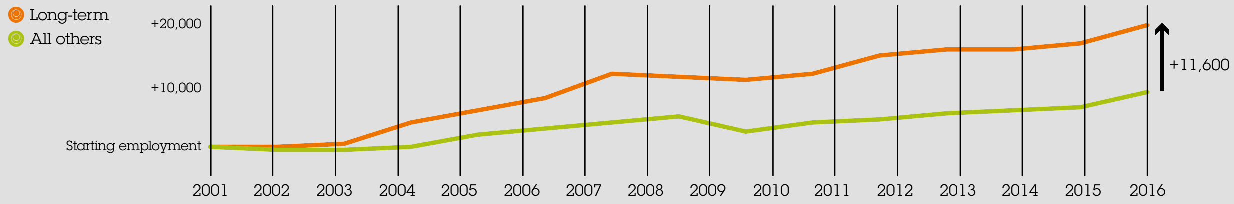
McKinsey is one of the founders, alongside the Canada Pension Plan Investment Board, of Focusing Capital on the Long Term – an initiative aimed at promoting long-term thinking in business and investment, that we also support.

In September 2016, with BlackRock, The Dow Chemical Company and Tata Sons, the founding partners relaunched the scheme as FCLT Global, an independent not-for-profit with its own CEO. FCLT Global is part of a growing movement to raise awareness of the damaging effects of short-termism and develop strategies for defeating it.

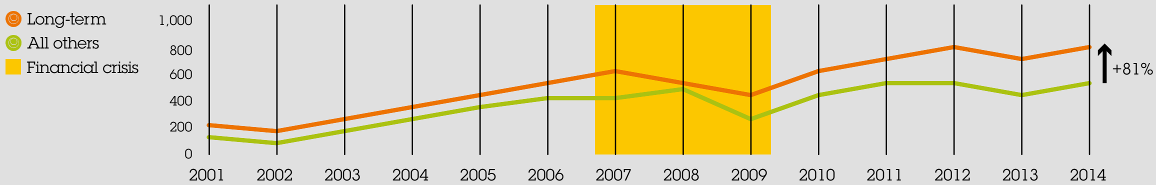
Late last year, US educational and policy studies organisation The Aspen Institute assembled leaders from global businesses including Unilever, Pfizer, Royal Dutch Shell, Levi Strauss and WPP to launch The American Prosperity Project – "a non-partisan framework for long-term investment."

The launch was a call to action not only for business leaders but also policymakers, recognising that progress is impossible without partnership between the public and private spheres. As The Aspen Institute puts it, "Neither business nor government can shoulder this responsibility alone."

Average job creation: long-term vs others
Annual cumulative jobs added



Average company economic profit: long-term vs others
$ million per year



Source: McKinsey Corporate Performance Analytics: S&P Capital IQ: McKinsey Global Institute Analysis

Inherent unpredictability

Central to the Aspen project is spending on infrastructure, chiming with President Trump's plans to invest $1 trillion in "transportation, clean water, a modern and reliable electricity grid, telecommunications, security infrastructure, and other pressing domestic infrastructure needs" (to quote from the campaign literature).

> **"Not for the first time, residents of the Davos bubble (of which I am one) had misjudged the public mood, failing at the previous meeting to predict the result of either the US election or the Brexit vote"**

If these plans become reality, they are likely to boost growth and inflation, perhaps delivering a two- to three-year Keynesian/Trumpian boom. But what we gain on the US domestic swings we may lose on the international roundabouts, given the inherent unpredictability of President Trump's impact overseas. The 'Muslim travel ban' and suspension of the US refugee program provided an early and particularly vivid example of that. Large question marks also hang over the US approach to Russia, China, Mexico and NATO, to name just a few examples, adding further clouds to an already uncertain outlook for business globally.

The wave of populism that swept President Trump to power, dumped (or is in the process of dumping) the UK out of the European Union and rocked the Establishment the world over, was the single most fretted-over phenomenon for delegates at the World Economic Forum in January 2017.

Not for the first time, residents of the Davos bubble (of which I am one) had misjudged the public mood, failing at the previous meeting to predict the result of either the US election or the Brexit vote.

Although I thought Hillary Clinton would emerge as the winner, as the Primaries got under way I wrote that "Davos is a long way from the heartlands of America, where dissatisfaction with the political Establishment runs deep. The economic crisis, recession, unemployment, wage stagnation and so-called 'hollowing-out' of the middle classes that followed the collapse of Lehman Brothers in 2008 have opened the door to populists… Trump showed he can translate celebrity into votes… he has tapped into something very important that cannot be ignored."

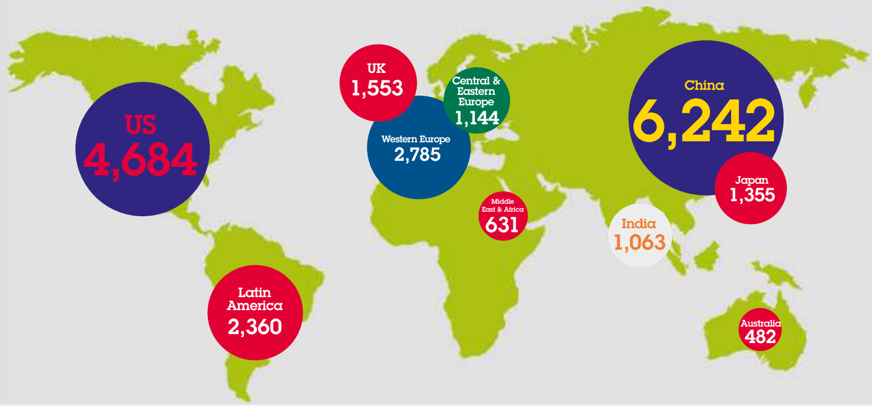
As President, Donald Trump continues to tap that well of public discontent. Alongside controlling immigration, job creation and job repatriation are at the top of the President's list of promises to the American people. Globalisation has been the bogeyman but there are other, perhaps more fundamental, threats to employment.

Principal contributors to 2017 media growth[f]

	Contribution $m	Contribution %
ASIA PACIFIC (all)	11,064	48.2
NORTH ASIA	6,634	28.9
China	6,242	27.2
NORTH AMERICA	4,979	21.7
US	4,684	20.4
WESTERN EUROPE	2,785	12.1
LATIN AMERICA	2,360	10.3
UK	1,553	6.8
Argentina	1,426	6.2
Japan	1,355	5.9
ASEAN	1,349	5.9
CENTRAL & EASTERN EUROPE	1,144	5.0
India	1,063	4.6
MIDDLE EAST & AFRICA	631	2.7
Russia	533	2.3
Egypt	496	2.2
Australia	482	2.1
Philippines	428	1.9
Brazil	372	1.6
Spain	349	1.5
Thailand	330	1.4
Vietnam	328	1.4
South Korea	312	1.4
Turkey	303	1.3
Canada	295	1.3
Indonesia	266	1.2
Mexico	213	0.9

Source: GroupM
f: Forecast.

Contributors to 2017 media growth by region/country[f] $m



Source: GroupM
f: Forecast.

Robots and robber barons

At the beginning of 2017, I attended the Consumer Electronics Show in Las Vegas – a highly-polished showcase for everything from the latest smartphone, TV and in-car technology to virtual and augmented reality, artificial intelligence robotics and home automation. But beneath the buzz surrounding the toys and gadgets, there was serious discussion of the potentially darker implications of technology's ubiquity.

Voices as diverse as Stephen Hawking, Citibank and the University of Oxford have warned of the risks of automation to human employment. Subject to the constraints of economic viability, most things that can be automated will be automated. One study has suggested that 35% of UK jobs face being replaced by robots, a figure that rises to almost 50% in the US and 77% in China.

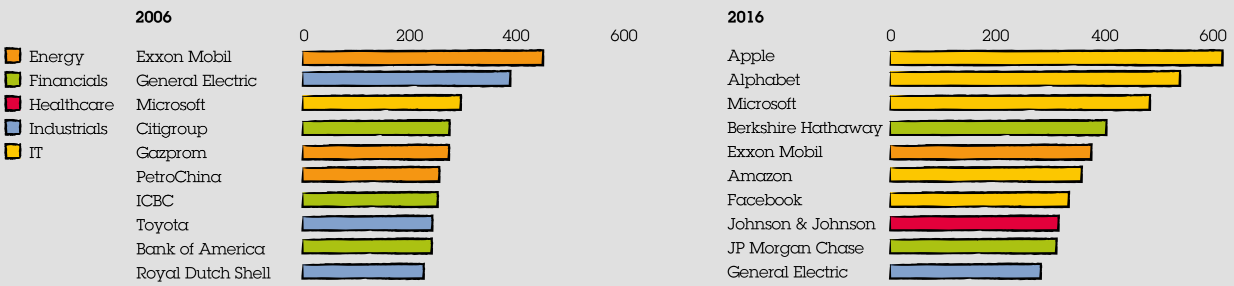
At the same time, a new breed of corporation has grown to dominate the business landscape. There have always been very large companies, of course, but today's big beasts are different.

A recent report in *The Economist* highlights the issue: "In Silicon Valley a handful of giants are enjoying market shares and profit margins not seen since the robber barons in the late 19th century... In the old days companies with large revenues and global footprints almost always had lots of assets and employees. Some superstar companies, such as Walmart and Exxon, still do. But digital companies with huge market valuations and market shares typically have few assets."

The report points out a startling contrast: a quarter of a century ago, the three biggest automotive manufacturers in Detroit had nominal revenues of $250 billion, a market capitalisation of $36 billion and 1.2 million employees; in 2014 the three biggest players in Silicon Valley had revenues of $247 billion, were capitalised at over $1 trillion and had just 137,000 people on their books.

The tech giants have ushered in an era of massive scale accompanied by minimal employment. Expect the debate to get louder as this trend accelerates.

World's largest listed companies by market capitalisation 2006 vs 2016* $bn



*Data as at 31 December 2006 and 2016.
Source: Bloomberg

Tech companies faking it?

The digital duopoly enjoyed by Google and Facebook is the most striking aspect of the contemporary media business landscape. Their dominance and influence has brought scrutiny – and criticism.

Facebook was forced to admit to a series of embarrassing errors after it repeatedly overstated the metrics used to gauge the effectiveness of advertising, prompting wider questions about the value of digital ad spend in a market already dogged by concerns over viewability, third-party verification and fraud.

More damagingly, along with Twitter and Google it was thrust into the limelight during the fractious US Presidential campaign, accused of giving a platform to hatred and fake news, and even of swaying the result itself. The long-standing collective defence to such claims is that they are not media companies but tech companies – a defence that's wearing pretty thin.

Google and Facebook are, after all, the largest and third largest recipients of our media spend on behalf of clients, at around $5 billion and $1.7 billion respectively in 2016 (the second largest is 20th Century Fox/News Corp/Sky at $2.25 billion). That's a lot of media bought from organisations who claim not to be media owners.

Although they masquerade as tech, they are in the business of monetising inventory, just like any traditional media group. Unlike them, however, they seek to disassociate themselves from the content on which they rely, claiming to be mere digital plumbers with little or no responsibility for what flows through their pipes. They are finding this line increasingly difficult to hold.

As Robert Thomson, chief executive of News Corp, put it: "These companies are in digital denial. Of course they are publishers and being a publisher comes with the responsibility to protect and project the provenance of news. The great papers have grappled with that sacred burden over decades and centuries, and you can't absolve yourself from that burden or the costs of compliance by saying, 'We are a technology company'."

Digital advertising in the spotlight

Media agencies have also faced questions over their role in a less-than-perfect digital inventory supply chain, and their supposed complicity in a system that supports questionable content rather than quality publishing.

Increasing automation has brought advertisers significant benefits in terms of greater efficiencies and better targeting but, in the digital and programmatic world, there is a risk of advertising appearing in inappropriate contexts, of bots notching up fraudulent views and of ads being paid for but hardly seen.

Given these risks, GroupM has taken a very public, proactive leadership role in championing viewability, anti-fraud and brand safety measures. No one has fought harder to ensure quality in digital advertising.

GroupM is the only media investment business with a dedicated global team focused on digital supply chain integrity. It uses every available brand safety tool and supports or leads every industry effort that drives up standards in the digital media marketplace. It helped found and fund the Trustworthy Accountability Group (TAG) and other initiatives that benefit the industry as a whole. And it has developed trusted marketplaces, outside open networks, where advertising is placed only with well-known, safe media partners who do not carry fake news or hate speech.

GroupM has shown that with the right mitigation strategy and by working with the best technology partners, it is possible to ensure that the overwhelming majority of advertising is published alongside contextually relevant and appropriate media content.

Brand safety measures are, however, only as good as the oversight and coding of content by the digital media owners themselves, who have ultimate responsibility for what appears on their platforms. To take YouTube as an example, if Google fails to correctly identify video content, it becomes impossible for advertisers to completely exclude risk when buying online inventory.

As the neutral intermediary between brands and media owners, GroupM will continue to work with all parties to drive continual improvement in this still very young and fast-developing market.

Enduring strength

There are those who point to the rise of adtech and martech, the walled gardens of Facebook and Google, and the growing interest in our sector of acquisitive management consultancy firms, and would have you believe that we are in a period of unprecedented change or even existential threat to the advertising and marketing services business. This argument is somewhat lacking in supporting data.

The direction of the wind always changes, and WPP has always had a very good weather vane. Ours is a history

Growth of media in major markets 2012-2017[f] %

Internet	2012	2013	2014	2015	2016[f]	2017[f]
North America	10.3	9.8	12.1	11.5	8.4	9.2
Latin America	27.1	38.2	n/a[3]	60.4	n/a[3]	17.1
Western Europe	11.5	9.7	11.4	11.9	12.3	10.6
Central & Eastern Europe	29.3	21.7	11.8	13.6	16.3	14.4
Asia Pacific (all)	24.5	26.9	27.0	27.4	23.4	18.2
North Asia[1]	39.2	39.4	34.6	33.9	27.8	20.7
ASEAN[2]	60.1	57.0	55.3	49.0	32.0	23.9
Middle East & Africa	57.0	5.9	34.9	8.8	7.3	6.4
World	**15.5**	**15.4**	**16.6**	**17.9**	**14.6**	**13.3**

Television	2012	2013	2014	2015	2016[f]	2017[f]
North America	3.9	0.9	3.5	-0.1	3.9	1.9
Latin America	8.3	19.7	9.7	4.5	5.8	5.2
Western Europe	-6.1	-0.5	3.3	2.8	3.0	1.5
Central & Eastern Europe	2.3	3.1	3.1	-2.9	7.9	8.4
Asia Pacific (all)	5.7	4.4	1.5	0.9	-0.4	0.6
North Asia[1]	5.8	3.0	-1.8	-2.8	-4.6	-4.4
ASEAN[2]	13.8	16.5	10.9	15.4	6.3	11.2
Middle East & Africa	12.5	7.5	-8.2	21.0	7.0	6.6
World	**3.7**	**3.8**	**2.9**	**1.8**	**2.8**	**2.2**

Outdoor	2012	2013	2014	2015	2016[f]	2017[f]
North America	3.7	3.2	0.1	2.0	3.1	3.0
Latin America	12.2	2.2	5.0	24.4	50.7	26.4
Western Europe	-2.7	-1.9	-0.1	4.7	2.9	2.5
Central & Eastern Europe	3.1	2.8	-0.4	-10.7	5.6	6.5
Asia Pacific (all)	12.0	4.9	6.3	0.0	3.3	3.0
North Asia[1]	18.5	5.9	8.7	-0.8	3.5	3.8
ASEAN[2]	17.8	6.0	-3.1	-1.0	9.7	6.0
Middle East & Africa	26.5	0.6	1.3	6.2	2.5	0.4
World	**7.3**	**2.9**	**3.6**	**1.7**	**5.1**	**4.2**

Magazines	2012	2013	2014	2015	2016[f]	2017[f]
North America	1.9	0.0	-4.3	-3.2	-2.5	-3.3
Latin America	0.0	-3.2	-9.0	-8.2	2.3	-4.6
Western Europe	-10.3	-8.7	-5.5	-6.2	-5.4	-4.6
Central & Eastern Europe	-4.1	-11.5	-10.7	-19.8	-9.3	-6.5
Asia Pacific (all)	0.0	-2.6	-7.6	-8.1	-12.6	-9.8
North Asia[1]	4.7	-1.8	-12.3	-16.6	-29.0	-23.9
ASEAN[2]	-1.8	-5.6	-10.0	-8.2	-15.8	-9.5
Middle East & Africa	-12.7	6.3	-11.8	-12.5	-13.0	-8.3
World	**-1.6**	**-2.5**	**-5.4**	**-5.0**	**-4.4**	**-4.4**

Radio	2012	2013	2014	2015	2016[f]	2017[f]
North America	4.4	0.1	-3.5	-1.6	3.2	2.6
Latin America	2.5	7.6	6.7	4.7	0.6	2.2
Western Europe	-2.9	-2.3	2.7	1.9	1.9	1.0
Central & Eastern Europe	8.5	2.6	2.2	-5.1	4.8	4.5
Asia Pacific (all)	4.9	-2.4	3.4	4.9	-0.3	-0.2
North Asia[1]	7.1	1.5	2.1	6.2	-6.3	-6.6
ASEAN[2]	9.5	-25.5	6.4	10.3	4.3	6.3
Middle East & Africa	35.3	5.1	-9.1	-1.7	-1.9	3.5
World	**4.2**	**-0.1**	**0.1**	**1.2**	**1.6**	**1.6**

Cinema	2012	2013	2014	2015	2016[f]	2017[f]
North America	4.5	4.3	-16.7	15.0	0.0	4.3
Latin America	-1.4	15.5	21.3	25.5	-10.2	-1.3
Western Europe	3.2	-10.8	-2.8	13.9	2.6	3.6
Central & Eastern Europe	9.8	10.5	-2.9	1.1	6.7	4.5
Asia Pacific (all)	12.0	-8.3	-2.9	18.5	13.3	11.4
North Asia[1]	0.0	4.2	4.0	0.0	-4.8	-5.0
ASEAN[2]	11.8	-27.7	-13.9	19.3	6.9	6.5
Middle East & Africa	-0.1	2.0	-32.6	19.0	11.0	5.7
World	**4.7**	**-5.2**	**-1.7**	**16.1**	**3.2**	**4.9**

Newspapers	2012	2013	2014	2015	2016[f]	2017[f]
North America	-4.8	-4.0	-5.9	-7.3	-9.3	-8.6
Latin America	3.5	6.9	-1.7	1.5	-3.5	3.4
Western Europe	-9.9	-10.1	-5.4	-6.8	-5.7	-6.0
Central & Eastern Europe	-1.4	-9.0	-9.2	-7.7	-4.7	-3.6
Asia Pacific (all)	-2.4	-2.9	-7.8	-12.0	-12.2	-7.4
North Asia[1]	-5.1	-5.1	-15.0	-26.7	-31.9	-24.1
ASEAN[2]	1.5	8.0	-7.2	-6.0	-10.1	-4.3
Middle East & Africa	-4.9	-0.1	-12.2	-16.2	-10.8	-7.6
World	**-5.1**	**-4.7**	**-6.6**	**-8.6**	**-8.9**	**-6.6**

Source: GroupM
f: Forecast.
[1] China, Hong Kong, South Korea, Taiwan.
[2] Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam.
[3] 2014 and 2016 Latin America growth figure affected by method change and therefore not shown.
(Figures rounded up.)

of rapidly and successfully adapting our existing businesses by developing or acquiring new skills to meet the changing needs of the market and our clients.

Walled gardens are not a new phenomenon. The US TV giants were once as powerful oligopolists as the current generation of digital media firms are today. In media planning and buying, our role has always been to extract maximum value from media platforms on behalf of advertisers to help them achieve their objectives – that hasn't changed.

Advertisers rely on us for objective assessment of the value of those different platforms. Google and Facebook both think they have all the answers, but they can't both be right. Clients know this, and although some work direct with media owners some of the time, very few work direct all of the time.

At WPP we have a range of capabilities that any single advertiser would find it very difficult to replicate in-house. We are expert in managing data and systems that can be applied to advertising; we work with every media platform everywhere in the world; we have visibility across all channels and all product and service categories globally; we have deep institutional knowledge in every business sector in a world of high talent mobility on the client side; and we are uniquely well placed to stay abreast of the myriad product and technology changes in the market.

In contrast, consulting businesses are flawed by their lack of geographic reach, their lack of exposure across channels and their lack of exposure in a meaningful way to media markets. If you don't trade in the product it's hard to understand it.

Adtech and martech products are complex to choose, use and change. We play a vital role in selection, implementation, operation and – most crucially – in managing switching between components. This expertise stems from the fact that WPP has always been an early adopter of technology and its application to marketing services. Our rapid deployment and integration of technology has created new opportunities in many of our businesses (from GroupM and Xaxis to Wunderman and AKQA) and enduring relevance and strength for WPP itself.

And what of creativity, the heart of our business? In today's disrupted, technology-driven market, demand for creative services remains as strong as ever. Or, more simply, there's still no substitute for a brilliant idea for a campaign. And there is no organisation on earth with more people who excel at producing such ideas than WPP.

Our record at the Cannes Lions International Festival of Creativity, where we have been named the most creative group for the last six years, is testament to that, while our five consecutive Effies, recognising the effectiveness of marketing campaigns, proves the business value of such creative excellence to clients.

If anything, the need for creative talent has grown rather than diminished. New channels require new assets and formats, boosting demand for agencies, individuals and teams that can produce platform-specific work.

Fuel in the tank

WPP is the leader in our industry but scale has value only when it is harnessed. We have done that very effectively for many years in some parts of the Group, not least in our media division GroupM, but we have yet to do so fully in other areas of our business. In other words, there is a great untapped opportunity within WPP to improve how we operate and the results we are able to produce for our clients.

Horizontality is the means of unlocking that value. In some respects it is frustrating that we are only at the beginning of the journey towards a more integrated WPP (I have never been a patient person). Fundamentally, though, it is good news. It means we still have a lot of fuel in the tank.

Our collective effort, collective strength and, above all, collective intelligence will be a growing source of advantage over new and existing rivals. On their own, WPP's companies are formidable. Together, they become a competitor few can ever challenge.

In the meantime, remember…

1. The next one billion middle-class consumers will come from Asia Pacific, Latin America, Africa and the Middle East and Central and Eastern Europe.
2. Given falling birth and death rates, talent will become the scarcest resource.
3. There is a need for 'Third Forces' to challenge the digital dominance of Google and Facebook.
4. Amazon and Alibaba are becoming the online Walmart of the future.
5. Internal communications are one of the keys to strategic alignment.
6. Internal organisations are being built globally and locally.
7. Finance and procurement are looking at marketing as a 'cost' not an investment.
8. Government is becoming a more important potential client.
9. Sustainability is the core of long-term strategic success.
10. Short-term pressures will increase consolidations and convergence.

Just Because You Can Doesn't Mean You Should

How 'personalisation' can get altogether too personal for comfort

By Jeremy Bullmore

For years, you've been unable to do something. Then new technology comes along – and suddenly you can. So you do.

It's an entirely human instinct – but not one to be thoughtlessly followed. It's unwise to assume that just because you're now free to do something from which you were previously debarred, it must be in your interest to grab it. It ain't necessarily so.

Ever since the advent of mass media, marketing people have bemoaned their lack of precision. "I know that half the money I spend on advertising is wasted. The only trouble is that I don't know which half" is a hoary old saying that has no undisputed source, no historical validation and is almost certainly apocryphal. The fact that it survives at all is evidence of the marketing world's continuing uneasiness about what is seen as 'waste'.

You sell, say, disposable diapers. You buy, say, 30 seconds' worth of UK television time. You reach, say, 10 million households. Yet there are only 2.5 million UK households that include babies of nappy-wearing age. It follows that a considerable proportion of your media money is 'wasted'. It seems unarguably obvious.

So when the new digital media come along and seem to offer you precision targeting, even 'personalisation', you are naturally very interested indeed. Now you can talk only to families who need to buy diapers and surgically exclude all those who don't. You should certainly be interested; but not all the time and not for everything.

It's a common flaw in discussions about advertising to imply – and implicitly accept – that all advertising, all commercial advertising campaigns, are intended and expected to perform the same role; and that is to *sell*. And while in one way that's correct – all advertising should be expected at the very least to pay its way; to be an investment rather than a cost – in another way, to believe that the specific task of all advertising is to *make a sale* can be dangerously misleading.

As Stephen King reminded us over 40 years ago, the precise role of any advertisement can usefully be plotted on what he called a *Scale of Immediacy**. At the most immediate end of that scale, advertising is designed to trigger the nearest thing possible to an instant transaction. Before the internet, you could fill out a coupon or pick up a phone, and today just a couple of clicks can set a sale in train. That's about as direct an effect as advertisements ever have.

In devising such advertising – advertising intended to get any given consumer actually doing something there and then – knowledge about that consumer can be invaluable; and on the whole, the more knowledge you have, the more valuable it is. The drive for personalisation makes total sense. To know when an individual may be in the market for a mortgage, a new car or a holiday villa, is precious knowledge. It allows you to dangle the offer enticingly in front of that person at the moment of greatest potential interest; and, very importantly, that person will probably be grateful to you for having done so.

But, of course, most advertising isn't like that. Most advertising is on behalf of staple brands, repeat purchase goods and services, and it's not expected to trigger an immediate action on the part of its audience. To return to King's *Scale of Immediacy*, advertising for most staple brands belongs at the lower end of that scale; its mechanism is indirect. It sets out to remind its audience of the brand's existence and purpose; to maintain, nourish and enhance its general desirability; to increase its brand equity; to add intangible qualities to its functional core. In other words, such advertising doesn't even attempt to make an immediate sale; its sole purpose to make a brand *more saleable* – and to keep it so.

This function is usually described as brand-building and indeed it does build brands. At least as critical, however, is its role in brand nourishment, brand sustenance, brand maintenance. It preserves a brand's worth, and therefore its profitability.

> **"We won't respond well to pushy brands; brands that claim to understand us when they clearly don't. So brands shouldn't be seen to be making all the running"**

This kind of advertising may well have some immediate sales effect but that's not its primary purpose.

I was once given a lift by a 50-year-old friend who'd recently sold his share in an advertising agency and had celebrated by buying himself an extremely expensive car. "I bought this car because I saw an advertisement," he told me. "Nothing very special about that, I grant you – except that I saw that ad when I was 14."

Not all advertisements are still paying their way after 36 years. But the value of consistent brand advertising, advertising that remains true to the brand's character, and continues to enhance it, can be almost timeless. And it's when planning this kind of advertising that agencies and their clients need to be most wary of the claims of 'personalisation.'

As a race, we're deeply suspicious of being spied upon. A cartoon of many years ago identified this anxiety perfectly. A man stands looking at one of those maps of a town centre to be found in car parks. A large arrow is labelled: YOU ARE HERE. And the man, clearly unnerved, is saying, *"How do they know?"*

Of course it makes perfect marketing sense for marketing people to know as much as they can about those whom they hope will become, or remain, their regular customers. But perfect, detailed knowledge of each one of several million people is impossible to acquire; openly using partial knowledge is as likely to alienate as it is to appeal; and furthermore, it's quite unnecessary.

The best relationship of a person with a brand is not unlike the relationship between two friends. As with friends, we feel most comfortable with brands when we feel that in some sense we have discovered them for ourselves. The disciples of personalisation forget that the human brain is on constant, unconscious alert for things, ideas, people with whom it might like to connect.

We don't, on the whole, like pushy people; people who get too close at parties and who tell us that they really, really want to be best friends. And in much the same way, we won't respond well to pushy brands; brands that claim to understand us when they clearly don't. So brands shouldn't be seen to be making all the running. The skilful brand custodian imbues a brand with characteristics and character that are most likely to attract the attention of its clearly defined target audience – and then invites that audience to make that final, all-important connection themselves.

> **"Mass media provide exactly the right balance of reach and distance"**

This is by far the best way to first initiate and then cement a brand relationship – and for two overlapping reasons. First, because the individual has been an active participant rather than a submissive recipient, the relationship will be strong. And secondly, because that relationship has been in part forged by the individual, it can only be personal; it can't be anything else.

So a brand shouldn't be seen to be trying to get too close. Any attempt at personalisation will almost certainly fail. Mass media provide exactly the right balance of reach and distance. For decades, marketers may have felt they used them reluctantly because they had no choice. In truth, only mass media confer the status, the fame and the allure that make brands individually desirable to millions of wonderfully disparate individuals.

**Practical Progress from a Theory of Advertisements*, 1975. To be found in *A Master Class in Brand Planning, The Timeless Works of Stephen King*, Wiley, 2007.


PRISE

Who runs WPP

Board of Directors

Non-executive chairman

Roberto Quarta
Chairman of the Nomination and Governance Committee
Member of the Compensation Committee

Executive Directors

Sir Martin Sorrell
Chief executive

Paul Richardson
Finance director
Chairman of the Sustainability Committee

Non-executive directors

Jacques Aigrain
Chairman of the Audit Committee
Member of the Compensation Committee

Charlene Begley
Member of the Audit Committee and
Nomination and Governance Committee

Tarek Farahat
Member of the Audit Committee

Sir John Hood
Chairman of the Compensation Committee

Ruigang Li
Member of the Nomination and Governance Committee

Daniela Riccardi
Member of the Nomination and Governance Committee

Nicole Seligman
Senior independent director

Hugo Shong
Member of the Nomination and Governance Committee

Timothy Shriver
Member of the Compensation Committee

Sally Susman
Member of the Nomination and Governance Committee

Sol Trujillo
Member of the Audit Committee

Members of the Advisory Board

Jeremy Bullmore
John Jackson
Bud Morten
John Quelch
Richard Rivers
Cuneyd Zapsu

Company Secretary

Marie Capes

Board of Directors

Roberto Quarta Non-executive chairman Age 67

Roberto Quarta was appointed as a director with effect from 1 January 2015 and became chairman of WPP in June 2015. He is Chairman of Smith & Nephew plc, a FTSE 100 listed global medical devices company and Partner of Clayton, Dubilier & Rice and Chairman of Clayton, Dubilier & Rice Europe, a private equity firm. Previously, he was Chief Executive and then Chairman of BBA Group plc, Chairman of Rexel SA and IMI plc and a Non-Executive Director at BAE Systems plc, Equant NV, Foster Wheeler AG and PowerGen plc.

Sir Martin Sorrell Chief executive Age 72

Sir Martin Sorrell joined WPP in 1986 as a director, becoming Group chief executive in the same year. He was a non-executive director of Arconic Inc. until 10 March 2017 and Delta Topco until 31 January 2017.
sirmartinsorrell@wpp.com

Paul Richardson Finance director Age 59

Paul Richardson became Group finance director of WPP in 1996 after four years with the Company as director of treasury. He is responsible for the Group's worldwide functions in finance, information technology, procurement, property, treasury, taxation, internal audit and sustainability. He is a chartered accountant and fellow of the Association of Corporate Treasurers.
paul.richardson@wpp.com

Jacques Aigrain Non-executive director Age 62

Jacques Aigrain was appointed a director of WPP on 13 May 2013. He is currently a Senior Advisor at Warburg Pincus LLP. He was on the Executive Committee of Swiss Re AG from 2001 to 2009 including CEO from 2006, and prior to that, he spent 20 years with JPMorgan Chase in New York, London and Paris. In addition, he is a non-executive director of London Stock Exchange Group Plc and a Supervisory Board Member of LyondellBassell NV and Swiss International Airlines AG. He was Chairman of LCH Clearnet Group Ltd from 2010 to March 2015, and also was a Director of the Qatar Financial Center Authorities until March 2015 and Supervisory Board Member of Lufthansa AG until April 2015. He is a dual French and Swiss citizen. He holds a PhD in Economics from Sorbonne University, and a MA degree in Economics from Paris Dauphine University.

Charlene Begley Non-executive director Age 50

Charlene T Begley was appointed a director of WPP on 1 December 2013. Most recently, Ms Begley served as a Senior Vice President of General Electric Company and the Chief Executive Officer and President of GE Home & Business Solutions at General Electric Company. In this role, she had responsibility for $9 billion of revenue with the GE Appliances, Lighting and Intelligent Platforms businesses, as well as served as the company's Chief Information Officer and led the Sourcing Council and Corporate Leadership Staff. As CIO, she managed a budget of $3.7 billion and led 10,000 IT professionals with a strong focus on business process excellence, simplification, collaboration and security and compliance. Over her career at GE, she served as President and Chief Executive Officer of GE Enterprise Solutions, GE Plastics, and GE Transportation. In addition, she led GE's Corporate Audit Staff and served as the Chief Financial Officer for GE Transportation and GE Plastics Europe and India. Ms Begley currently serves as a non-executive director and member of the Audit Committee of NASDAQ OMX and non-executive director and member of the Audit and Nominating Committees of Red Hat. Ms Begley was a director of Morpho Detection, Inc. and GE Fanuc JV. She was recognized as a Young Global leader on the World Economic Forum and *Fortune's* "Most Powerful Women in Business". Ms Begley graduated Magna Cum Laude from the University of Vermont in 1988 with a BS Degree in Business Administration.

Tarek Farahat Non-executive director Age 52

Tarek Farahat was appointed a director with effect from 11 October 2016. He is JBS' Global President for Marketing and Innovation and a member of the Board of Directors. JBS is the largest protein production company in the world by sales. He initially joined JBS S.A. in 2013 as an independent non-executive director before taking on his current executive role in 2015. Mr Farahat serves on the Board of Alpargatas S.A. Prior to JBS S.A., Mr Farahat spent 26 years at Procter & Gamble, in a range of marketing and general executive management roles, working across Europe, the Middle East, Africa and Latin America, including the General Management/Vice President roles of the Latin America region from 2001. As the head of Procter & Gamble operations in Brazil (2006 – 2012) he led the company to a period of accelerated growth as well as successfully integrating the Gillette business. In 2012, he was elected by the board of directors of Procter & Gamble as President for Procter & Gamble Latin America and was also appointed to Procter & Gamble's Global Leadership Council. Mr Farahat has a BA Business degree from the American University in Cairo and a degree in Finance from Cairo University. He is a joint Egyptian and Brazilian citizen.

Sir John Hood Non-executive director Age 65

Sir John Hood was appointed a director on 1 January 2014. An international education and business leader, he was formerly Vice-Chancellor of the University of Oxford and of the University of Auckland. In his native New Zealand, he served as Chairman of Tonkin & Taylor Ltd and as non-executive director of Fonterra Co-operative Group, ASB Bank Ltd, and other companies. Sir John currently serves as President & CEO of the Robertson Foundation, and as Chairman of Study Group Limited and BMT Group. He also serves as Chair of the Rhodes Trust. Sir John also serves on the board of Aurora Energy Research. Sir John earned his PhD in Civil Engineering from the University of Auckland and then won a Rhodes Scholarship to Oxford, where he was awarded an MPhil in Management Studies. Sir John has been appointed a Knight Companion to the New Zealand Order of Merit.

Ruigang Li Non-executive director Age 47

Ruigang Li was appointed a director of WPP on 12 October 2010. He is the Founding Chairman of CMC Capital Partners and CMC Holdings (CMC), China's most prestigious platforms for media and entertainment investment and operation with an extensive coverage across the entire spectrum of traditional and internet space. Ruigang Li has led CMC to create a number of champions and emerging leaders in key sub-sectors including television, film, animation, sports, music, location-based entertainment, financial media, financial and media data services, advertising, e-commerce, ticketing, mobile video social network, game and education. Ruigang Li was the Chairman and President of SMG (Shanghai Media Group) for more than 10 years and successfully transformed SMG from a Shanghai-based provincial broadcaster into China's leading media conglomerate with the most diversified business scope.

Daniela Riccardi Non-executive director Age 57

Daniela Riccardi was appointed a director on 12 September 2013. A prominent FMCG, retail-and-fashion products executive, she is Chief Executive Officer of Baccarat, the international luxury goods company, and was Chief Executive Officer of Diesel Group, the innovative fashion business. She was an executive at Procter & Gamble for 25 years, including service as President of Procter & Gamble Greater China, with 7,000 employees, and Vice President-General Manager for Eastern Europe & Russia. Ms Riccardi also sits on the Board of Kering and on the Board of Comite Colbert. Ms Ricardi is a guest lecturer at Grenoble Ecole de Management in Paris. Ms Riccardi is a Magna Cum Laude graduate in Political Science and International Studies at Sapienza University of Rome and completed a Fellowship in Marketing at Yale University.

Nicole Seligman Non-executive director Age 60

Nicole Seligman was appointed a director on 1 January 2014. Most recently, Ms Seligman served as President of Sony Entertainment, Inc. and Sony Corporation of America and Sony Group Senior Legal Counsel. Until 2014, she was Executive Vice President and General Counsel of Sony Corporation. Previously, as a partner in the Washington law firm of Williams & Connolly, she counselled a wide range of clients, including major media companies, on complex litigation and commercial matters. She was a law clerk for US Supreme Court Justice Thurgood Marshall and was associate editorial page editor for the *Asian Wall Street Journal*. Ms Seligman serves on the Board of Viacom Inc. She was a Magna Cum Laude graduate of both Harvard College and Harvard Law School.

Hugo Shong Non-executive director Age 61

Hugo Shong was appointed a director on 13 May 2013. He is the Global Chairman of IDG Capital and president of IDG Asia/China. He joined IDG in 1991 as an associate to IDG's founder and chairman, Patrick J. McGovern, for Asian business development after working for three years as a reporter and editor at *Electronic Business and Electronic Business Asia* magazine, where he launched over 40 magazines and newspapers in Asian countries, such as *PC World Vietnam*, the Chinese editions of *NetworkWorld*, *Electronic Products*, *Cosmopolitan*, *Harper's Bazaar*, *National Geographic*, *FHM* and *Men's Health*. In 1993, he helped IDG to set up China's first technology venture fund, IDG Capital, which now has $5 billion under management and an investment portfolio including Baidu, Tencent (QQ), Sohu, Ctrip, Soufun and Xiaomi. In January 2017, IDG Capital led the acquisition of IDG Ventures, the investment business under IDG. He currently serves on the board of Mei Ah Entertainment Group, an entertainment company with interests in television, film and theatre listed on the Hong Kong Stock Exchange. Hugo has been a member of the board of trustees of Boston University since 2005. After completing his undergraduate studies at Hunan University, he attended the Chinese Academy of Social Sciences and earned a Master of Science from Boston University in 1987. He conducted graduate studies at the Fletcher School of Law and Diplomacy and has also completed the Advanced Management Program at Harvard Business School.

Timothy P. Shriver Non-executive director Age 57

Tim Shriver was appointed a director of WPP on 8 August 2007. He is Chairman of Special Olympics and in that capacity, he happily serves together with over 5.34 million Special Olympics athletes in 170 countries, all working to promote health, education, and a more unified world through the joy of sports. Before joining Special Olympics in 1996, Mr Shriver was and remains a leading educator focusing on the social and emotional factors in learning. He co-founded and currently chairs the Collaborative for Academic, Social, and Emotional Learning (CASEL), the leading school reform organization in the field of social and emotional learning. He is a member of the Council on Foreign Relations. Mr Shriver earned his undergraduate degree from Yale University, a Master's degree from The Catholic University of America, and a Doctorate in Education from the University of Connecticut. He has produced four films, written for dozens of newspapers and magazines, founded an ice cream company, and been rewarded with degrees and honors which he didn't deserve but happily accepted on behalf of others.

Sally Susman Non-executive director Age 55

Sally Susman was appointed a director on 13 May 2013. She is currently executive vice president, Corporate Affairs for Pfizer, the world's largest biopharmaceutical company. Sally also heads the firm's corporate responsibility group and plays a key role in shaping policy initiatives. Before joining Pfizer in 2007, she was EVP of Global Communications at Estée Lauder, where she directed global corporate affairs strategy and served as a member of the Executive Committee. She also held several senior corporate affairs posts at American Express, working in both London and the US. She started her career in government service focused on international trade issues and her positions included Deputy Assistant Secretary for Legislative and Intergovernmental Affairs in the US Department of Commerce. She serves on the board of the International Rescue Committee. Sally holds a BA in Government from Connecticut College in the US and has studied at the London School of Economics.

Sol Trujillo Non-executive director Age 65

Solomon D. (Sol) Trujillo was appointed a director of WPP on 12 October 2010. He is an international business executive with three decades' experience as CEO of high-cap global companies in the US, EMEA and Asia Pacific. A digital pioneer and long-time practitioner of market-based management, Sol was an early champion of high-speed broadband and the mobile internet to stimulate productivity and innovation across all sectors of the economy. Sol currently sits on corporate boards in the US, EU, and China and has managed operations in more than 25 countries around the world – including developed as well as emerging markets from the EU and North America to China, Australasia, Africa and the Middle East.

How we behave and how we're rewarded

Report by Roberto Quarta
Chairman of the Company and chairman of the Nomination and Governance Committee

Dear share owner

That 2016 was WPP's sixth consecutive year of record-breaking performance is testament to the fundamental strength of your Company, the robustness of its strategy and the calibre of its people.

The achievement is particularly noteworthy in light of the challenging trading environment in which WPP's various businesses and their clients operate – with global economic growth continuing to underwhelm.

This environment is the backdrop to the more cautious outlook for 2017 that the Group presented in its Preliminary Results for 2016. WPP's stellar performance over many years means expectations are, rightly, set at the highest level. The true test of a business, however, is its ability to deliver through economic cycles, adapt to changes in the market and navigate bumps in the road – an ability your Company and its management team have demonstrated in spades for more than three decades.

Even the most smooth-running of engines needs fine-tuning, which is why we conducted an externally facilitated Board review during 2015-16 to evaluate Board processes and effectiveness. A respected external expert – a leader in this field – attended Board and committee meetings and interviewed each director and the Company Secretary individually.

Over the last year we have been implementing the recommendations of that review, with the aim of ensuring the more efficient and effective operation of the Board and its functions, focusing on succession planning, Board composition and the use of Board time.

WPP is a large, multidisciplinary and geographically dispersed organisation, doing business in complex and fast-changing markets. To complement the excellent reporting and presentations the Board already receives from the management team, we have made changes to the Board agenda to ensure there is always sufficient time for discussion and debate of the most pressing topics.

We have sharpened the Board's focus on key risks, not least data security and regulation, as the danger of breaches, cyber attacks, cyber fraud and potential infringements of data protection laws become ever more present for all businesses.

The task of evaluating Board effectiveness is a continuous one and this year our senior independent director, Nicole Seligman, has led the Board evaluation, building on the recommendations of the external review to ensure the positive momentum is maintained.

In 2016, we welcomed Tarek Farahat to the Board as a non-executive director, following the tragic loss of our colleague Roger Agnelli. In Tarek, we found someone who shared Roger's passion for, and experience in, the Latin American markets, which are of course strategically important to WPP and its clients.

Tarek's track record of running consumer-facing businesses in Latin America, the Middle East and Europe, and his board-level experience with global public companies, have already been of immense value to your Board and the Company as a whole.

At the AGM this year we say goodbye to two members of the Board: Timothy Shriver and Charlene Begley.

Tim is retiring from the Board having completed his term as a non-executive director, during which time he served as a valued member of the Compensation Committee and Nomination and Governance Committee. We have all benefited from his breadth of vision, deep insight and thoughtful engagement with the Board, and he leaves with our enduring gratitude for the contribution he has made to the fortunes of WPP over the last nine years.

Charlene has also had a hugely positive impact during her three years with WPP and the support she has provided as a valued member of the Audit Committee and Nomination and Governance Committee and on the IT Transformation project. She has the Board's very best wishes as she leaves due to timing conflicts on her other US board commitments.

Charlene's departure means the proportion of women on the Board will fall temporarily after the AGM from the current 29%. We intend to restore – and if possible improve upon – that statistic with coming appointments.

While we still have work to do to achieve greater gender balance on the Board, in terms of the spread of nationalities WPP already has a diverse line-up of directors – with eight different nationalities represented. For a global company like WPP, with interests in mature and fast-growing markets around the world, the international perspective this affords is vital.

During 2016, the Compensation Committee, led by Sir John Hood, has carefully considered the renewal of the Directors' Compensation Policy for submission to share owners for approval at the AGM. This has been a complex task that has taken into account the corporate governance policies and guidance provided by our share owners and the need to appropriately reward executives. The policy that we are submitting for your approval does respond to concerns expressed about executive compensation levels in the UK, in that it presents a significant diminution of the previous policy, while attempting to provide an attractive proposition for current and future executives.

The quality of our management team is underlined by WPP's financial performance and also by the external recognition it receives.

At the head of our operating companies, many of them multinational corporations in their own right, the Group has an enviable collection of highly accomplished and capable business leaders a number of whom have seamlessly succeeded to their global CEO roles during 2016. As ever they give their own reports on the progress of their businesses within these pages. I encourage you to read them all.

As I said in last year's report, succession planning (for all major companies, not just WPP) must consider two scenarios: a planned process of transition to new leadership over time; and an unforeseen, more sudden change due to circumstances beyond our control.

Whether it happens in the near or distant future, when Sir Martin leaves his role as chief executive we will have an exceptional team of potential candidates on the bench. This team comprises not only those who report directly to Sir Martin but also many who currently occupy the senior tier below.

Our succession planning process, which has always been rigorous, has become even more focused and detailed over the last year. As part of our continuous assessment of those individuals who might one day become chief executive of the Group, we have invited a number of leaders within WPP companies to present to the Board and attend Board meetings. This exercise gives me greater confidence than ever in the strength of our people and their potential to succeed at the very top.

This internal pool is, of course, maintained alongside a constantly refined list of external candidates.

The outstanding nature of the executives the Board meets regularly leads me to believe that they are, in turn, developing leaders of similar character and ability within their own companies. This pipeline of talent is essential for the ongoing prosperity of your Company – an organisation built on human ingenuity and expertise.

WPP's record-breaking run is the product of hard work by 205,000 dedicated people worldwide (including associates and investments). On behalf of the Board and the Group's share owners I offer them our heartfelt thanks.

Roberto Quarta
19 April 2017

Review of the Company's governance and the Nomination and Governance Committee

Report by Roberto Quarta
Chairman of the Nomination and Governance Committee

Nomination and Governance Committee members and attendance during 2016

	Meetings eligible to attend	Meetings attended
Roberto Quarta (Chairman)	4	4
Charlene Begley	4	3
Ruigang Li	4	3
Daniela Riccardi	4	4
Hugo Shong	4	4
Sally Susman	4	4

Dear share owner

Committee responsibilities and how they were discharged in 2016

The principal focus of the four meetings of the Nomination and Governance committee in 2016 were:

- succession planning for the CEO and senior management and review of tenure and independence of the non-executive directors;
- the appointment of a non-executive director with Latin American experience following the death of Roger Agnelli and a non-executive director with financial experience to join the Audit Committee;
- Board evaluation; and
- the selection of an external search firm to work with the committee and Board on the selection of non-executive directors.

Succession planning

I have had extensive discussions with share owners on the renewal of the compensation policy and the issue of succession and sought to respond to their request for greater transparency of reporting and to integrate the Board evaluation process with succession planning. The committee and the full Board fully appreciates that strategic, thoughtful and practical succession planning is critical to the long-term success of the Company.

The Board has for some time had a strategy in place for an agreed or foreseen departure of the senior management team including the CEO and CFO and also in the event of sudden emergencies, where an individual cannot continue working.

Following the recommendations of the external Board evaluation, the Board has made progress in assessing the internal and external candidates for CEO and CFO succession and considering internal candidate development and skill gaps. During 2016, the Board has held three detailed senior management and CEO succession planning reviews and has met with the senior management teams of all of the major operating companies within the Group both formally and informally and in many cases the tier of managers below to develop their understanding of the diversity of the pipeline of internal candidates and continually reassess the succession plans.

The committee has also engaged an external search firm to work with the committee and Board to identify suitable and diverse directors in the context of the strategic development of the Group, which include business-specific and digital or data analytics expertise, back office integration, relevant financial experience and UK governance experience. The external search firm has no other connection with the Group.

New non-executive director

The Board announced the appointment of Tarek Farahat as a non-executive director on 11 October 2016, following the recommendation of the committee which had been assisted in the search process by the external search firm. Mr Farahat is the Global President for Marketing and Innovation and a Director of JBS S.A. and prior to that spent 26 years at Procter & Gamble in a range of marketing and management roles working across Europe, the Middle East, Africa and Latin America including as head of their operations in Brazil for six years. Mr Farahat's considerable knowledge of Latin America and his proven track record of running consumer-focused businesses in that market as well as the Middle East and Europe together with his relevant financial and global public company board experience will enhance our Board effectiveness. Mr Farahat was appointed to the Audit Committee on 24 February 2017 after an initial period of familiarisation with the Group.

Committee composition

Pursuant to our non-executive director tenure policy, Tim Shriver will retire at this year's AGM having served on the Board and the Compensation Committee since August 2007. Charlene Begley will also retire at this year's AGM due to the pressure of her other US commitments. Subject to their appointment and reappointment at the AGM and following the retirement of Tim Shriver and Charlene Begley, the composition of our three main committees will be as follows:

Committee composition 2017	Audit Committee	Compensation Committee	Nomination and Governance Committee
Roberto Quarta		●	Chair ●
Jacques Aigrain	Chair ●	●	
Tarek Farahat	●		
Sir John Hood		Chair ●	
Ruigang Li			●
Daniela Riccardi			●
Hugo Shong			●
Sally Susman			●
Sol Trujillo	●		

The senior independent director, Nicole Seligman, customarily attends all Board committee meetings.

Board and committee evaluation

The annual evaluation of the Board's and all committees' effectiveness has been conducted internally by the senior independent director following the externally facilitated evaluation by Dr Tracy Long of Boardroom Review Limited which commenced in 2015 and was concluded in 2016.

Each director completed a confidential questionnaire and then held separate conversations with the senior independent director considering the effectiveness of the Board and its committees and an assessment of my performance. The discussions also considered the progress made by the Board in implementing the recommendations of the external evaluation. The results of the evaluation will be considered in the 2016 Sustainability Report to be published in June 2017.

Board diversity

The Board confirms its commitment to diversity, including gender at all levels of the Group as well as the Board. The Board's policy on diversity commits WPP to increasing diversity across its subsidiaries and supports the development and promotion of all talented individuals. As at 31 December 2016, women comprised 29% of the WPP Board and 33% of non-executive directors, including the senior independent director, and represented eight different nationalities with a broad spectrum of skills, backgrounds and experience. The Board intends to restore and, if possible, improve upon the diverse nature of the Board following Charlene Begley's retirement at this years AGM.

Corporate Governance

During the year, the Board was briefed on regulatory and corporate governance developments. This principally included the UK Corporate Governance Code guidance on audit committees and the changes to the auditor independence rules, the implementation of the Market Abuse Regulation and an external report on the role of Nomination Committees.

Sustainability

Paul Richardson, chairman of the Company's Sustainability Committee, presented a comprehensive assessment of the Group's sustainability performance and risks to the committee for 2016. A more detailed review of our sustainability performance and activities can be read on pages 161 to 167 and in our 2016/2017 Sustainability Report and Pro bono book to be published in June 2017.

Terms of reference

The committee's terms of reference, which are reviewed with the Board annually and most recently in April 2016, are on the Company's website at wpp.com/investor.

Roberto Quarta
19 April 2017

Review of the Audit Committee

Report by Jacques Aigrain
Chairman of the Audit Committee

Audit Committee members and attendance during 2016

	Meetings eligible to attend	Meetings attended
Jacques Aigrain (Chairman)	7	7
Sol Trujillo	7	7
Roger Agnelli[1]	2	2
Charlene Begley	7	7

[1] Roger Agnelli tragically died on 19 March 2016.

Dear share owner

We held seven meetings during the year, which were attended by Deloitte LLP, the Company's external auditor, the Company's chairman, the senior independent director, the Group finance director, the director of internal audit, the Group chief counsel, the Group chief accountant and the Company Secretary. The committee also held separate private meetings with the external auditor, the director of internal audit and the Group chief accountant.

Committee responsibilities and how they were discharged in 2016

The main matters we dealt with during 2016 were as follows:
- monitoring the integrity of the Company's financial statements and reviewing significant financial reporting judgements;
- reviewing internal controls and internal audit activities;
- assisting the Board in meeting its responsibilities in respect of carrying out a robust assessment of the principal risks affecting the Group and reviewing and reporting on the systems and key elements of risk management as they affect the Group and reviewing the risk map and framework for presentation to the Board;
- reviewing the Group Treasury policy with particular focus on debtors, funding foreign exchange and cash management and the continued ability of the Group to adopt the going concern basis in preparing financial statements;
- reviewing reports on any material litigation or regulatory reviews involving Group companies;
- reviewing the Group's mergers and acquisitions strategy, any significant acquisitions, the earnout payments profile review and integration processes and the debt financing by the Group;
- reviewing GroupM's trading model and its risk assessment processes;
- reviewing the Group's tax strategy;
- monitoring the accounting and legal reporting requirements, including all relevant regulations of the UK Listing Authority, the SEC and NASDAQ and the Jersey Financial Services Commission and changes to the UK Corporate Governance Code;
- overseeing continued compliance with Section 404 of SOX, through regular status reports submitted by the internal and external auditors;
- reviewing the Group's IT Transformation project and shared services initiatives; and
- reviewing issues raised on our Right to Speak helpline and the actions taken in response to those calls.

Fair, balanced and understandable

A sub-committee of the Board including members of this committee examined whether the Annual Report and Accounts for 2016 was fair, balanced and understandable and provided the information necessary for share owners to assess the Group's position, performance, business model and strategy. The sub-committee received an early final draft of the report for review and comment, as well as a report from the Disclosure Committee as to the governance relating to compilation of the report. The Board subsequently considered the report as a whole and discussed the report's tone, balance and language for compliance with these standards. The Board's statement on the report is on page 175.

Financial reporting and significant financial judgements

The management team make key decisions and judgements in the process of applying the Group's accounting policies. These key judgements were detailed in reports to the committee in respect of 2016 which were then examined by the committee and discussed with management.

Deloitte also reported to and discussed with the committee whether suitable accounting policies had been adopted in the financial statements for the year ended 2016 and whether management had made appropriate estimates and judgements. The areas of significant judgement considered by the committee and how these were addressed are set out below and reflect a number of the principal risk areas identified by the Board on pages 46 to 50:

- the assessments made for goodwill impairment. The committee confirmed, based on management's expectations of future performance of certain businesses, the level of goodwill impairment charges required in 2016;
- the judgements made in determining the gain on investment made in 2016 on Imagina. The committee agreed that the approach adopted by management is appropriate;
- the judgements made in respect of the recoverability of other media income and revenue recognition, particularly as these relate to media volume income and media trading income. The committee received briefings from Deloitte and management on the appropriateness of the policies adopted and the controls in place and challenged management to demonstrate the effectiveness of such controls;
- the judgements made in respect of the release of provisions related to other media income. The committee considered the testing undertaken by Deloitte and information from management to support the change in approach and agreed the change where supported is appropriate;
- the valuations of non-controlled investments and listed associates, which are based on local management forecasts, recent third-party investment and other supporting information such as industry valuation multiples. The committee examined the valuations with management and considered the sample testing of the investments performed by Deloitte and agreed that the valuations were appropriate;
- the accuracy of forecasting the potential future payments due under earnout agreements in respect of acquired businesses. The committee considered the forecasting with management and the testing undertaken by Deloitte and agreed that earnouts have been accounted for on a consistent basis to previous periods;
- the approach taken by management to accounting for exceptional expenses incurred in relation to the ongoing IT Transformation project, which the committee considered was appropriate;
- the valuation of year-end provisions in respect of working capital. The committee received briefings on the approach taken by management in assessing the level of exposure across the Group and agreed it was consistent and appropriate;
- accounting for the judgemental elements of remuneration, including pensions, bonus accruals, severances and share-based payments. The committee agreed that the assumptions applied by management are reasonable;
- the judgements made in respect of tax, in particular the level of central tax provisioning. The committee supported management's assumptions in both these areas and believe the current level of provisions is reasonable; and
- the going concern assessment and viability statement and key forecast assumptions. The committee concur with management's going concern assumptions as set out on page 50.

External audit

Deloitte have been WPP's auditors since 2002. The lead partner rotates every five years and the latest rotation took effect during 2015. In 2016, the effectiveness of the audit process was evaluated through a committee review of the audit planning process and discussions with key members of the Group's finance function. The 2016 evaluations concluded that there continued to be a good quality audit process and constructive challenge where necessary to ensure balanced reporting. The committee held private meetings with the external auditors and the committee chair met privately with the external auditors before meetings. The committee continues to be satisfied with the performance of Deloitte and confirmed that Deloitte continues to be objective and independent and noted the principal findings of the FRC 2016 Audit Quality Review on the audit file of WPP for the year ended 31 December 2015 as part of their 2016 review cycle. The committee recommends the reappointment of Deloitte at the AGM on 7 June 2017.

The committee considered the Group's position on its audit services contract in the context of the regulations concerning the audit market. Although there is no immediate intention to tender the audit contract, the Company will re-tender at the latest by the 2022 year end in compliance with the transitional arrangements for competitive tender that require mandatory rotation after the 2023 fiscal year-end.

The Company confirms that it has complied with the Competition and Markets Authority final order on mandatory tendering and audit committee responsibilities.

Internal audit

The annual internal audit plan is approved by the committee at the beginning of the financial year. Progress against the plan is monitored through the year and any changes require committee approval. Significant issues identified within audit reports are considered in detail along with the mitigation plans to resolve those issues. The committee also considers the level of internal audit resource to ensure it is appropriate to provide the right level of assurance over the principal risks and controls throughout the Group.

Non-audit fees

The committee has established a policy regarding non-audit services that may be provided by Deloitte, which prohibits certain categories of work in line with relevant guidance on independence, such as ethical standards issued by the Auditing Practices Board and SEC. The policy was reviewed by the committee in 2014 and advice on remuneration was included in the prohibited category with effect from the beginning of 2015 allowing for a transition period. Further review in 2016 has resulted in a prohibition on tax services being provided by Deloitte in the EU and a general default to an alternative provider elsewhere subject to adherence to regulations. Other categories of work may be provided by the auditors if appropriate and if pre-approved by the committee, either as individual assignments or as aggregate amounts for specified categories of services. All fees are summarised periodically for the committee to assess the aggregate value of non-audit fees against audit fees. The level of fees for 2016 is shown in note 3 of the financial statements on page 195.

Committee evaluation

The committee and its members were formally assessed by the Nomination and Governance Committee as part of the review of committee composition in 2016 and as part of the evaluation process described on page 124 for their technical suitability to be members and also for its overall effectiveness. The Board has designated me as the committee's financial expert for Sarbanes-Oxley Act (SOX) purposes and together with Charlene Begley as having recent and relevant financial experience for the purposes of the UK Corporate Governance Code. The members of the committee have financial and/or financial services experience as set out in their biographies on pages 116 to 119.

Terms of reference

The committee's terms of reference, are reviewed annually and most recently were reviewed and updated in October 2016 and can be viewed on the Company's website at wpp.com/investor.

Committee membership

Tarek Farahat was appointed to the committee on 24 February 2017 and brings not only relevant financial and global public company experience but also sector and operational experience across many of the markets in which the Group operates with particular experience in Latin America. I look forward to his contribution to the committee and would like to thank Charlene Begley for her hard work as a member of the committee, as she will be retiring at the AGM. I would also like to thank all of my colleagues on the committee, the parent company executives and external advisors for their endeavours in 2016.

Jacques Aigrain
19 April 2017

Letter from the chairman of the Compensation Committee

Dear share owner

On behalf of the WPP Board I am pleased to present the Directors' Compensation Report for the year ended 31 December 2016. The report includes an 'at a glance' snapshot of WPP's performance and corresponding compensation for the year. We then set out for share owners' consideration our Directors' Compensation Policy incorporating proposed changes to the policy approved by 82% of share owners in 2014. This revised policy will be presented for approval at the 2017 AGM. This is then followed by our Compensation Committee Report, which details the compensation decisions made by the committee and the resulting outcomes for the directors.

Highlights of our proposed 2017-2019 Compensation Policy

During the year, the Compensation Committee dedicated considerable time to the re-evaluation of its policy. This necessarily involved extensive dialogue with share owners and other interest groups. We are most grateful for their interest and input.

WPP has a long-standing history of embracing a philosophy of pay for performance. This philosophy is incorporated into the Company's compensation programs in a range of different ways, for example: the five-year time horizon used since 1995 to measure performance in long-term incentive plans, and the use of challenging performance conditions to govern awards under all incentive plans.

Pay for performance and alignment with share owner interests remain central to the Group's culture. The committee believes these cornerstone features have been most effective in driving exceptional performance, which has resulted (inter alia) in WPP becoming the most valuable, international, integrated communication services company. As a result, the committee concluded that this ethos should continue to be reflected in the Company's compensation arrangements.

Notwithstanding the Company's superior performance, we understand share owners' increasing discomfort with the levels of our programs' reward opportunities for outstanding performance. Similar feedback led to the changes introduced by the (then) committee earlier this decade that were subsequently incorporated in the 2014-2016 compensation policy. Based on the more recent share owner concerns, we are proposing further significant reductions in the compensation levels for the Company's Executive Directors. The changes to your CEO's compensation levels are set out below.

In summary:

- The total incentive opportunity (the combination of short-term incentive maximum and the face value of an award under the Executive Performance Share Plan, or EPSP) will reduce from 14.1 times to 10 times salary.
- The maximum short-term incentive opportunity will reduce by 35 percentage points, from 435% to 400% of salary. 40% of the achieved bonus will be delivered in shares in the form of an Executive Share Award (ESA) and these shares must be held for a further two years.
- The EPSP award will accordingly reduce by 374 percentage points, from 974% to 600% of salary.
- The pension allowance will reduce by 10 percentage points from 40% to 30% of salary.
- The range of benefits provided will be replaced by a fixed benefit allowance of £200,000, a 12% reduction on the 2016 benefits' cost.

In aggregate, these changes will have the effect of reducing the Group CEO's overall maximum pay opportunity, before any account is taken of share price appreciation or dividends, by 27% or £4.8 million. This brings the total reduction since 2011 to 58% or £18.1 million.

In addition to these changes our proposed policy also reflects the following:

- In respect of the Group CFO, the total incentive opportunity will reduce by 150 percentage points from 700% to 550% of salary. The level of benefits provided will also be capped at $85,000.
- The maximum incentive, short- and long-term, that could be offered to a new appointee to the Board, is being reduced by 20% from 10 times to 8 times salary.
- The maximum pension contribution that could be offered to a new appointee to the Board is being reduced by 15 percentage points from 40% to 25% of salary.
- The level of vesting associated with the threshold performance requirement under the EPSP will reduce from 20% of the award to 15% of the award.

The committee did not reach these decisions lightly. The process has proven to be challenging, reflecting the divergent views of share owners, the differences in competitive market practices in the UK (which may cause competitiveness issues in the US) and internationally where WPP competes, the imperative of retaining and motivating a high-performing leadership team, all while also maintaining the Company's attractiveness to future leadership recruits.

We hope that you will find that our revised compensation policy appropriately balances these important factors.

Pay for performance in 2016

2016 was once again a record year for WPP. The Company achieved strong top-line growth with operating profits and margins meeting and exceeding targets across all regions and sectors.

This sustained strong performance was reflected in the outcomes of the Company's incentive plans for the year. Awards under the short-term incentive plan ranged from 95% – 120% of target. Shares awarded in 2012 under the last cycle of the Leadership Equity Acquisition Plan (LEAP) vested in full on 7 March 2017.

The 2012 LEAP award was the final instalment of the existing LEAP incentive program. WPP significantly out-paced all except one of its peers with five-year TSR growth of 210%. In reviewing the outcome under the plan the committee noted:

- WPP's TSR ranked in the upper decile of the FTSE 100 during the same period and out-performed US indices and broader industry peer groups;
- market capitalisation increased by £14.71 billion ($15.44 billion) or 172.0% from £8.55 billion ($13.27 billion) to £23.26 billion ($28.71 billion);
- the share price increased from 675 pence at the start of 2012, to 1,816 pence by the end of 2016, a compound annual growth rate of 22%;
- the Company's dividend increased from 24.6p to 56.6p, a compound annual growth rate of 18%;
- TSR was ahead of the Company's most comparable competitors: Omnicom (180%), Dentsu (114%) and Publicis (106%); and
- the Company's strong underlying financial performance, including net sales growth of 34%, a 51% increase in headline PBIT and a 67% increase in headline diluted EPS.

The committee acknowledges that the value created for share owners throughout the five-year term of the 2012 awards, and throughout the eight years of the LEAP III program, has been significant.

In 2013, in response to share owners' concerns about the design of LEAP, the committee adopted a new long-term incentive plan, the Executive Performance Share Plan (EPSP). The design of the EPSP was strongly influenced by share owners' views. This plan has granted awards at lower levels, with further reductions proposed in 2017, and measures performance equally across three critical areas: EPS growth, return on equity and relative TSR. We anticipate that the value of awards vesting in subsequent years will be substantially lower than the values realised under LEAP.

Performance targets for 2017 incentive awards

The committee has approved performance targets for the 2017 short-term incentive awards. As previously, performance will be assessed against a mix of financial measures, for 70% of the award, with the balance being determined by achievements against individual strategic objectives.

The three financial measures are unchanged for 2017 and are headline PBT growth, headline net sales margin improvement and growth in net sales. The performance ranges and outcomes will be disclosed in next year's report.

The committee has also reviewed the 2017-2021 EPSP measures and targets, concluding that they remain appropriate, stretching and aligned to the guidance issued to share owners. The targets that will apply are as follows:

Measure	Performance range
EPS	7% – 14% compound annual growth
ROE	15% – 18% annual average
Relative TSR	Median to upper decile

Looking forward

We hope that you will recognise the significant steps the committee has taken in responding to any concerns in presenting its proposed policy. With the majority of compensation still contingent on the sustainable performance of WPP, we are confident that these proposals will continue to provide meaningful alignment between performance and reward. As in previous years, we extend our thanks to those share owners and advisors who helpfully engaged with us in formulating our proposed policy. We hope they will meet with your support at the 2017 AGM.

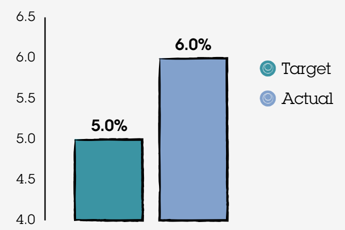
Sir John Hood
Chairman of the Compensation Committee
19 April 2017

At a glance

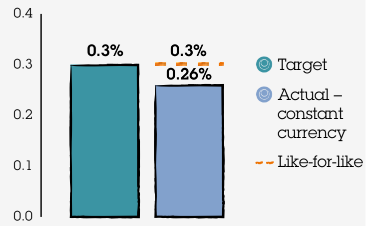
How we performed in 2016

Group financial performance measures:

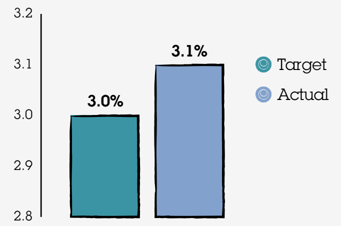
Headline PBT growth



Headline net sales margin improvement

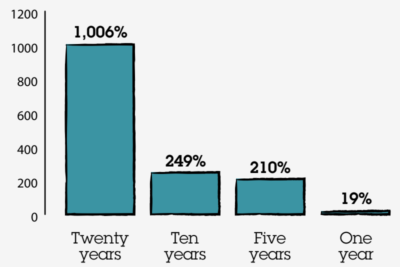


Growth in net sales



Long-term total shareholder return performance[1]

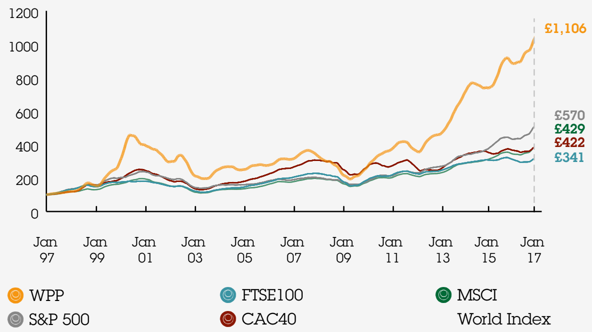
WPP Total Shareholder Return ('TSR')



	Twenty years	Ten years	Five years	One year
FTSE 100	241%	65%	51%	17%
S&P 500	470%	199%	146%	34%
CAC 40	322%	58%	66%	23%
MSCI World	329%	140%	105%	29%

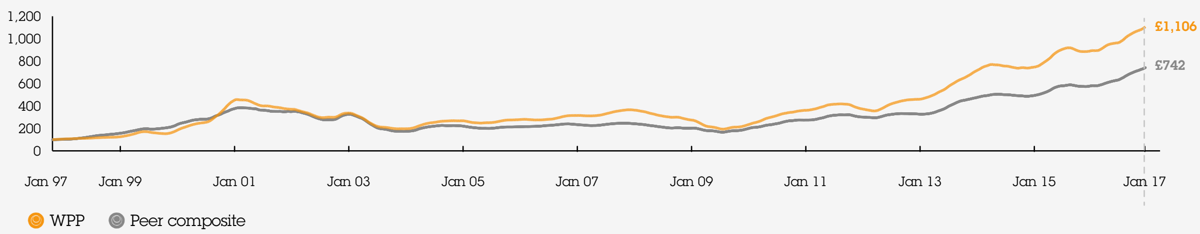
Source: DataStream. TSR calculated up until 31 December 2016.

Change in value of a £100 investment in WPP over time relative to indices



Source: DataStream. TSR calculated up until 31 December 2016.

Change in value of a £100 investment in WPP over time relative to a composite index of peers

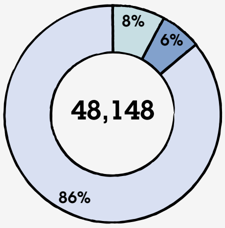


Source: DataStream. TSR calculated up until 31 December 2016. 'Peer Composite' comprises Havas, IPG, Omnicom and Publicis, and from its date of listing in 2001; Dentsu. All data has been converted on a daily basis into GBP. It is assumed that an investment is made on a market-cap weighted basis across all companies, redistributed at the end of each day.

[1] TSR calculated using an averaging period of one month (one-year TSR) or six months (longer-term TSR) in common currency.

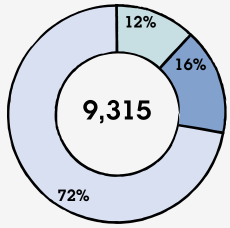
How much the Executive Directors earned in 2016 (£000)

Sir Martin Sorrell



Fixed compensation 3,596
Short-term incentives 2,992
Long-term incentives 41,560

Paul Richardson



Fixed compensation 1,100
Short-term incentives 1,517
Long-term incentives 6,698

How we will implement our proposed compensation policy in 2017

	Policy		Implementation[1]	
		2017	Sir Martin Sorrell	Paul Richardson[2]
Base salary	24-month review period	No change	£1,150,000	$1,080,470
Pension	Pension is provided by way of contribution to a defined contribution arrangement, or a cash allowance, determined as a percentage of base salary	Reduction/ No change	30%	30%
Benefits	A fixed benefits allowance will be provided as an alternative to the provision of itemised benefits, to be used at the executive's discretion	Reduction	£200,000	$85,000
Short-term incentives	▪ 70% financial and 30% individual strategic objectives ▪ One-year performance ▪ 60% cash, 40% deferred WPP shares (two years)	Reduction	Opportunity: 0% – 400% Target: 200%	Opportunity: 0% – 250% Target: 165%
Long-term incentives	▪ TSR, EPS and ROE ▪ Five-year performance ▪ 100% WPP shares	Reduction	Opportunity: 0% – 600%	Opportunity: 0% – 300%

[1] Opportunity and target expressed as a percentage of base salary.
[2] Paul Richardson's base salary figure is denominated in US dollars other than his fee for directorship of WPP plc which amounts to £100,000. Any sterling amounts have been converted into US dollar at an exchange rate of $1.3547 to £1.

Directors' Compensation Policy

The Compensation Committee presents the proposed Directors' Compensation Policy for 2017-2019. It is the intention of the committee that this policy will be maintained for three years from approval, assuming no changes are required. The committee believes that this policy continues to align with the Company's mission statement and business objectives as well as being competitive for current and successor Executive Directors.

Proposed policy changes

The 2017 policy that is being presented to share owners for approval has been drafted to take into account the views of our share owners that have been received over the last policy period. The key changes from the 2014 policy, which are described in the chairman's letter, can be summarised as follows:

- The maximum annual bonus opportunity of the Group chief executive is reduced to 400% and for the Group chief financial officer to 250%. A minimum of 40% of the achieved bonus will be delivered in deferred shares (ESA).
- The maximum annual Executive Performance Share Plan (EPSP) opportunity of the Group chief executive is being reduced to 600% of base salary and for the Group chief financial officer to 300% of base salary. The EPSP plan will continue to operate over a five-year performance period and the performance measures of TSR, EPS and ROE remain unchanged.
- The threshold vesting level of the EPSP award is being reduced to 15%.
- The maximum level of annual pension contribution for the Group chief executive is being reduced to 30% of base salary.
- The Executive Directors will be provided with a non-itemised fixed benefits allowance to enable them to procure benefits to enable them to undertake their role and ensure their security and wellbeing. The benefits allowance for the Group chief executive will be £200,000 and for the Group chief financial officer $85,000 per annum.
- The maximum incentive award, the combination of short- and long-term incentives, for a new appointee to the Board, is being reduced to 8 times base salary.
- The maximum pension contribution for a new appointee to the Board is being reduced to 25% of base salary. This amount may be delivered by either a contribution towards a defined contribution retirement plan or by way of a cash retirement allowance.

The above proposed changes to policy will be effective 1 January 2017, except for the pension contribution which will be effective 1 July 2017. The impact of these changes is demonstrated in the pay scenario charts on page 139.

WPP's compensation philosophy

Our mission statement and our six business objectives shape our compensation philosophy. Broadly, our Directors' Compensation Policy is determined by three long-standing guiding principles:

- performance-driven reward;
- competitiveness; and
- alignment with share owner interests.

Specifically, our six business objectives (as set out on page 37) are reflected in the design of our compensation plans as set out below:

	WPP's six business objectives	Alignment with compensation structure
1	**Continue to improve operating margins on net sales**	Short-term incentive measure for the Group chief executive and Group chief financial officer
2	**Increase flexibility in the cost structure**	Short-term incentive measure for the Group chief financial officer
3	**Use free cash flow to enhance share owner value and improve return on capital employed**	TSR, EPS growth and average ROE are long-term incentive measures for the Executive Directors
4	**Continue to develop the value added by the parent company**	Short-term incentive measures (parent company-led efficiency projects) for the Group chief executive and Group chief financial officer
5	**Emphasise revenue and net sales growth more as margins improve**	Short-term incentive measures for the Group chief executive and Group chief financial officer
6	**Improve still further the creative capabilities and reputation of all our businesses**	Short-term incentive measure for the Group chief executive

Our Directors' Compensation Policy is designed to attract and retain best-in-class talent. The policy looks to incentivise directors to develop the skills of the Group's employees in order to consistently exceed our clients' expectations, driving and rewarding sustainable and exceptional performance, thereby producing long-term value for share owners. In applying this policy, the committee takes into account the pay and conditions elsewhere in the Group, which in turn are informed by general market conditions and internal factors such as the performance of the Group or relevant business unit.

Considerations taken into account when setting our Directors' Compensation Policy

Employment conditions at WPP

When reviewing changes to the compensation levels for the directors, the committee considers any changes in light of increases awarded across the Group over a relevant period of time, in conjunction with the other factors set out in the policy table. Due to the global nature of the business and the distribution of our 132,657 employees over 112 countries, it was not practical to consult them when drawing up our new policy.

Share owner views

During 2016, the main focus from WPP share owners, as well as the media more generally, was on executive compensation. WPP has worked diligently to listen to all views and create a policy that is both acceptable for share owners as well as attractive and retentive for Executive Directors.

WPP continues to engage openly with share owners and institutional investors to discuss matters relating to compensation. The feedback received during these conversations is valuable and is among the factors that inform the decisions made by the committee.

Glossary

The following are acronyms used throughout the policy:

Acronym	Definition
DEPs	Dividend Equivalent Payments
DSUs	Deferred Stock Units
EPSP	Executive Performance Share Plan – long-term incentive plan introduced in 2013
ESA	Executive Share Award – the part of the STIP that is deferred into shares
Good Leaver	Broadly, when an individual is dismissed other than for cause (the particular meaning applicable to each share plan can be found in the relevant rules)
RSP	Restricted Stock Plan
STIP	Short-term Incentive Plan – the annual incentive plan comprising a cash bonus and an ESA

Directors' Compensation Policy table – Executive Directors

The following table sets out details of the proposed compensation elements for WPP's Executive Directors.

Component and purpose	Operation	Performance	Maximum annual opportunity
Fixed elements of compensation			
Base salary To maintain package competitiveness and reflect skills and experience.	Base salary levels are reviewed every two years or following a significant change in the scope of a role. The base salary number includes a director fee of £100,000. Levels are determined by taking a number of relevant factors into account including individual and business performance, level of experience, scope of responsibility, compensation practices across the Group and the competitiveness of total compensation against both our competitors and companies of a similar size and complexity.	Company and personal performance will be taken into account during the review process.	Under normal circumstances base salary will increase by no more than the local rate of inflation over the period since last review. In the event of a promotion or a significant change in the scope of the role, or changes in sector competitive pay or the need to counter a competitive external offer, the committee may exceed this limit.

Component and purpose	Operation	Performance	Maximum annual opportunity
Short-term incentives (details of how performance measures and targets are set are included in the notes to this table on pages 137 and 138)			
Cash bonus, Executive Share Awards (ESA) To drive the achievement of business priorities for the financial year and to motivate, retain and reward executives over the short and medium term, while maximising alignment with share owner interests.	**Overview** The committee may invite executives to participate in the STIP under which a bonus can be made subject to performance measured over the financial year. Bonus opportunity is determined as a percentage of salary. Performance measures and targets are reviewed and set annually to ensure continuing strategic alignment. Achievement levels are determined following year-end by the committee, based on performance against targets. Executive Directors' bonuses are delivered in the form of a cash award and a deferred share award (ESA), the latter constituting at least 40% of the total bonus achieved. The ESA will vest after a minimum of two years subject to continued employment, together with additional shares in respect of accrued dividends. **Judgement** The committee will use its judgement to set the performance measures and targets annually. **Malus provisions (ESA)** The committee has the ability to reduce any unvested ESA in certain situations, including when fraud or a material misstatement has affected the level of any performance-related compensation. **Clawback provisions** The committee has the ability to clawback cash bonus, earned in respect of the performance year 2016 or after, in the three years post payment in certain situations, including when fraud, breach of fiduciary duty or a material misstatement has affected the level of any performance-related compensation.	70% subject to financial performance, either at a Group and/or divisional level depending on the role. 30% subject to individual objectives linked to the strategy of WPP or the relevant business area. The committee will use its judgement in assessing performance relative to targets and expectations communicated at the start of the year and will consider unforeseen factors that may have impacted performance during the period. **Vesting schedule** The following table sets out the level of bonus payable for threshold and target performance as a percentage of maximum. Vesting operates on a straight-line basis between these points. (see vesting table below)	Group chief executive: 400% of base salary. Other Executive Directors: 250% of base salary. The value of any accrued dividends will vary depending on the size of the ESA awarded, dividends declared and share price over the deferral period.

	Threshold	Target (as percentage of maximum)
Sir Martin Sorrell	0%	50%
Other Executive Directors	0%	66%

Component and purpose	Operation	Performance	Maximum annual opportunity
Long-term incentives (details of how performance measures and targets are set are included in the notes to this table on pages 137 and 138)			
Executive Performance Share Plan (EPSP) To incentivise long-term performance and to focus on long-term retention and strategic priorities, while maximising alignment with share owner interests.	**Overview** Executives may receive an annual conditional award expressed as a percentage of base salary. Executives may also receive an award in respect of the number of reinvested dividends proportionate to the amount of the award vesting, the dividends declared during the performance period and the share price at the time the dividend is declared. Awards will vest subject to performance, measured over a period of five consecutive financial years. In respect of merger and acquisition activity within the peer group, the committee has an established and operated policy that TSR outcomes should not be impacted by the speculation or actuality of takeovers of peer group companies (including WPP). This policy includes a minimum listing requirement, an approach for the reinvestment of proceeds from shares of companies that delist during the performance period and parameters for companies subject to bid speculation. Details of how this policy is implemented will be disclosed each year in the relevant Annual Report. In accordance with the EPSP rules that were approved by share owners at the 2013 AGM, if the committee considers that there has been an exceptional event or that there have been exceptional circumstances during a performance period that have made it materially easier or harder for the Company to achieve a performance measure, the committee may adjust the extent to which an award vests to mitigate the effect of the exceptional event or circumstances. **Judgement** The committee will use its judgement to set the performance measures and targets annually. **Malus provisions** The committee has the ability to reduce any unvested EPSP award in certain situations, including when fraud or a material misstatement has affected the level of any performance-related compensation. **Clawback provisions** The committee has the ability to clawback the amount net of tax received by an executive from the proceeds of the vesting of an award granted in 2016 or later years, in the three years post payment, in certain situations, including when fraud, breach of fiduciary duty or a material misstatement has affected the level of any performance-related compensation.	One-third relative TSR. One-third headline EPS growth. One-third average ROE. All measures are assessed independently of each other. TSR is measured on a market-capitalisation weighted basis against a peer group of business competitors that are selected according to size and relevance. This peer group is reviewed annually at the start of each cycle to ensure it remains robust, appropriate and relevant in light of WPP's business mix. Half of the TSR element is measured on a local currency basis, half on a common currency basis. EPS is defined as WPP's headline diluted earnings per share. The EPS performance is calculated by taking the aggregate EPS over the performance period and calculating the compound annual growth from the financial year preceding the start of the period. ROE is calculated as headline diluted EPS divided by the average balance sheet per share value of share owners' equity during the year. **Vesting schedule** Awards will vest from 15% for threshold performance and 100% for maximum performance.	Conditional awards: Plan maximum: 9.75 times base salary. Group chief executive: 6 times base salary. Other Executive Directors: 3 times base salary. The value of accrued dividends will vary depending on the level of vesting, dividends declared and share price over the performance period.

Component and purpose	Operation	Performance	Maximum annual opportunity
Other items of compensation			
Dividend Equivalent Payments (DEPs) on the DSUs To ensure that Sir Martin Sorrell receives an amount equal to the dividends that would be payable if he had taken receipt of and retained the shares underlying the DSUs.	The Company has previously received share owner approval to allow Sir Martin Sorrell to defer receipt of the DSUs. The Company makes a cash payment to Sir Martin Sorrell of an amount equal to the dividends that would have been due on the shares comprising the DSUs. This benefit will cease in November 2017.	No longer subject to a performance requirement as this was assessed at the point of vesting in 1999.	The value of any accrued dividends will vary depending on the dividends declared during the deferral period.
Benefits Provide a fixed and non-itemised allowance, to enable the executive to procure benefits to enable them to undertake their role and ensure their wellbeing and security.	The fixed allowance will be reviewed periodically by the committee and any changes will be effective for the next fiscal year. The allowance is set with regard to the individual concerned and the role they undertake. Should the executive be required to relocate to a different country, a relocation benefit may be provided in addition to the allowance depending on the prevailing circumstances.	Not applicable.	Fixed benefit allowances are as follows: Group chief executive: £200,000 Group chief financial officer: $85,000.
Pension To enable provision for retirement benefits.	Pension is provided by way of contribution to a defined contribution retirement arrangement, or a cash allowance, determined as a percentage of base salary.	Not applicable.	Group chief executive: 30% of base salary. Group chief financial officer: 30% of base salary. New Executive Director appointee to the Board: 25% of base salary.

Notes to the policy table

Plan rules

Copies of the various plan rules are available for inspection at the Company's registered office and head office. The Directors' Compensation Policy table for Executive Directors provides a summary of the key provisions relating to their ongoing operation.

The committee has the authority to ensure that any awards being granted, vested or lapsed are treated in accordance with the plan rules which are more extensive than the summary set out in the table.

Selection of performance measures

STIP

Performance measures are selected by the committee on the basis of their alignment to Group strategy and are the key measures to oversee the operation of the business. Measures are reviewed annually by the committee taking into account business performance and priorities.

EPSP

EPS growth is a measure that is important for both management and our share owners, capturing growth in revenue and earnings. ROE is similarly important, and provides a positive counterbalance and risk management mechanism through the focus on both growth and capital efficiencies. With the inclusion of relative TSR, the plan also takes account of share owner views of how WPP has performed relative to the companies in the peer group.

Calibration of performance targets

STIP
The performance targets for the STIP are set to incentivise year-on-year growth and to reward strong, sustainable performance. Strategic targets are based upon the annual business priorities. The committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. The committee will disclose those targets at the end of the relevant performance period in that year's Annual Report, if those targets are no longer commercially sensitive.

EPSP
Operational targets under the EPSP are set taking into account a combination of factors, but primarily internal forecasts, analysts' expectations (albeit, the period over which analysts' forecast is generally shorter than the five-year performance period) and historical performance relative to budgets.

Relative TSR targets are set to ensure they are more stretching than UK norms and require out-performance of our peers at median before any reward is triggered.

Cascade to WPP Group pay policy

As well as setting the policy for the Executive Directors, the committee is also responsible for reviewing the policy for the most senior people at WPP outside the Board.

Compensation packages for these individuals are normally reviewed every 18-24 months. As is the case for Executive Directors, the WPP Group pay policy ensures a clear and direct link between the performance of the Group or relevant operating company and compensation. Substantial use of performance-driven compensation not only ensures the continued alignment of the interests of share owners and senior individuals within the Group, but also enables the Group to attract, retain and motivate the talented people upon whom our success depends.

WPP is committed to encouraging strong performance through a reward system that aligns management's interests with those of share owners.

From a compensation perspective, this is encouraged in a number of ways:

- Senior executives participate in the same long-term incentive plan as the Executive Directors, which is designed to incentivise growth, capital efficiency and share price appreciation; and
- Share ownership is encouraged for the WPP Leaders (approximately the top 300 executives), all of whom have stretching ownership goals.

Across the workforce more broadly, many employees participate in bonus and commission plans based on the performance of their employing company. Where locally competitive, employees are provided with company-sponsored pension plans and life assurance plans and a range of other benefits. In addition to these compensation elements, the Company also uses share-based compensation across the workforce to incentivise, retain and recruit talent which encourages a strong ownership culture among employees. The main share plans are described below.

Restricted Stock Plan
The RSP is used to satisfy awards under the short-term incentive plans (including ESAs) as well as to grant awards to management under the WPP Leaders, Partners and High Potential program. In this program, awards are made to participants that vest three years after grant, provided the participant is still employed within the Group.

Executive Directors, and other senior management employees, receive part of their annual bonus entitlement as a deferred share award (ESA) under the RSP. Executive Directors are ineligible to participate in any other aspect of the management share award program.

Share Option Plan 2015
The WPP plc Share Option Plan 2015 is an all-employee plan that makes annual grants of stock options to employees with two years of service who work in wholly-owned subsidiaries. This plan replaced the legacy Worldwide Ownership Plan.

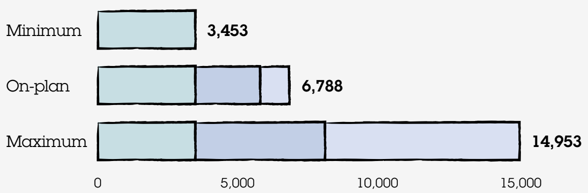
The WPP plc Share Option Plan 2015 has the capability to make grants of executive share options in order to attract or retain key talent. Such awards are made infrequently. There were no grants of executive share options in 2016, or 2015. The Executive Directors do not participate in this plan.

How do these pay policies affect potential compensation packages?

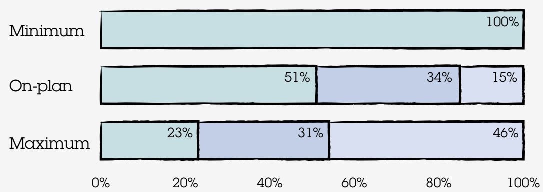
These graphs seek to demonstrate how pay varies with performance. The graphs are reflective of the pay policy that is being presented for approval at the 2017 AGM.

Sir Martin Sorrell (including DEPs[1] which will cease in November 2017)

Value of package (£000s)

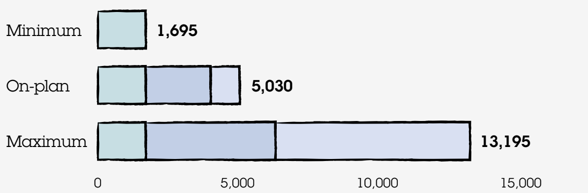


Fixed and variable pay mix

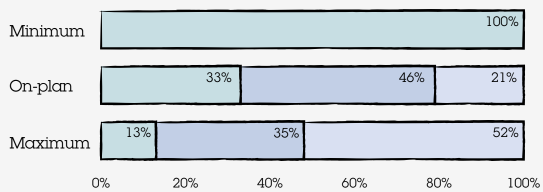


Sir Martin Sorrell (excluding DEPs[1] which will cease in November 2017)

Value of package (£000s)

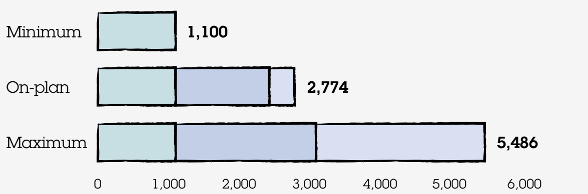


Fixed and variable pay mix

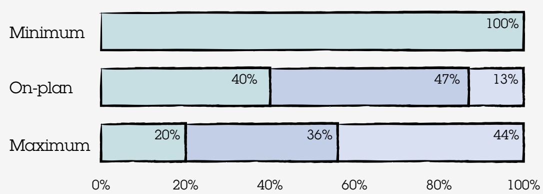


Paul Richardson

Value of package (£000s)



Fixed and variable pay mix



Fixed Short-term incentives Long-term incentives

[1] DEPs are dividend equivalent payments applicable to Sir Martin Sorrell only. Details of the payments are set out on page 140.

The graphs are informed by three performance scenarios and these, along with the assumptions used, are summarised below.

Fixed elements	Consists of base salary, benefits (including DEPs where indicated) and pension				
	Base salary reflects current levels (FY2017)				
	The DEPs are consistent with the single figure table for FY2016. Benefits reflect the fixed benefits allowances under the proposed policy				
	Pension reflects contributions under the proposed policy				
	£000[2]	**Base salary**	**Benefits (inc. DEPs)**	**Pension**	**Total fixed**
	Sir Martin Sorrell	1,150	1,958[1]	30%	3,453
	Paul Richardson	798	63	30%	1,100
Short-term incentives	On-plan scenario assumes target bonus is paid				
	Maximum scenario assumes the full bonus is paid				
	% of salary	**Below threshold**	**On-plan**		**Maximum**
	Sir Martin Sorrell	0%	200%		400%
	Paul Richardson	0%	165%		250%
Long-term incentives	On-plan scenario assumes threshold vesting of an award at the proposed policy level				
	Maximum scenario assumes full vesting of an award at the proposed policy level				
	% of salary	**Below threshold**	**On-plan**		**Maximum**
	Sir Martin Sorrell	0%	90%		600%
	Paul Richardson	0%	45%		300%

[1] The DEP component of the benefits number, £1,757,739, will cease in November 2017.
[2] Any US dollar amounts have been converted into sterling at an exchange rate of $1.3547 to £1.

Other Executive Director policies

Legacy share awards and obligations

Under the Directors' Compensation Policy, Sir Martin Sorrell's deferred awards will be paid in accordance with the terms agreed at the time and set out in previous Compensation Committee reports. The key terms of Sir Martin's deferred awards are summarised below.

Deferred awards (Sir Martin Sorrell only)

The Company has previously received share owner approval to allow Sir Martin Sorrell to defer receipt of his UK and US 2004, 2005 and 2007 LEAP awards and the UK part of his 2006 and 2009 LEAP awards. The UK awards are options that can be exercised at any time until November 2017. The US awards will vest on the earlier of the end of Sir Martin's employment with the Company, a change in control of the Company and 30 November 2017. Additional shares will continue to accrue in respect of dividends paid up to the point of exercise (UK) or vesting (US).

The Company has also previously received share owner approval to allow Sir Martin Sorrell to defer receipt of the UK and the US Deferred Stock Units (DSUs). These are the awards that originally vested in 1999, having been granted in 1995 under the Capital Investment Plan. The UK DSU is an option that can be exercised at any time until November 2017. The US DSU will vest on the earlier of the end of Sir Martin's employment with the Company, a change in control of the Company and 30 November 2017. In accordance with share owner approval, Sir Martin Sorrell receives cash dividend equivalent payments (DEPs) in respect of these deferred awards as noted in the policy table.

Share ownership guidelines

Executive Directors and other members of the senior management team are subject to share ownership guidelines which seek to reinforce the WPP principle of alignment of management's interests with those of share owners.

The following levels of ownership are required to be achieved by the Executive Directors (unchanged for 2017):

	% of base salary
Group chief executive	600%
Group chief financial officer	300%
Minimum for any other new executive appointed to the Board	200%

Executive Directors will be permitted a period of seven years from the date of their appointment to achieve the guideline level.

In the event that an Executive Director fails to achieve the required levels of share ownership, the committee will decide what remedial action or penalty is appropriate. This may involve a reduction in future share awards or requiring the director to purchase shares in the market to meet the ownership guidelines.

Appointments to the Board

This section sets out details with respect to the appointment of a new Executive Director to the Board of WPP, whether it is an external or internal appointment.

Fixed compensation

Base salary will be set taking into account a range of factors, including the profile and prior experience of the candidate, internal relativities, cost and external market data. If base salary is set at a lower initial level, contingent on individual performance, the committee retains the discretion to realign the base salary over a phased period of one to three years following appointment, which may result in an exceptional rate of annualised increase in excess of that set out in the policy table.

Other elements of fixed pay will be set in accordance with the policy table. A new appointment may require the committee to rely on the authorised discretion (as set out on page 137) to make payments related to relocation, for example, in order to facilitate the appointment.

Ongoing variable compensation

The committee will seek to pay only that level of reward necessary to recruit the exceptional talent needed to lead such a complex global group. The actual level of incentive offered will be dependent on the role and existing package of the candidate. The aggregate maximum face value for annual short- and long-term variable compensation will be 8 times base salary, which is materially lower than the current Group chief executive maximum level.

The committee retains the discretion to make awards on recruitment, within the policy limits, to provide an immediate alignment of interest with the interests of share owners.

Buy-out awards

The committee may consider buying-out compensation entitlements that the individual has had to forfeit by accepting the appointment. The structure and value of the awards will be informed by the structure and value of those entitlements being forfeited, and the performance targets, time horizon and vehicle will be set in an appropriate manner at the discretion of the committee. The intention of the committee is that any award will take the form of WPP shares and will be subject to performance as far as possible.

An announcement of the director's appointment, detailing the incumbent's compensation will be made on a timely basis through a regulatory information service and posted on the Company's website.

Service contracts

The following terms will apply for any new executive role appointed to the Board in the future.

- Executives will normally be appointed on a notice period of up to 12 months, although the committee retains the discretion to appoint an external candidate on a notice period of up to 24 months reducing on a rolling basis to 12 months (such that after 12 months' service the notice period would have reverted to the standard 12 months).
- At the committee's discretion, any payment in lieu of notice will be restricted to base salary, benefits and pension.
- On termination, entitlements will lapse when classified as a bad leaver (defined within the incentive plans). Otherwise base salary, benefits and pension allowance are payable as per the notice period and the committee will have the power to make phased payments that would be reduced or stopped if alternative employment is taken up.

Terms specific to internal appointments

The committee can honour any pre-existing commitments if an internal candidate is appointed to the Board.

Service contracts

The Company's policy on Executive Directors' service contracts is that they should be on a rolling basis without a specific end date.

The effective dates and notice periods under the current Executive Directors' service contracts are summarised below:

	Effective from	Notice period
Sir Martin Sorrell	19 November 2008	'At will'
Paul Richardson	19 November 2008	12 months

Sir Martin Sorrell's service contract may be terminated by either the Company or Sir Martin without any notice, and without any payment in lieu of notice.

The Executive Directors' service contracts are available for inspection at the Company's registered office and head office.

Loss of office provisions

Fixed compensation elements

As noted above, the service contract of Paul Richardson provides for notice to be given on termination.

The fixed compensation elements of the contract will continue to be paid in respect of any notice period. There are no provisions relating to payment in lieu of notice. If an Executive Director is placed on garden leave, the committee retains the discretion to settle benefits in the form of cash. The Executive Directors are entitled to compensation for any accrued and unused holiday although, to the extent it is possible and in share owner interests, the committee will encourage Executive Directors to use their leave entitlements, prior to the end of their notice period.

Except in respect of any remaining notice period, no aspect of any Executive Director's fixed compensation is payable on termination of employment. Sir Martin Sorrell's service contract contains an indemnity, subject to certain conditions relating to previously deferred awards, from WPP in respect of any US tax which is charged under section 280G as a result of a termination linked to a change in control of WPP. Further details are set out below.

Short- and long-term compensation elements

If the Executive Director is dismissed for cause, there is not an entitlement to a STIP award, and any unvested share-based awards will lapse. Otherwise, the table below summarises the relevant provisions from the directors' service contracts (cash bonus) and the plan rules (RSP and EPSP), which apply in other leaver scenarios. As noted on page 137, the committee has the authority to ensure that any awards that vest or lapse are treated in accordance with the plan rules, which are more extensive than the summary set out in the table below.

Cash bonus	The Executive Directors are entitled to receive their bonus for any particular year provided they are employed on the last date of the performance period.
ESA	Provided the Executive Director is a Good Leaver, unvested awards will be reduced on a time pro-rata basis and paid on the vesting date.
EPSP	▪ The award will lapse if the executive leaves during the first year of a performance period. ▪ Provided the Executive Director is a Good Leaver, awards will vest subject to performance at the end of the performance period and time pro-rating. Awards will be paid on the normal date. ▪ In exceptional circumstances, the compensation committee may determine that an award will vest on a different basis. ▪ Generally, in the event of death, the performance conditions are to be assessed as at the date of death. However, the committee retains the discretion to deal with an award due to a deceased executive on any other basis that it considers appropriate. ▪ Awards will vest immediately on a change-of-control subject to performance and time pro-rating unless it is agreed by the committee and the relevant Executive Director that the outstanding awards are exchanged for equivalent new awards.

Other pre-existing terms that apply to Sir Martin Sorrell

- Sir Martin Sorrell's deferred LEAP awards and his DSUs (as set out on page 140) will be paid out unconditionally on termination of employment. The performance requirements in respect of these awards have already been met, the awards have vested and are therefore no longer subject to any leaver provisions.
- In the event any payments due to Sir Martin would be treated as 'deferred compensation' in accordance with US legislation and subject to section 409A requirements, those payments will be delayed. If those payments are delayed, an amount in respect of interest as a result of the delay will be due from the Company to Sir Martin.
- In the event of a change of control of WPP, the Company has agreed to indemnify Sir Martin, with the prior approval of share owners, with respect to any related personal US tax liability under the provisions of section 280G. This indemnity is subject to certain limitations that exempt the Company from liability for any tax related to the share-owner approved deferrals of certain awards. Based on the most recent review by the committee of the potential impact of this clause, it is unlikely that any 280G payment would be due from the Company based on an analysis, using standard assumptions. This was reviewed by independent counsel.

Other committee discretions not set out on page 142

- Leaver status: the committee has the discretion to determine an executive's leaver classification in light of the guidance set out within the relevant plan rules, except with respect to Sir Martin Sorrell. Unless Sir Martin Sorrell is terminated for cause, he will be treated as having retired on leaving the Company and therefore be treated in accordance with the plan rules as a Good Leaver.
- Settlement agreements: the committee is authorised to reach settlement agreements with departing executives, informed by the default position set out above.

External appointments

Executive Directors are permitted to serve as non-executives on the boards of other organisations. If the Company is a share owner in that organisation, non-executive fees for those roles are waived. However, if the Company is not a share owner in that organisation, any non-executive fees can be retained by the office holder.

Directors' Compensation Policy table – chairman and non-executive directors

The following table sets out details of the ongoing compensation elements for WPP's chairman and non-executive directors. No element of pay is performance-linked.

Component and purpose	Operation	Maximum annual opportunity
Base fees To reflect the skills and experience and time required to undertake the role.	Fees are reviewed at least every two years and take into account the skills, experience and time required to undertake the role, as well as fee levels in similarly-sized UK companies. The chairman and non-executive directors receive a 'base fee' in connection with their appointment to the Board.	An overall cap on all non-executive fees, excluding consultancy fees, will apply consistent with the prevailing and share owner-approved limit in the Articles of Association.
Additional fees To reflect the additional time required in any additional duties for the Company.	Non-executive directors are eligible to receive additional fees in respect of serving as: ▪ Senior independent director ▪ Chairman of a Board Committee ▪ Member of a Board Committee ▪ Consultancy fees in respect of other work that falls outside the remit of their role for the Company.	An overall cap on all non-executive fees, excluding consultancy fees, will apply consistent with the prevailing and share owner-approved limit in the Articles of Association. Consultancy fees will be set on a discretionary basis, taking account of the nature of the role and time required.
Benefits and allowances To enable the chairman and non-executive directors to undertake their roles.	The Company will reimburse the chairman and non-executive directors for all reasonable and properly documented expenses incurred in performing their duties of office. The Company may provide additional allowances to facilitate the operation of the Board such as a travel allowances for attendance at international meetings. In the event that the reimbursement of these expenses gives rise to a personal tax liability for the chairman or non-executive director, the Company retains the discretion to meet this cost (including, where appropriate, costs in relation to tax advice and filing). While not currently offered, the Company retains the discretion to pay additional benefits to the chairman including, but not limited to, use of car, office space and secretarial support.	Benefits and allowances for the chairman will be set at a level that the committee feels is required for the performance of the role.

Other chairman and non-executive director policies

Letters of appointment for the chairman and non-executive directors

Letters of appointment have a two-month notice period and there are no payments due on loss of office.

Appointments to the Board

Letters of appointment will be consistent with the current terms as set out in this Annual Report. The chairman and non-executive directors are not eligible to receive any variable pay. Fees for any new non-executive directors will be consistent with the operating policy at their time of appointment. In respect of the appointment of a new chairman, the committee has the discretion to set fees taking into account a range of factors including the profile and prior experience of the candidate, cost and external market data.

Payments in exceptional circumstances

In truly unforeseen and exceptional circumstances, the committee retains the discretion to make emergency payments which might not otherwise be covered by this policy. The committee will not use this power to exceed the recruitment policy limit, nor will awards be made in excess of the limits set out in the Directors' Compensation Policy table. An example of such an exceptional circumstance could be the untimely death of a director, requiring another director to take on an interim role until a permanent replacement is found.

Compensation Committee Report

This section of the Compensation Committee Report sets out details of how the Company's Compensation Policy was implemented in 2016. We start by setting out the details of the Compensation Committee – those setting and implementing the policy. We then present a summary of the 2016 executive compensation together with a summary of pay across the Group.

Governance in relation to compensation

Compensation Committee members

	Attendance at 5 meetings in 2016
Sir John Hood (Chairman)	5
Jacques Aigrain	5
Roberto Quarta	5
Tim Shriver	5

During 2016, the Compensation Committee met five times on a formal basis, with additional informal meetings held as needed.

The committee members do not have any personal financial interest (other than as a share owner as disclosed on page 156) in the matters to be decided by the committee, potential conflicts of interest arising from cross-directorships or day-to-day involvement in running the Group's businesses. The terms of reference for the Compensation Committee are available on the Company's website, and will be on display at the AGM, as set out in the Notice of AGM.

Advisors to the Compensation Committee

The Compensation Committee regularly consults with Group executives. In particular, the committee invites certain individuals to attend meetings, including the Group chief executive (who is not present when matters relating to his own compensation or contracts are discussed and decided), the Company Secretary, the chief talent officer and the worldwide compensation & benefits director.

The latter two individuals provide a perspective on information reviewed by the committee and are a conduit for requests for information and analysis from the Company's external advisors.

External advisors

The committee retains Willis Towers Watson to act as independent advisors. Willis Towers Watson is engaged to provide advice to the Compensation Committee and to work with management on matters related to our compensation policy and practices. Willis Towers Watson is a member of the Remuneration Consultants Group and has signed the code of conduct relating to the provision of advice in the UK. In light of this, and the level and nature of the service received, the committee remains satisfied that the advice is objective and independent.

Willis Towers Watson provides limited other services at a Group level, however some of the operating companies may engage advisors, including Willis Towers Watson, at a local level.

In 2016, Willis Towers Watson received fees of £220,968 in relation to the provision of advice to the committee. The committee receives external legal advice, where required, to assist it in carrying out its duties.

Statement of share owner voting

In 2016, a significant number of share owners voted against the Implementation Report of the Compensation Committee. The committee understands that the majority of share owners voting against the Implementation Report did so because of the level of the 2015 single figure of the Executive Directors, which was driven largely by the maturity of a legacy five-year long-term incentive plan award under LEAP. The 2011 LEAP award vested in full, reflecting very strong relative TSR performance and an almost doubling of the Company share price over the five-year investment and performance period. The committee is content that LEAP has performed as intended and in the manner approved by share owners when the plan was implemented and when the last compensation policy was approved.

The committee would also like to remind share owners that the LEAP program was replaced in 2013 with a new long-term incentive plan, but that the first five-year awards under this plan will not vest until 2018.

	Votes for		Votes against		Votes cast	Votes withheld
Resolution	Number	%	Number	%	Number	Number
To approve the Implementation report of the Compensation Committee	649,465,421	66.55	326,385,527	33.45	975,850,948	11,128,256

Executive Directors' total compensation received (audited)

Single total figure of compensation

		Base salary	Benefits[3]	DEPs[4]	Pension	Short-term incentives[5]	Long-term incentives[6]	Total annual compensation
		£000	£000	£000	£000	£000	£000	£000
Sir Martin Sorrell[1]	**2016**	**1,150**	**228**	**1,758**	**460**	**2,992**	**41,560**	**48,148**
	2015	1,150	193	1,545	460	4,278	62,783	70,409
Paul Richardson[1,2]	**2016**	**798**	**62**	**–**	**240**	**1,517**	**6,698**	**9,315**
	2015	718	67	–	216	1,648	8,859	11,508

1 Any US dollar amounts received in 2016 have been converted into sterling at an exchange rate of $1.3547 to £1.
2 Paul Richardson's base salary figure is denominated in US dollars other than his fee for directorship of WPP plc which amounts to £100,000 which, per above, has been converted at an exchange rate of $1.3547 to £1. There has been no change in base salary over 2015 and the difference between the 2015 value is due to a change in exchange rates.
3 The benefits, and therefore total annual compensation, set out in the table above exclude the disclosable value of expenses related directly to attendance at Board meetings that would be chargeable to UK income tax. The expenses were for Sir Martin £2,578 (£6,938 in 2015) and Paul Richardson £13,826 (£14,502 in 2015). Details of benefits are set out on page 147.
4 Sir Martin Sorrell receives payments in accordance with the approval granted by share owners of amounts equal to the dividends that would be payable during 2016 totalling £1,757,739 (£1,545,340 during 2015) in respect of the shares reflected in the UK and US Deferred Stock Units Awards Agreements, these agreements that now comprise the awards granted under the Capital Investment Plan in 1995.
5 This is the aggregate amount awarded for the 2016, and 2015, financial years' performance. The awards are delivered equally in a deferred share bonus in the form of an ESA, which vests two years from the date of grant subject to continued employment, and cash.
6 This is the value of the 2012, and 2011, LEAP awards which vested in 2017, and 2016, following the end of the five-year performance period on 31 December 2016, and 31 December 2015, respectively.

Fixed elements of compensation (audited)

Base salary

	Effective date	Contractual salary 000	Base salary received in 2016 000
Sir Martin Sorrell	1 January 2013	£1,150	£1,150
Paul Richardson	1 July 2013	$945 and £100	$1,080[1]

[1] The WPP directorship fee for Paul Richardson has been converted into US dollars at a rate of $1.3547 to £1.

Each Executive Director receives a fee of £100,000 for their directorship of WPP plc, included in the base salary figure above. The base salary for the Executive Directors is reviewed, but not necessarily changed, every 24 months. There have been no changes in base salary for the Executive Directors since 2013.

Benefits, dividend equivalent payments and pension

	2016 Benefits £000	2016 DEPs £000
Sir Martin Sorrell[1]	228	1,758
Paul Richardson[1]	62	–

The benefits shown are those provided to the Executive Directors that are deemed taxable in the UK, or those that would be taxable if Paul Richardson were resident in the UK. The value of benefits received that are detailed in the numbers above include car and/or car allowance, healthcare, life assurance, long-term disability allowance and a per diem housing allowance paid when the executive uses their own accommodation when travelling outside of their home country. The benefits set out exclude the disclosable value of expenses related directly to attendance at Board meetings that would be chargeable to UK income tax.

The table above also includes share owner-approved dividend equivalent payments of £1,757,739 (£1,545,340 during 2015) which are due on certain of Sir Martin Sorrell's deferred share awards. The following table provides a breakdown of the key taxable benefits for 2016:

	Car benefits £000	Healthcare £000	Accommodation allowance £000	Other expenses £000
Sir Martin Sorrell[1]	37	68	86	37
Paul Richardson[1]	27	15	19	1

[1] The benefits set out above exclude the disclosable value of expenses related directly to attendance at Board meetings that would be chargeable to UK income tax. The expenses were for Sir Martin £2,578 and Paul Richardson £13,826.

	Contractual pension (% of base salary)	2016 Pension £000
Sir Martin Sorrell	40%	460
Paul Richardson	30%	240

All pension benefits for the Executive Directors are provided on either a defined contribution or a cash allowance basis. Only base salary is pensionable. No changes have been made to pension contribution rates in the last year, but Sir Martin Sorrell's contractual pension as a percentage of base salary will reduce to 30% in July 2017 subject to policy approval at the upcoming AGM.

Variable elements of pay (audited)

Short-term incentive

This section summarises the Compensation Committee's assessment of the Executive Directors' performance during 2016 under the short-term incentive plan.

2016 short-term incentive plan outcome (percentages expressed relative to base salary)

	Actual short-term incentive received	Attributed to financial objectives	Attributed to personal objectives	Total 2016 short-term incentives £000
Sir Martin Sorrell	260%	160%	100%	2,992
Paul Richardson	190%	140%	50%	1,517

In respect of the 2016 short-term incentive awards, half will be delivered in the form of shares as an Executive Share Award (ESA) with a two-year deferral requirement. ESAs are subject to malus provisions. The cash bonuses are subject to clawback provisions.

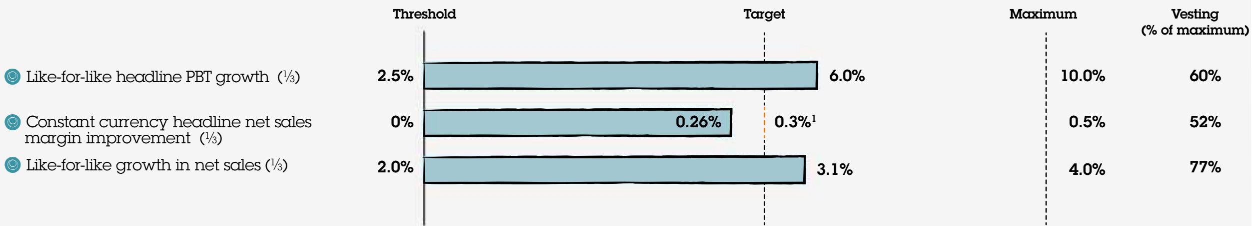
Performance against financial objectives (70% of the award)

Performance against all financial objectives is calculated on a pro forma ('like-for-like') basis other than net sales margin that is calculated on a constant currency basis. The key financial short-term incentive plan objectives for all the Executive Directors are consistent with 2015 and provide a robust basis for assessing financial achievement.

2016 was another record year with the Company producing strong net sales and profit growth whilst margins performance was robust. The achievements against our stretching targets are illustrated below and demonstrates out-performance against the profit and net sales targets and a slight under-performance against the very ambitious margin improvement target.

Group performance (CEO and CFO)

2016 financial objectives (70% of the award)



[1] Like-for-like headline net sales margin improvement.

Performance against individual strategic objectives (30% of the award)

Executive Director	Personal measure 2016	Clarification of measures	Maximum potential (% of base salary)	Award received (% of maximum)
Sir Martin Sorrell	Leadership planning	Actively managing the process of strengthening the Group's senior leadership teams through internal development, promotions, transfers and external hires.	131%	77%
	Strategic planning & execution	Key focus areas include maintaining creative excellence; driving strategy in the digital, data, analytics and new markets; improving the effectiveness of the WPP horizontality approach to enhance client service delivery.		
Paul Richardson	Working capital management	Improving year-on-year rolling average net working capital as a percentage of the annual revenue trend.	90%	55%
	WPP IT transformation	Implementing a transformational program of outsourcing IT services to produce enhanced service and cost savings in future years.		
	Financial control	Demonstrating measures taken to improve operating company balance sheet control and management.		

2016 short-term incentive plan awards

Based on the performance set out above, the short-term incentive award for each executive was:

	Base salary 000	Target bonus % of base salary	Maximum bonus % of base salary	2016 award % against target/ maximum	Total 2016 short-term incentive award 000
Sir Martin Sorrell	£1,150	217.5%	435%	120%/60%	£2,992
Paul Richardson	$1,080[1]	200%	300%	95%/63%	$2,056

[1] The fee for Paul Richardson has been converted into US dollars at a rate of $1.3547 to £1.

As noted above, 50% of the 2016 bonus is delivered in the form of WPP shares as an Executive Share Award (ESA). These shares are granted post determination of the annual bonus achievement and will vest, subject to continued employment, two years later.

Short-term incentive weightings and measures for 2017

The committee has reviewed the performance objectives and weightings for 2017 to ensure continued alignment with Company strategy. The weighting of financial objectives (70%) and individual strategic objectives (30%) will remain unchanged as will the Group financial measures of headline PBT growth, net sales margin improvement and net sales growth.

The committee is of the view that the targets for the STIP are commercially sensitive and it would be detrimental to the Company to disclose them in advance of or during the relevant performance period. To the extent targets are no longer commercially sensitive they will be disclosed at the end of the relevant performance period in that year's Annual Report.

Long-term incentives (audited)

2012 – 2016 LEAP III awards vesting

The 2012 awards were the final awards granted under LEAP III, the long-term incentive plan which in 2013 was replaced by the EPSP. Vesting of LEAP awards was solely dependent on WPP's relative TSR performance measured in common currency, against a custom group of WPP's comparators (Aegis, Arbitron, Dentsu, GfK, Havas, Interpublic, Ipsos, Omnicom, Nielsen and Publicis), weighted by their respective market capitalisation.

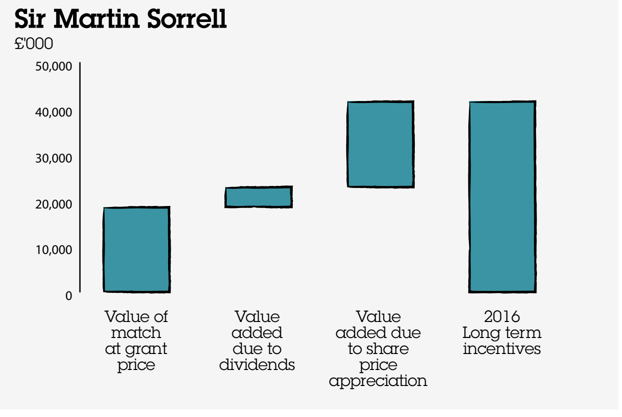
Over the five-year investment and performance period, WPP out-performed 95% of the weighted peer group including both Omnicom and Publicis, WPP's largest and most comparable multi-line competitors. Over the period, WPP delivered TSR of 210% which means that a shareholding of £100 at the start of the period would be worth £310 at the end, including reinvested dividends. The underlying financial and operational performance was also strong over the five-year period, consistent with the TSR outcome.

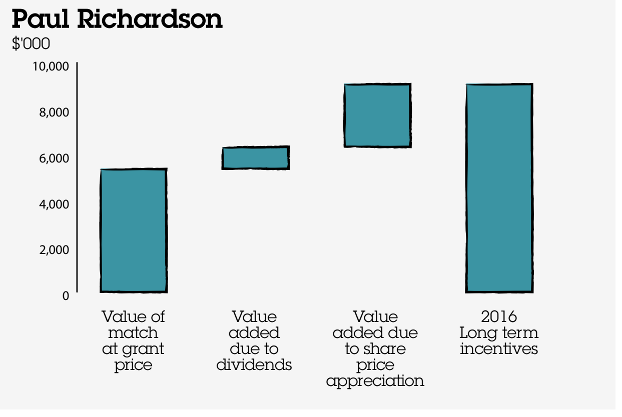
Aegis and Arbitron, two of the comparator companies, were taken over during the investment and performance period by Dentsu and Nielsen, respectively. In line with the guidelines previously established by the committee, the two companies were removed from the comparator group as neither company was listed for more than 40% of the investment and performance period.

WPP's TSR performance relative to the comparator group resulted in a match of 500%, equating to the maximum award.

	Number of shares vesting	Share price on vesting	Value of match at grant price of £8.5975/$69.2492 000	Value added due to dividends 000	Value added due to share price appreciation 000	2016 Long term incentives 000
Sir Martin Sorrell	2,406,380	£17.2708	£18,529	£4,339	£18,692	£41,560
Paul Richardson[1]	86,690	$104.6617	$5,373	$953	$2,747	$9,073

[1] Paul Richardson's 2012 LEAP award were granted in respect of ADRs.





2016 EPSP awards granted

In 2016, the Executive Directors, along with a select number of senior executives within the Group, were granted awards under the Executive Performance Share Plan (EPSP). The 2016 awards are subject to three equally-weighted independent performance conditions, being relative TSR, EPS and ROE. Performance is measured over the five financial years starting in 2016 as follows:

Measure	Total Shareholder Return (TSR)	Earnings Per Share (EPS)	Return On Equity (ROE)
Weight	One-third	One-third	One-third
Nature	Relative to peers	WPP growth	WPP absolute
Performance zone (threshold to maximum)	Median to upper decile	7% – 14% compound annual growth	15% – 18% annual average[1]
Payout	Below threshold: 0% of element vests Threshold: 20%[2] of element vests Maximum of above: 100% of element vests Straight-line vesting between threshold and maximum		
Performance period	Five-years ending on 31 December 2020		

[1] The ROE measure for EPSP awards issued in 2013 and 2014 was a 10% to 14% average return.
[2] The Threshold level is proposed to move to 15% from 2017.

As in previous years, WPP's TSR performance is compared to companies representing our most relevant, listed global competitors, weighted by market capitalisation. In 2016, the comparator group comprised Dentsu, GfK, Havas, Interpublic, Ipsos, Nielsen, Omnicom and Publicis. TSR performance is calculated on a market capitalisation-weighted basis in both common and local currency (weighted equally). Using a dual basis ensures that the interests of both local and international investors are reflected in the performance measures.

The following interests were awarded on 28 November 2016 at the preceding five-day average share price of £17.052 (ordinary shares) or $105.93092 (ADRs).

	Basis and level of award (% of salary)	Award over	Number of interests awarded	Face value at date of grant 000
Sir Martin Sorrell	974%[1]	Ordinary Shares	656,873	£11,201
Paul Richardson	400%[1]	ADRs	41,536	$4,400

[1] The basis level of award is proposed to be reduced as set out in the new Directors' Compensation Policy.

EPSP measures and targets for 2017 – 2021

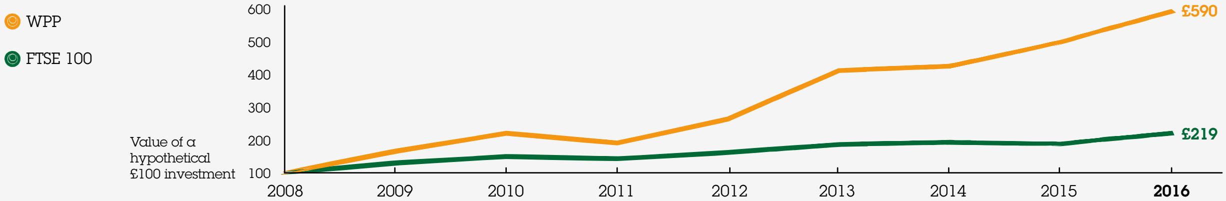
The committee have reviewed both the measures and the targets as part of the review of the Directors' Compensation Policy that is being submitted to share owners for approval. The committee judge that the balance of measures remains appropriate and aligned to the Company's business objectives and that the targets remain challenging and in line with financial forecasts.

Aligning pay and performance

As set out in the Directors' Compensation Policy, the committee's objective is to align variable compensation with the key strategic priorities of WPP, maximising the dynamic between pay and performance.

This dynamic is contingent upon the committee setting challenging targets each year. The following graph and table demonstrate the relationship between pay and performance over the last eight years for the Group chief executive.

Historical TSR performance[1] Value of hypothetical £100 holding



Financial year 31st December	2009	2010	2011	2012	2013	2014	2015	2016
CEO total compensation (£000)[2]	7,199	11,597	11,941	17,543	29,846	42,704	70,409[5]	48,148
Year-on-year change in CEO total compensation	63%	61%	3%	47%	70%	43%	65%	-32%
Short-term incentive award against maximum	32%	95%	77%	62%	82%	72%	86%	60%
Long-term incentive award against maximum	50%	83%	46%	86%	87%	100%	100%	100%
Change in annual TSR[3]	66%	32%	-13%	38%	56%	3%	18%	19%
Change in five-year TSR[4]	10%	37%	13%	45%	241%	172%	135%	210%

[1] Growth in the value of a hypothetical £100 holding of WPP ordinary shares over eight years against an equivalent holding in the FTSE 100 (the broad market equity index of which WPP is a constituent) based on one-month average of trading day values. Source: DataStream.
[2] Calculated using the single figure methodology.
[3] TSR calculated using a one-month trading day average, consistent with the data shown in the graph.
[4] TSR calculated using a six-month averaging period, consistent with the calculation methodology under LEAP/EPSP.
[5] The CEO total compensation figure has been restated to exclude the disclosable value of expenses related directly to attendance at Board meetings as per the single figure table on page 146.

Relative importance of spend on pay

The following table sets out the percentage change in total staff costs, headcount, dividends and share buy-backs.

	2016	2015	% change
Total staff costs	£7,784.9m	£6,652.6m	17.02%
Headcount – average over the year	132,657	124,930	6.19%
Dividends and share buy-backs	£1,043.9m	£1,133.4m	-7.90%

Relative change in pay for the Group chief executive

The following table summarises the change in the Group chief executive's base salary, taxable benefits and annual bonus, compared to that of full-time employees within the Group. The higher level of taxable benefits of the chief executive officer is due to the increased cost of insured benefits. The cost of UK taxable benefits have reduced due to more effective and efficient management of benefit provision. The benefits received by employees has remained constant.

	Base salary[1]	Taxable benefits[1,2]	Annual bonus[1]
Group chief executive	No change	18.1%	-30.1%
All employees	1.5%	-6.6%	-11.7%

[1] The all employees numbers for the change in base salary, taxable benefits and annual bonus have been calculated based on the annual average amount received. The annual bonus data for the Group chief executive uses the short-term incentive figures set out on page 146.
[2] Taking into account the worldwide structure and size of the Group, and given the need to calculate benefits on the basis that an individual is resident in the UK for tax purposes, collating data on all employees was not practicable. As a result, the population for the taxable benefits consists of UK employees only.

Non-executive directors' fees

The fees due to non-executive directors, last reviewed on 1 July 2013, are set out below (£000).

Chairman	475
Non-executive director	70
Senior independent director	20
Chairmanship of Audit or Compensation Committee	40
Chairmanship of Nomination and Governance Committee	15
Member of Audit or Compensation Committee	20
Member of Nomination and Governance Committee	10

Non-executive directors' total compensation received (audited)

The single total figure of compensation table below details fee payments received by the non-executive directors while they held a position on the Board. During both 2015 and 2016, the Company met the cost (including national insurance and income tax, where relevant) of expenses incurred by the non-executive directors in performing their duties of office, in accordance with the policy set out on page 143.

In 2016, the disclosable value of the expenses that would be chargeable to UK income tax totalled £98,407 (including £32,314 of national insurance and income tax, where relevant).

	Fees £000	
	2016	**2015**
Roberto Quarta[1]	475	305
Roger Agnelli[2]	23	114
Jacques Aigrain	130	121
Charlene Begley	100	100
Tarek Farahat[3]	13	–
Sir John Hood	110	110
Ruigang Li	80	96
Daniela Riccardi	80	88
Nicole Seligman	85	86
Hugo Shong	80	112
Timothy Shriver	90	106
Sally Susman	80	80
Sol Trujillo	90	106

[1] The 2015 fee reflects fees for the part-year Roberto Quarta served as chairman of the WPP Board.
[2] Roger Agnelli tragically died on 19 March 2016.
[3] Tarek Farahat was appointed to the WPP Board on 11 October 2016.

Past directors

During 2016, payments were made to past directors who continued to provide advisory services to the Company. A payment of £59,054 was made to John Quelch in respect of educational presentations he gave to companies within the WPP Group. A payment of £30,000 was made to John Jackson in respect of his advisory role to WPP, which enables the Company to benefit from his considerable knowledge and experience in the communications and marketing services sector.

Executive Directors' interests (audited)

Executive Directors' interests in the Company's ordinary share capital are shown in the following table. Other than as disclosed in this table, and in the Compensation Committee report, no Executive Director had any interest in any contract of significance with the Group during the year. Each Executive Director has a technical interest as an employee and potential beneficiary in shares in the Company held under the ESOPs. More specifically, the Executive Directors have potential interests in shares related to the outstanding awards under the LEAP program and the EPSP in addition to outstanding ESAs. As at 31 December 2016, the Company's ESOPs (which are entirely independent of the Company and have waived their rights to receive dividends) held in total 13,857,706 shares in the Company (17,154,359 in 2015).

					Outstanding scheme interests		
Director		Total share interests (including charitable foundation)	Total beneficial interests and deferred awards[1]	Deferred awards (without performance conditions – vested but unexercised, included in Total beneficial)[2]	Shares without performance conditions (unvested)[3,4]	Shares with performance conditions (unvested)[5,6]	Total unvested shares
Sir Martin Sorrell[7]	At 31 Dec 2016	24,547,301	21,021,365	8,773,456	247,164	5,450,606	5,697,770
	At 19 Apr 2017	25,859,089	21,283,153	8,773,456	133,817	3,295,436	3,429,253
Paul Richardson	At 31 Dec 2016	1,000,265	1,000,265	–	103,270	1,250,220	1,353,490
	At 19 Apr 2017	1,068,240	1,068,240	–	54,185	862,295	916,480

[1] Shares held outright together with shares due pursuant to awards that have vested but receipt of which have been deferred with share owner approval (see footnote 2).

[2] Shares (1) pursuant to the vesting of awards under Renewed LEAP (namely the 2004 and 2005 awards, part of the 2006 award, the 2007 award the UK portion of the 2009 Award) and (2) which originally formed part of the Capital Investment Plan (an award made in 1995, which vested in 1999, in respect of 4,691,392 shares in total, some of which have been received by Sir Martin Sorrell) and which now comprise the share owner-approved UK and US Deferred Stock Units Awards Agreements. The receipt of all of these awards has been deferred until November 2017 in accordance with share owner approval. Dividend shares will be due on the exercise of these options.

[3] Shares due pursuant to the 2014 and 2015 Executive Stock Awards, full details of which can be found on page 156. Additional dividend shares will be due on vesting.

[4] Shares due pursuant to the 2015 Executive Stock Awards, full details of which can be found on page 156. Additional dividend shares will be due on vesting.

[5] Maximum number of shares due on vesting pursuant to the outstanding LEAP III and EPSP awards, full details of which can be found on page 157. Additional dividend shares will be due on vesting.

[6] As noted in footnote 5 above, less the maximum due under the 2012 LEAP III Award, which vested on 7 March 2017 (full details can be found on page 150).

[7] On 24 March 2017, Sir Martin Sorrell gifted 1,050,000 ordinary shares to The JMCMRJ Sorrell Charitable Foundation. At 19 April 2017, The JMCMRJ Sorrell Charitable Foundation is interested in 4,575,936 ordinary shares. Sir Martin Sorrell has no beneficial interest in these shares.

Share ownership guidelines

As detailed in the Directors' Compensation Policy, the Executive Directors are required to achieve a minimum level of share ownership of WPP shares. The Group chief executive and Group chief financial officer are required to hold shares to the value of 600% and 300% of base salary respectively.

At the end of 2016, and at the date of this Compensation Committee report, both Executive Directors exceeded their respective share ownership guidelines by a substantial margin.

Non-executive directors' interests (audited)

Non-executive directors' interests in the Company's ordinary share capital are shown in the following table. Except as disclosed in this table, and in the Compensation Committee report, no non-executive director had any interest in any contract of significance with the Group during the year.

Non-executive director	Total interests at 31 December 2016	Total interests at 19 April 2017
Roberto Quarta	27,500	27,500
Jacques Aigrain	9,000	9,000
Charlene Begley	2,140	2,140
Tarek Farahat[1]	–	–
Sir John Hood	3,000	3,000
Ruigang Li	4,000	4,000
Daniela Riccardi	–	4,100
Nicole Seligman	6,250	6,250
Hugo Shong	–	22,915
Timothy Shriver	10,070	10,070
Sally Susman	5,000	5,000
Sol Trujillo	10,000	10,000

[1] Tarek Farahat was appointed to the WPP Board on 11 October 2016.

Outstanding share-based awards

Executive Share Awards (ESAs) held by Executive Directors

All Executive Share Awards granted under the Restricted Stock Plan are made on the basis of satisfaction of previous performance conditions and are subject to continuous employment until the vesting date. The table does not include the 2016 ESAs as these will not be granted until after publication of this Annual Report. Unless otherwise noted, awards are made in the form of WPP ordinary shares.

		Grant date	Share/ADR price on grant date	No. of Shares/ ADRs granted[2]	Face value on grant date[3] 000	Additional shares granted in lieu of dividends	Total shares vesting	Vesting date	Shares / ADR price on vesting	Value on vesting 000
Sir Martin Sorrell	2013 ESA	27.05.14	£12.8850	159,691	£2,058	9,311	169,002	06.03.16	£15.4962	£2,619
	2014 ESA	27.05.15	£15.8350	113,347	£1,795	–	–	06.03.17	–	–
	2015 ESA	07.06.16	£15.9850	133,817	£2,139	–	–	06.03.18	–	–
Paul Richardson[1]	2013 ESA	27.05.14	$108.1000	12,970	$1,402	747	13,717	06.03.16	$110.2500	$1,512
	2014 ESA	27.05.15	$121.7200	9,817	$1,195	–	–	06.03.17	–	–
	2015 ESA	07.06.16	$116.2700	10,837	$1,260	–	–	06.03.18	–	–

[1] Paul Richardson's ESAs were granted in respect of ADRs.
[2] Dividend shares will be due on these awards.
[3] Face value has been calculated using the average closing share price for the five trading days preceding the date of grant (as set out in the table).

Long-term incentive plans – Leadership Equity Acquisition Plans

The following table summarises the awards outstanding under LEAP III. The last award under this plan vested on 7 March 2017, details can be found on page 150.

Name	Award date	Investment and performance period	Number of investment shares/ADRs	Share/ ADR price on grant date	Maximum number of matching units at 1 Jan 2016[2]	During 2016 Granted/ (Lapsed) units	During 2016 Additional dividend shares	During 2016 Vested or deferred shares	Maximum number of matching units at 31 Dec 2016	Share/ ADR price on vesting	Value on vest/ deferral date 000
Sir Martin Sorrell											
	07.12.11	01.01.11 – 31.12.15	711,159	£6.6475	3,555,795	(0)	426,810	3,982,605	–	£15.7644	£62,783
	10.12.12	01.01.12 – 31.12.16	431,034	£8.5975	2,155,170	–	–	–	2,155,170	–	–
Paul Richardson											
	07.12.11	01.01.11 – 31.12.15	100,344	£6.6475	501,720	(0)	60,220	561,940	–	£15.7644	£8,859
	10.12.12[1]	01.01.12 – 31.12.16	15,517	$69.2500	77,585	–	–	–	77,585	–	–

[1] Paul Richardson's 2012 LEAP award was granted in respect of ADRs.
[2] Dividend shares will be due on these awards.

Long-term incentive plans – Executive Performance Share Plan

The following table summarises all of the awards outstanding under the Executive Performance Share Plan.

	Grant date	Performance period	Maximum number of nil cost options over shares/ADRs awarded[2]	Share/ADR price on grant date	During 2016 Nil cost options vested/ (lapsed)	During 2016 Additional dividend shares	During 2016 Nil cost options exercised or deferred	During 2016 Maximum number of nil cost options over shares/ADRs at 31 Dec 2016
Sir Martin Sorrell	28.06.13	01.01.13-31.12.17	1,032,540	£10.8480	–	–	–	1,032,540
	04.06.14	01.01.14-31.12.18	867,756	£12.9080	–	–	–	867,756
	09.06.15	01.01.15-31.12.19	738,267	£15.1720	–	–	–	738,267
	28.11.16	01.01.16-31.12.20	656,873	£17.0520	–	–	–	656,873
Paul Richardson[1]	28.06.13	01.01.13-31.12.17	52,026	$83.4186	–	–	–	52,026
	04.06.14	01.01.14-31.12.18	40,927	$107.9960	–	–	–	40,927
	09.06.15	01.01.15-31.12.19	37,970	$115.8800	–	–	–	37,970
	28.11.16	01.01.16-31.12.20	41,536	$105.9309	–	–	–	41,536

[1] Paul Richardson's EPSP awards were granted in respect of ADRs.
[2] Dividend shares will be due on these awards.

Full details of the 2016 EPSP award, including performance measures and targets, can be found on page 151.

Implementation of reward policy for management outside the Board

As noted on pages 137 and 138, the Company uses share-based compensation programs across the Company to incentivise and retain employees, recruit new talent and to encourage a strong ownership culture among employees. The use of the core share plans in 2016 is described below.

The Restricted Stock Plan (RSP)

The WPP Leaders, Partners and High Potential program made awards to about 1,700 of our key executives in 2016. Awards will vest three years after grant, provided the participant is still employed within the Group. In addition, senior executives have part of their annual bonus paid in the form of executive or performance share awards that vest two years after grant. The Executive Directors do not participate in any other aspect of the RSP except for the deferred share bonus award. All awards granted under the RSP are subject to malus and clawback conditions.

WPP Share Option Plan 2015

During 2016, the WPP Share Option Plan 2015 was used to make awards to over 48,000 employees. By 31 December 2016, options under this plan, and its predecessor the Worldwide Ownership Plan, had been granted to approximately 157,000 employees over 78 million shares since March 1997.

During 2016, approximately 15,000 WPP employees who had received awards under the Worldwide Ownership Plan, took advantage of the strong share price and exercised their options.

While the Share Option Plan provides the authority to make executive option awards, in addition to all-employee awards, no awards were granted in 2016. The Executive Directors do not participate in this plan.

Share incentive dilution for 2006 to 2016

The share incentive dilution level, measured on a 10-year rolling basis, was at 3.0% at 31 December 2016 (2015: 2.9%). It is intended that awards under all plans, other than share options, will all be satisfied with purchased shares held either in the ESOPs or in treasury.

Sir John Hood
Chairman of the Compensation Committee on behalf of the Board of Directors of WPP plc
19 April 2017


3

Sustainability review

We strive to be a responsible and sustainable business. We work to maximise the positive value our business creates for clients, share owners, our people, supplier partners, pro bono partners and the communities in which we operate, and to reduce negative social and environmental impacts associated with our activities.

Our approach and performance in 2016 is summarised below and explored in more detail in our Sustainability Report which will be published in June 2017 (wpp.com/sustainability).

Sustainability and our business

Our commitment to sustainability makes us a more attractive employer, helps us align with the interests of our clients and enables us to improve efficiency, be prepared for changes in regulation and maintain positive relationships with our stakeholders. Our work on sustainability supports our business strategy in three main ways:

- ***Access to skills:*** Strong employment policies, investment in skills and inclusive working practices help us recruit, motivate and develop the talented people we need to serve our clients in all disciplines across our locations, including new markets where our industry is less well established.
- ***Access to new business***: A growing number of our clients are prioritising sustainability and looking for partners who share their values and aspirations. Our commitment to responsible and sustainable business practices helps us to access this business and to meet the sustainability requirements in client procurement processes. Privacy and data security continue to be a high priority for our clients and for WPP.
- ***Efficiency, risk and reputation***: Managing the social and environmental impacts of our business and selecting supplier partners who adopt standards consistent with our own can reduce costs and risks to the business as well as improving efficiency and safeguarding our reputation.

The longer term

Demographic, technological, social and environmental change are set to reshape our world over the next decades generating new challenges, uncertainties and opportunities for our clients. There will be new markets from a growing and ageing population, but also unprecedented demands on public services and resources. Climate change and resource scarcity will create major challenges for sectors from agriculture and food, to manufacturing and retail, but also opportunities for businesses able to tap into low carbon innovation. Continued rapid technological change is disrupting old business models and impacting the relationship between business and consumers. We are seeing rising expectations from citizens, consumers, employees and stakeholders who expect business to lead in tackling societal challenges.

Brands need to prepare now for these challenges. The most successful will be those who are able to integrate sustainability into their strategies and products, and to align their purpose with changing societal needs. Our clients require the best insight, research and communications services to help them do this effectively and will continue to seek out a marketing services provider who understands the changing landscape and shares their values.

Our companies are already working with many pioneers of sustainable business. As our clients increasingly feel the impact of these longer-term trends, their significance will grow for WPP too. Our work on sustainability today will help ensure our business is prepared for the future.

Sustainability management

Paul Richardson, WPP's Group finance director, is the Board director responsible for sustainability. He chairs our Sustainability Committee made up of senior representatives from Group functions, which reviews progress on key sustainability issues. Our central sustainability function develops strategy and coordinates data collection. It communicates on sustainability matters on behalf of the Group and works with Group functions (such as our talent team, legal, real estate, IT and procurement). The head of sustainability reports directly to the Group finance director.

Strategic direction and policy frameworks for sustainability are established at Group level with implementation devolved to our companies. During 2016, we appointed two sustainability advisors centrally to support our operating companies on sustainability and to audit compliance with the WPP Code of Business Conduct, Sustainability Policy and Human Rights Policy Statement. During 2017, we will launch a sustainability self-assessment questionnaire to all WPP offices to help us identify gaps in implementation, focusing on governance, employment practices, environment and supply chain. The sustainability advisors will use the results of the assessment to prioritise companies for further engagement including on-site assessments and training.

Risk and opportunity

Social, environmental, human rights and ethical risks are integrated into the Group's assessment of principal risks which are set out in detail in the Strategic report.

Stakeholder engagement and materiality

We interact with a wide range of stakeholders in the course of doing business and benefit from their views and insights. Our most important stakeholder groups are clients, investors and our people.

Stakeholder feedback helps us to identify the priority sustainability issues for our business and to manage these effectively. We carried out a materiality assessment in 2014 and we updated this during 2016 through research with external stakeholders and senior employees. The findings will be published in our Sustainability Report.

We engaged with investors, rating agencies and benchmarking organisations on sustainability during 2016 including CDP, Dow Jones Sustainability Index, Ethibel Sustainability Index, ET Index Research, La Financiere de L'Echiquier, FTSE4Good, Generali Investments, Human Rights Campaign Corporate Equality Index, Institute of Business Ethics, MSCI, STOXX Global ESG Leaders, Sustainalyitics, Trillium Asset Management and Vigeo. To raise investor awareness of our activities, we submit this section of our Annual Report for share owner voting at our AGM.

We are included in the FTSE4Good Index. We participate in the CDP climate change program and received a score of A- in 2016. We also scored A- in the CDP supply chain program.

Data and reporting

WPP companies report their sustainability data to the parent company quarterly through our Group financial reporting system. Data in this section covers the period from 1 January 2016 to 31 December 2016. We will publish our 15th Sustainability Report in June 2017. In line with best practice, selected environmental and employment data will be externally assured by Bureau Veritas, a leading independent assurance provider.

Performance in 2016 – Access to skills

Leading employment practices are essential to ensure we have the skills our business and clients need. We invest in recruiting, retaining and developing a diverse range of talented people to serve our clients across our many markets and disciplines.

Inclusion and diversity

A diverse workforce is more creative and effective. Diversity of outlook and background is particularly important for our sector because our work needs to connect with a very diverse and global consumer base.

We promote inclusive working practices and support our companies to increase the diversity of our workforce including through recruitment, policy development, training, mentoring and flexible working practices. All employees undertake awareness training on diversity as part of our online ethics training 'How we behave', see page 164. We are also developing e-learning to help our people understand, identify and address unconscious bias. This is being launched in 2017 and will be mandatory for all employees.

'The X Factor' is our senior mentoring and development program for women led by Charlotte Beers, the former global CEO of Ogilvy & Mather and chairman of J. Walter Thompson, which prepares senior and high potential WPP female leaders for the next level of leadership. By the end of 2016, 109 women had completed the program.

Our WPP Stella women's network aims to address barriers that could prevent women progressing their careers to senior levels within the Group and to facilitate the sharing of good practices between our companies. The network began in the UK and will be extended to our businesses in the US and Asia. During 2016, we launched our Family Friendly Guidelines and Parent Portal for UK operating companies. This is helping our companies to implement best practice maternity, paternity and flexible working policies and to support working parents. WPP Stella is also running networking events, a coaching program for senior women and media training to facilitate more of our female leaders to take up speaking opportunities.

Gender diversity 2012-2016

					% women
	2016	**2015**	**2014**	**2013**	**2012**
WPP Board	**29%**	29%	24%	29%	19%
Executive leaders	**34%**	33%	31%	32%	32%
Senior managers	**48%**	47%	46%	47%	47%
Total employees (full-time equivalent)	**54%**	54%	54%	54%	54%

As at 31 December 2016, women comprised 29% of the WPP Board, 33% of non-executive directors, 34% of directors and executive leaders in our operating companies (certainly not good enough), 48% of senior managers and 54% of total employees.

We measure ethnic diversity in our businesses in the UK and the US using national definitions of ethnic/racial minorities (the Equality and Human Rights Commission in the UK and the Equal Opportunity Commission in the US). In 2016, 28% of full-time employees in these countries were from ethnic minorities (2015: 26%). We were ranked 10th in the FTSE 100 by Sir John Parker's *Report into the Ethnic Diversity of UK Boards* published in November 2016, with 3 out of 14 directors considered diverse.

Training, development and education

We invested £45.1 million in training for our people during 2016 (2015: £41.1m). Training supports employee engagement and development, and enables us to meet the changing needs of our clients. Our Group training programs are designed to help us deliver on our four strategic priorities: horizontality; new markets; new media; and technology, data and content. For example, the WPP 'Mini MBA' is a series of workshops that help our rising talent broaden their understanding of business and marketing issues, develop leadership skills, and deliver client value. 2,732 participants worldwide have benefited to date.

We partner with education providers and offer internships and apprenticeships to help build the future skills base for our industry and to identify talented young people to join our teams.

Our university partnerships include our support for the WPP School of Communications and Marketing in Shanghai, our partnership with the Indian School of Design and Innovation in Mumbai, which offers a three-year undergraduate course on marketing communications, and our Africa Academy, providing high-quality training and talent development. WPP and Ogilvy UK are participating in the new Rotational Degree Apprenticeship program, a three-year program developed by Pearson Business School that enables participants to gain a Business Management degree and professional experience through apprenticeships at leading businesses. Partners in the program include Unilever, IBM, Tesco and Pearson.

We offered 6,413 paid internships and apprenticeships at our companies during 2016 (5,356 internships and 1,057 apprenticeships). It is our policy that all internships and apprenticeships globally should be paid to enable a diverse range of candidates to take up these positions.

Reward and compensation

Attractive compensation packages help us to recruit and retain talented people. Our people also have access to a range of benefits, including pensions and private health insurance. Compensation is regularly benchmarked against other companies in our markets and sector. Compensation for our most senior leaders is set in accordance with our Directors' Compensation Policy, see pages 132 to 144.

Many of our people participate in performance-related incentive plans on top of base pay. These reward excellent performance and are assessed either through the employee's operational business area or on the share price performance of the Company. Senior employees may participate in share-based compensation plans.

Our Worldwide Ownership Plan and WPP Share Option Plan have been active since 1997 and have granted share option awards to more than 157,000 of our people.

Employee external appointments

We recognise that our companies' executives may be invited to become non-executive directors of other companies, and that such experience may be beneficial to the Group. Consequently, executives are allowed to accept non-executive appointments with non-competing companies, subject to obtaining the approval of the Group finance director in the case of senior executives.

Access to new business

In 2016, at least 11.4% of our revenues, £1.64 billion (2015: £1.29 billion), came from clients that asked about our approach to sustainability or engaged with us on sustainability issues.

Privacy and data security

Consumer data is used extensively in developing, implementing and monitoring marketing campaigns particularly by our digital marketing and insight businesses. We have rigorous privacy and data security standards and procedures governing how we collect, use and store this data to protect consumer privacy and reduce risks to our business.

The WPP Data Code of Conduct and our global IT security, privacy and social media policies, apply to all WPP companies and provide a clear framework for implementing privacy best practice. Our Client Contract Toolkit helps WPP companies understand how privacy and data protection criteria should be integrated into client contracts.

We engage our people on our Code and policies through mandatory Group-wide global online Privacy and Data Security Awareness training. Since it was launched in December 2015, training has been completed by 154,570 employees.

We are building privacy and security awareness through our Safer Data campaign and online platform. The Safer Data platform is a key source of know-how on privacy risk and data security with a range of information and guidance for employees. It includes a 'SaveMyData' reporting tool, to allow our people to raise concerns and questions about data issues direct with our in-house legal teams. During 2017 we will continue to help our companies prepare for implementation of the General Data Protection Regulation (GDPR) and ePrivacy Regulation.

We used our Data Health Checker in 2016 for the fourth year running to review privacy risks and data security practices in our businesses. The results showed that the majority of our companies have mitigation measures that match or exceed their level of privacy risk, with the average score being 2.9 out of 5, where 5 is the maximum score possible. Of those companies surveyed, 76% have a dedicated privacy lead and 79% have trained all of their people on data security and privacy in addition to Group training, which is an increase of over 20% from 2015.

Sustainability services

Our companies work with clients to integrate sustainability into consumer research, brand strategies and marketing. We also develop social marketing campaigns for clients, including governments and NGOs, to raise public awareness of social and environmental issues and help bring about positive behaviour change. Many of our companies have specialist sustainability offerings and social marketing units to lead this work. Examples of recent campaigns are included in our Sustainability Report.

Efficiency, risk and reputation

Our commitment to responsible and sustainable business practices helps us to operate efficiently, to reduce legal, financial, reputational and other risks to our business and to maintain good relationships with our people, suppliers, clients and other stakeholders. WPP is committed to maintaining high ethical standards, protecting human rights and acting with honesty and integrity in everything we do.

Our ethical standards

The WPP Code of Business Conduct provides the ethical framework for WPP and our companies. It sets out the values, principles and key points of policy that apply to everyone at WPP and that our companies must reflect in their own policies and procedures. It is supported by more detailed policies in key areas including anti-bribery and corruption. Senior managers in all our companies and our business partners and suppliers are asked to sign a copy of the WPP Code of Business Conduct each year to confirm they will comply with its principles.

Our ethics training, 'How we behave', is compulsory for all employees. It covers topics such as diversity, human rights and avoiding misleading work. Our online training on anti-bribery and corruption covers the Foreign Corrupt Practices Act and UK Bribery Act on issues such as hospitality and gifts, facilitation payments and the use of third-party advisors. Training is updated every 2-3 years and employees are required to repeat the training following each update. Over 126,700 employees have completed our anti-bribery and corruption training and 124,960 have completed our ethics training since the last update in summer 2016.

We expect associate companies (those in which we hold a minority stake) and affiliate companies (preferred partners to whom we may refer business) to adopt ethical standards that are consistent with our own.

We have a Group-level committee that meets regularly to discuss ethical and compliance issues and new risk areas. Committee members include the Group chief counsel, deputy general counsel, litigation and compliance, Group finance director, the head of talent and the head of sustainability.

Employees can report concerns or suspected cases of misconduct in confidence through our third party-managed Right to Speak facility, overseen by our internal audit department.

Human rights

Respect for human rights is a fundamental principle for WPP. 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. Our Human Rights Policy Statement, published in 2015, summarises our approach to human rights as an employer, in our supply chain and through our work for clients. It reflects 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.

Our companies help to promote progress on human rights issues through pro bono work for human rights organisations. We train our people on a number of human rights issues through scenarios in our ethics training.

We are members of the United Nations Global Compact and committed to making progress against its 10 principles. We report on our performance in our Sustainability Report.

Modern Slavery Act

We do not tolerate any form of modern slavery, forced labour or human trafficking in any part of our business or supply chain. As part of our due diligence processes we have assessed the risk of modern slavery for WPP. This found the risk of modern slavery to be very low in our direct workforce and among our strategic tier-one suppliers, those with whom we have a direct contractual relationship. In early 2017, we conducted compulsory on-site training for our central Commercial and Procurement Services Team on the risks and issues of modern slavery.

We are providing guidance and support to our operating companies to help them comply with the UK's Modern Slavery Act.

During 2017, we will publish our first annual slavery and human trafficking statement in response to the Modern Slavery Act that will contain more information on our approach. This will be publicly available on our website.

Living wage

We support the principle that all workers should be paid enough to provide a decent standard of living. This principle is known as the 'living wage'. In the UK, the Living Wage Foundation, a not-for-profit organisation, calculates the voluntary living wage which exceeds the UK's statutory national living wage.

The vast majority of our people already earn significantly above the voluntary living wage rate. However, wage rates in our supply chain may be lower. It is our policy for WPP, the parent company, and all our UK companies, to pay the voluntary living wage set by the Living Wage Foundation to all employees and all on-site contractors such as cleaning, security and catering staff in the UK. Our policy is to only offer paid internships and apprenticeships.

Ethical decisions in our work

Our work for clients can sometimes raise ethical issues, for example, work for government clients, work relating to sensitive products or marketing to children. We have a review and referral process for work that may present an ethical risk. Before accepting potentially sensitive work, employees are required to elevate the decision to the most senior person in the relevant office and then to the most senior executive of the WPP company in the country concerned, who will decide if further referral to a WPP executive is required. Employees are trained on this referral process during our ethics training.

Supply chain

We aim to work with supplier partners who meet high standards in areas such as ethical conduct, labour standards and environmental management. This reduces risks for WPP and our clients. By improving oversight of our supply base we can identify opportunities to consolidate procurement and reduce costs.

We evaluate potential new suppliers on factors such as assurance of supply, quality, service, cost, innovation and sustainability. Supplier partners are expected to adopt standards that are consistent with our own. These are set out in the supplier version of the WPP Code of Business Conduct, which explains how our own Code should be applied by companies in our supply chain. All new supplier partners are asked to sign a copy of the Code to confirm they will comply with our social and environmental standards.

We have identified two areas of our supply chain where breaches of our Code could have a potentially significant impact on WPP's reputation or that of our clients – advertising production and data management. We are working more closely with supplier partners in these areas to identify and manage risks. Over the last four years (2013-2016) we have assessed 236 suppliers covering nearly £236 million in annual spend or approximately 15% of our total spend on advertising production and data management. More details are available in our Sustainability Report.

Environment

We aim for WPP to be a low-carbon and resource-efficient Group. This reduces costs, enhances our credibility as advisors to clients, enables us to meet the environmental requirements included in many client tender processes and supports employee engagement.

Our target is to reduce carbon emissions to 1.8 tonnes of CO_2e per employee by 2020, a 47% reduction from 2006. Each of our operating companies has its own individual reduction target. Our strategy focuses on:

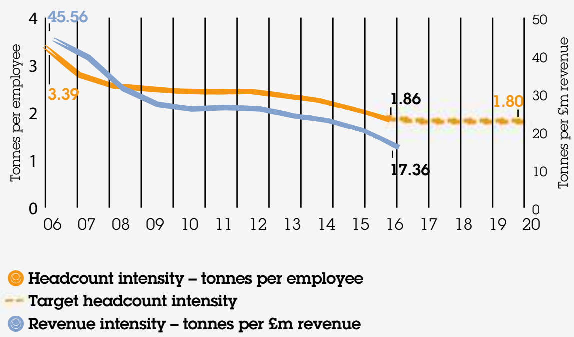
- Office energy use: Improving the energy efficiency of our buildings and IT systems. 18% of our total floor space (approx. 4.4 million square feet) is now certified to advanced green building standards, such as LEED and BREEAM. We aim to have 25% of our floor space certified to these standards by 2020.
- Air travel: Reducing non-essential flights. We offset the equivalent of 100% of emissions from our business air travel, by supporting renewable energy generation projects in fast-growing economies. Our video conferencing network now incorporates more than 720 units in over 173 cities.
- Renewable energy: Around 22% of the total electricity we purchase is generated from renewable sources, including green-tariff electricity and renewable energy certificates.

Our progress in 2016:

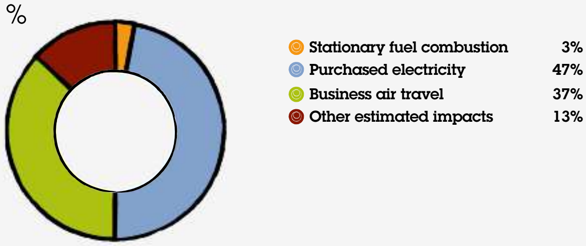
- Our footprint per employee was 1.86 tonnes of CO_2e, down 10% on 2015 and 45% lower than 2006.
- Our footprint per £million of revenue was 17.36 tonnes of CO_2e, down 20% on 2015 and 62% lower than 2006.
- Our absolute carbon footprint was 249,782 tonnes CO_2e (2015: 264,774 tonnes CO_2e).

We made significant progress in 2016 and are close to meeting our 2020 target of 1.8 tonnes of CO_2e. This is due to a number of factors, including: changes in carbon emissions factors for scope 2 emissions in some countries, reflecting an increase in the percentage of lower-carbon and renewable energy used to power national grids; an increase in the amount of Renewable Energy Certificates (RECs) that we purchase in the US, with enough RECs purchased to offset 41% of the electricity utilised by WPP companies in the US during 2016; and improvements in our office energy efficiency and a drop in business air travel.

Carbon intensity 2006-2016
Tonnes CO_2e



Carbon footprint in 2016
%



WPP's carbon emissions breakdown (tonnes of CO_2e)

	2016	2015	2014	2013	2012	Base year 2006
Scope 1 – Fuel used to heat WPP offices	**7,851**	8,135	9,748	11,305	9,840	2,628
Scope 2 – Total purchased electricity	**146,846**	153,798	159,540	157,471	164,212	149,728
Scope 3 – Air travel and other estimated impacts	**125,026**	133,420	133,293	132,382	133,034	116,825
Total gross (excluding carbon reduction of renewable electricity)	**279,723**	295,354	302,581	301,158	307,086	269,181
Carbon reduction of purchased renewable electricity	**29,941**	30,580	21,192	21,299	23,765	–
Total net (including carbon reduction of renewable electricity)	**249,782**	264,774	281,389	279,859	283,321	269,181
Percentage change from 2006 (net)	**-7%**	-2%	5%	4%	5%	–

WPP's carbon intensity (tonnes of CO_2e)

	2016	2015	2014	2013	2012	Base year 2006
Tonnes per employee (net)	**1.86**	2.07	2.28	2.35	2.45	3.39
Percentage change from 2006	**-45%**	-39%	-33%	-31%	-28%	–
Tonnes per £m of revenue (net)	**17.36**	21.64	24.41	25.40	27.31	45.56
Percentage change from 2006	**-62%**	-53%	-46%	-44%	-40%	–

Our carbon data covers the year ended 31 December 2016 in line with the Group's financial reporting period. Data has been prepared in accordance with the World Resource Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition (the GHG Protocol). All greenhouse gases emissions figures are in metric tonnes of carbon dioxide equivalents (CO_2e). They include three of the six greenhouse gases covered by the Kyoto Protocol – carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Perflurocarbons (PFCs), hydroflurocarbons (HFCs) and sulphur hexafluoride (SF_6) emissions have been omitted from our reporting as they are not a material source of greenhouse gases for WPP. Emissions data is included for all operations for which WPP and its subsidiaries have operational control. Associate companies are excluded. When calculating our carbon footprint, we rate purchased renewable electricity (including green-tariff contracts and renewable energy certificates) as zero emissions. For full transparency, we also disclose total electricity purchased at grid average carbon intensity. Total purchased electricity includes emissions from purchased heat and steam. Our carbon data is reviewed and assured by Bureau Veritas, an independent assurance provider. Read the full carbon emissions statement 2016 in our Sustainability Report.

We can also have an influence on indirect emissions associated with our business activities – our value chain emissions. These include emissions associated with advertisements we place for clients and the goods and services we buy. GroupM, our Media Investment Management business, is exploring how we can work with clients to reduce the carbon footprint of media campaigns. We are integrating our analysis of value chain emissions into procurement tools to help us identify lower carbon procurement options.

Social investment

Our companies make a significant contribution to organisations working in areas such as poverty alleviation, health, human rights and the environment, through our social investment. This includes pro bono work, providing marketing services and insight for little or no fee, helping charities to achieve their objectives, raise funds and recruit members. We gave £19.5 million in pro bono services and charitable donations during 2016 (2015: £19.4 million), equivalent to 1.03% of reported profit before tax (2015: 1.30%).

Our companies also negotiate free media space for charity campaigns enabling them to reach a wide audience. This free media space was worth £22.8 million in 2016 (2015: £20.7 million), representing over another 1% of reported profit before tax, bringing our total social contribution to £42.3 million (2015: £40.2 million). We identified an error in our exchange rate calculation for free media space in 2015 and as a result have restated our data.

The WPP India CSR Foundation is investing US$5 million in projects supporting education, life skills and vocational training for children aged 11-18.

We launched Common Ground in 2016, a new collaboration between the world's six biggest advertising and marketing services groups. Common Ground aims to use the power of communication to help achieve the United Nations Sustainability Goals. WPP is focusing on the goal of gender equality, which is important both in its own right as well as having attendant benefits for tackling poverty and improving education and economic growth. Our companies are involved in a number of pro bono projects aimed at tackling gender bias and stereotyping in the media and promoting opportunity for women and girls. More details will be available in our Sustainability Report.


2012.

How we comply

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

Statements of compliance

UK Corporate Governance Code compliance

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

Internal control

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

How we comply

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

Leadership

The role of the Board

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

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

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

[1] Roger Agnelli tragically died on 19 March 2016.
[2] Tarek Farahat was appointed on 11 October 2016.
[3] All of the directors attended the scheduled meetings of the Board in the year during their tenure with the exception of Jacques Aigrain and Ruigang Li who each missed one meeting.
[4] Two unscheduled meetings of the Board took place which were attended by all the directors eligible to attend, except Hugo Shong, Sir John Hood and Ruigang Li who sent apologies for one unscheduled meeting and Daniela Riccardi who sent apologies for both unscheduled meetings owing to prior commitments.

The role of the chairman

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

The role of the senior independent director

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

Non-executive directors

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

Effectiveness

The composition of the Board

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

Succession: Board and committee membership

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

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

Time commitment

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

Development

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

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

Evaluation

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

Re-election

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

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

Diversity

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

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

Directors' conflicts of interest

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

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

Remuneration

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

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

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

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

Relations with share owners

Dialogue with share owners

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

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

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

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

The Annual General Meeting

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

Other statutory information

Substantial share ownership

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

MFS	6.64%
BlackRock Inc	5.62%

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

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

Profits and dividends

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

Change of control

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

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

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

Articles of Association

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

Share capital

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

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

Authority for purchase of own shares

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

Auditors

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

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

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

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

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

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

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

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

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

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

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

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

By Order of the Board:

Marie Capes
Company Secretary
19 April 2017

Our 2016 financial statements

Accounting policies

The consolidated financial statements of WPP plc and its subsidiaries (the Group) for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2016.

The Group's financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the results of the Company and all its subsidiary undertakings made up to the same accounting date. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the consolidated income statement from the effective date of acquisition or disposal.

Goodwill and other intangible assets

Intangible assets comprise goodwill, certain acquired separable corporate brand names, acquired customer relationships, acquired proprietary tools and capitalised computer software not integral to a related item of hardware.

Goodwill represents the excess of fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets, including intangible assets, at the date of their acquisition.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the net present value of future cash flows derived from the underlying assets using a projection period of up to five years for each cash-generating unit. After the projection period a steady growth rate representing an appropriate long-term growth rate for the industry is applied. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Corporate brand names, customer relationships and proprietary tools acquired as part of acquisitions of businesses are capitalised separately from goodwill as intangible assets if their value can be measured reliably on initial recognition and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

Certain corporate brands of the Group are considered to have an indefinite economic life because of the institutional nature of the corporate brand names, their proven ability to maintain market leadership and profitable operations over long periods of time and the Group's commitment to develop and enhance their value. The carrying value of these intangible assets is reviewed at least annually for impairment and adjusted to the recoverable amount if required.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

- Brand names (with finite lives) – 10-20 years.
- Customer-related intangibles – 3-10 years.
- Other proprietary tools – 3-10 years.
- Other (including capitalised computer software) – 3-5 years.

Contingent consideration

Contingent consideration is accounted for in accordance with IFRS 3 Business Combinations. Contingent consideration only applies to situations where contingent payments are not dependent on future employment of vendors and any such payments are expensed when they relate to future employment.

Future anticipated payments to vendors in respect of contingent consideration (earnout agreements) are initially recorded at fair value which is the present value of the expected cash outflows of the obligations. The obligations are dependent on the future financial performance of the interests acquired (typically over a four- to five-year period following the year of acquisition) and assume the operating companies improve profits in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition.

Subsequent adjustments to the fair value are recorded in the consolidated income statement within revaluation of financial instruments.

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment with the exception of freehold land which is not depreciated. The Group assesses the carrying value of its property, plant and equipment to determine if any impairment has occurred. Where this indicates that an asset may be impaired, the Group applies the requirements of IAS 36 Impairment of Assets in assessing the carrying amount of the asset. This process includes comparing its recoverable amount with its carrying value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life, as follows:

- Freehold buildings – 50 years.
- Leasehold land and buildings – over the term of the lease or life of the asset, if shorter.
- Fixtures, fittings and equipment – 3-10 years.
- Computer equipment – 3-5 years.

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. In certain circumstances, significant influence may be represented by factors other than ownership and voting rights, such as representation on the Board of Directors.

The Group's share of the profits less losses of associate undertakings net of tax, interest and non-controlling interests is included in the consolidated income statement and the Group's share of net assets is shown within interests in associates in the consolidated balance sheet. The Group's share of the profits less losses and net assets is based on current information produced by the undertakings, adjusted to conform with the accounting policies of the Group.

The Group assesses the carrying value of its associate undertakings to determine if any impairment has occurred. Where this indicates that an investment may be impaired, the Group applies the requirements of IAS 36 in assessing the carrying amount of the investment. This process includes comparing its recoverable amount with its carrying value.

The Group accounts for joint venture investments under the equity method which is consistent with the Group's treatment of associates.

Other investments

Other investments are designated as 'available for sale' and are shown at fair value with any movements in fair value taken to equity.

On disposal the cumulative gain or loss previously recognised in equity is included in the profit or loss for the year.

Inventory and work in progress

Work in progress is valued at cost, which includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs and overheads on incomplete assignments. Provision is made for irrecoverable costs where appropriate. Inventory is stated at the lower of cost and net realisable value.

Trade receivables

Trade receivables are stated net of provisions for bad and doubtful debts.

Foreign currency and interest rate hedging

The Group's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 25 contains details of the fair values of the derivative instruments used for hedging purposes.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

Liabilities in respect of option agreements

Option agreements that allow the Group's equity partners to require the Group to purchase a non-controlling interest are treated as derivatives over equity instruments and are recorded in the consolidated balance sheet initially at the present value of the redemption amount in accordance with IAS 32 Financial Instruments: Presentation and subsequently measured at fair value in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The movement in the fair value is recognised as income or expense within revaluation of financial instruments in the consolidated income statement.

Derecognition of financial liabilities

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, a financial liability of the Group is only released to the consolidated income statement when the underlying legal obligation is extinguished.

Convertible debt

Convertible debt is assessed according to the substance of the contractual arrangements and is classified into liability and equity elements on the basis of the initial fair value of the liability element. The difference between this figure and the cash received is classified as equity.

The consolidated income statement charge for the finance cost is spread evenly over the term of the convertible debt so that at redemption the liability equals the redemption value.

Other debt

Other interest-bearing debt is recorded at the proceeds received, net of direct issue costs.

Borrowing costs

Finance costs of borrowing are recognised in the consolidated income statement over the term of those borrowings.

Revenue recognition

Revenue comprises commission and fees earned in respect of amounts billed. Direct costs include fees paid to external suppliers where they are retained to perform part or all of a specific project for a client and the resulting expenditure is directly attributable to the revenue earned. Revenue is stated exclusive of VAT, sales taxes and trade discounts.

Advertising and Media Investment Management

Revenue is typically derived from commissions on media placements and fees for advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. The amount of revenue recognised depends on whether we act as an agent or as a principal in an arrangement with a client. Where we act as an agent, the revenue recorded is the net amount retained when the fee or commission is earned. Although the Group may bear credit risk in respect of these activities, the arrangements with our clients are such that we consider that we are acting as an agent on their behalf. In such cases, costs incurred with external suppliers (such as media suppliers) are excluded from our revenue. Where the Group acts as a principal and contracts directly with suppliers for media payments and production costs, the revenue recorded is the gross amount billed.

Incentive-based revenue typically comprises both quantitative and qualitative elements; on the element related to quantitative targets, revenue is recognised when the quantitative targets have been achieved; on the element related to qualitative targets, revenue is recognised when the incentive is received or receivable.

The Group receives volume rebates from certain suppliers for transactions entered into on behalf of clients that, based on the terms of the relevant contracts and local law, are either remitted to clients or retained by the Group. If amounts are passed on to clients they are recorded as liabilities until settled or, if retained by the Group, are recorded as revenue when earned.

Data Investment Management

Revenue recognised in proportion to the level of service performed for market research contracts is based on proportional performance. In assessing contract performance, both input and output criteria are reviewed. Costs incurred are used as an objective input measure of performance. The primary input of all work performed under these arrangements is labour. As a result of the relationship between labour and cost, there is normally a direct relationship between costs incurred and the proportion of the contract performed to date. Costs incurred as a proportion of expected total costs is used as an initial proportional performance measure. This indicative proportional performance measure is subsequently validated against other more subjective criteria (i.e. relevant output measures) such as the percentage of interviews completed, percentage of reports delivered to a client and the achievement of any project milestones stipulated in the contract. In the event of divergence between the objective and more subjective measures, the more subjective measures take precedence since these are output measures.

While most of the studies provided in connection with the Group's market research contracts are undertaken in response to an individual client's or group of clients' specifications, in certain instances a study may be developed as an off-the-shelf product offering sold to a broad client base. For these transactions, revenue is recognised when the product is delivered. Where the terms of transaction provide for licensing the product on a subscription basis, revenue is recognised over the subscription period on a straight-line basis or, if applicable, based on usage.

Substantially all services are provided on a fixed price basis. Pricing may also include a provision for a surcharge where the actual labour hours incurred in completing a project are significantly above the labour hours quoted in the project proposal. In instances where this occurs, the surcharge will be included in the total revenue base on which to measure proportional performance when the actual threshold is reached provided that collectability is reasonably assured.

Public Relations & Public Affairs and Branding & Identity, Healthcare and Specialist Communications

Revenue is typically derived from retainer fees and services to be performed subject to specific agreement. Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Revenue is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the consolidated income statement revenue and related costs as contract activity progresses.

Taxation

Corporate taxes are payable on taxable profits at current rates. The tax expense represents the sum of the tax currently payable and deferred tax.

The Group is subject to corporate taxes in a number of different jurisdictions and judgement is required in determining the appropriate provision for transactions where the ultimate tax determination is uncertain. In such circumstances, the Group recognises liabilities for anticipated taxes based on the best information available and where the anticipated liability is both probable and estimable, liabilities are classified as current. Any interest and penalties accrued are included in corporate income taxes both in the consolidated income statement and balance sheet. Where the final outcome of such matters differs from the amount recorded, any differences may impact the income tax and deferred tax provisions in the period in which the final determination is made.

The tax laws that apply to the Group's subsidiaries may be amended by the relevant tax authorities. Such potential amendments are regularly monitored and adjustments are made to the Group's tax liabilities and deferred tax assets and liabilities where necessary.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, which can require the use of accounting estimation and the exercise of judgement. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on enacted or substantively enacted legislation.

Retirement benefit costs

The Group accounts for retirement benefit costs in accordance with IAS 19 Employee Benefits.

For defined contribution plans, contributions are charged to the consolidated income statement as payable in respect of the accounting period.

For defined benefit plans the amounts charged to operating profit are the current service costs, past service costs, administrative expenses and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated income statement when the related plan amendment occurs. Net interest expense is calculated by applying the discount rate to the recognised overall surplus or deficit in the plan.

Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

Where defined benefit plans are funded, the assets of the plan are held separately from those of the Group, in separate independently managed funds. Pension plan assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Recognition of a surplus in a defined benefit plan is limited based on the economic gain the Company is expected to benefit from in the future by means of a refund or reduction in future contributions to the plan, in accordance with IAS 19.

Finance leases

Assets held under finance leases are recognised as assets of the Group at the inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Depreciation on leased assets is charged to the consolidated income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the consolidated income statement as it is incurred.

Operating leases

Operating lease rentals are charged to the consolidated income statement on a straight-line basis over the lease term. Any premium or discount on the acquisition of a lease is spread over the life of the lease on a straight-line basis.

Translation of foreign currencies

Foreign currency transactions arising from normal trading activities are recorded at the rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the consolidated income statement as they arise.

The income statements of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

Exchange differences arising from retranslation of the opening net assets and on foreign currency borrowings (to the extent that they hedge the Group's investment in such operations) are reported in the consolidated statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Share-based payments

The Group issues equity-settled share-based payments (including share options) to certain employees and accounts for these awards in accordance with IFRS 2 Share-Based Payment. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the fair value of equity settled share-based transactions are set out in notes 22 and 26.

The fair value determined at the grant date is recognised in the consolidated income statement as an expense on a straight-line basis over the relevant vesting period, based on the Group's estimate of the number of shares that will ultimately vest and adjusted for the effect of non-market-based vesting conditions.

New IFRS accounting pronouncements

At the date of authorisation of these financial statements, the following Standards, which have not been applied in these financial statements, were in issue but not yet effective:

- IFRS 9: Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers; and
- IFRS 16: Leases

With the exception of IFRS 15 and IFRS 16, the Group does not consider that these Standards will have a significant impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect.

IFRS 15 is effective from 1 January 2018. It provides for one of two methods of transition: retrospective application to each prior period presented or recognition of the cumulative effect of retrospective application of the new standard as of the beginning of the period of initial application. We have not yet decided which transition method we will use. While we continue to assess the impacts of the standard, based on our initial assessment, we do not expect the adoption of IFRS 15 to have a significant impact on the timing of the Group's revenue recognition. We do expect an acceleration of revenue recognition for certain incentive-based revenues; however, incentive-based revenues are not material to the Group's revenue. In April 2016, the IASB issued clarification guidance on principal versus agent considerations. We are currently evaluating the impact of the principal versus agent guidance on certain of our revenues and direct costs; however, we do not expect any change to have a material effect on our results of operations.

IFRS 16 is effective from 1 January 2019. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees will be required to recognise a right-of-use asset and related lease liability for the majority of their operating leases and show depreciation of leased assets and interest on lease liabilities separately in the income statement. IFRS 16 will require the Group to recognise substantially all of its current operating lease commitments on the balance sheet and the financial impact of this, together with other implications of the standard, are currently being assessed.

In the current year, the following Standards and Interpretations became effective:

- IFRS 14: Regulatory Deferral Accounts;

The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies.

Critical judgements and estimation uncertainty in applying accounting policies

Management is required to make key decisions and judgements whilst acknowledging there is estimation uncertainty in the process of applying the Group's accounting policies. The most significant areas where such judgements and estimation uncertainty apply are revenue recognition, goodwill and other intangibles, payments due to vendors (earnout agreements), liabilities in respect of put option agreement with vendors, acquisition reserves, taxation and accounting for pension liabilities. Where judgement has been applied or estimation uncertainty exists, the key factors taken into consideration are disclosed in the accounting policies and the appropriate note in these financial statements.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

19 April 2017

The numbers in full …

Consolidated income statement

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m	2014 £m	2016 $m[2]	2015 $m[2]	2014 $m[2]
Billings[1]		**55,245.2**	47,631.9	46,186.3	**74,439.6**	72,766.7	75,943.6
Revenue	2	**14,388.9**	12,235.2	11,528.9	**19,379.3**	18,693.2	18,956.0
Direct costs		**(1,991.1)**	(1,710.9)	(1,464.1)	**(2,688.6)**	(2,614.3)	(2,407.0)
Net sales	2	**12,397.8**	10,524.3	10,064.8	**16,690.7**	16,078.9	16,549.0
Operating costs	3	**(10,334.7)**	(8,892.3)	(8,557.5)	**(13,989.6)**	(13,585.1)	(14,097.4)
Operating profit		**2,063.1**	1,632.0	1,507.3	**2,701.1**	2,493.8	2,451.6
Share of results of associates	4	**49.8**	47.0	61.9	**65.3**	71.2	101.8
Profit before interest and taxation		**2,112.9**	1,679.0	1,569.2	**2,766.4**	2,565.0	2,553.4
Finance income	6	**80.4**	72.4	94.7	**109.6**	110.9	154.0
Finance costs	6	**(254.5)**	(224.1)	(262.7)	**(344.1)**	(342.6)	(430.9)
Revaluation of financial instruments	6	**(48.3)**	(34.7)	50.7	**(71.4)**	(53.2)	82.1
Profit before taxation		**1,890.5**	1,492.6	1,451.9	**2,460.5**	2,280.1	2,358.6
Taxation	7	**(388.9)**	(247.5)	(300.4)	**(516.7)**	(378.4)	(487.2)
Profit for the year		**1,501.6**	1,245.1	1,151.5	**1,943.8**	1,901.7	1,871.4
Attributable to:							
Equity holders of the parent		**1,400.1**	1,160.2	1,077.2	**1,808.7**	1,771.6	1,749.4
Non-controlling interests		**101.5**	84.9	74.3	**135.1**	130.1	122.0
		1,501.6	1,245.1	1,151.5	**1,943.8**	1,901.7	1,871.4
Headline PBIT	31	**2,160.3**	1,774.0	1,680.6	**2,864.6**	2,704.3	2,739.8
Net sales margin	31	**17.4%**	16.9%	16.7%	**17.2%**	16.8%	16.6%
Headline PBT	31	**1,986.2**	1,622.3	1,512.6	**2,630.1**	2,472.6	2,462.9
Earnings per share							
Basic earnings per ordinary share	9	**109.6p**	90.0p	82.4p	**141.5¢**	137.5¢	133.8¢
Diluted earnings per ordinary share	9	**108.0p**	88.4p	80.5p	**139.6¢**	134.9¢	130.8¢

Notes

The accompanying notes form an integral part of this consolidated income statement.

[1] Billings is defined on page 234.

[2] The consolidated income statement above is also expressed in US dollars for information purposes only and is unaudited. It has been prepared assuming the US dollar is the reporting currency of the Group, whereby local currency results are translated into US dollars at actual monthly average exchange rates in the period presented. Among other currencies, this includes an average exchange rate of US$1.3547 to the pound sterling for the year 2016 (2015: US$1.5288, 2014: US$1.6475).

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	2016 £m	2015 £m	2014 £m
Profit for the year	**1,501.6**	1,245.1	1,151.5
Items that may be reclassified subsequently to profit or loss:			
Exchange adjustments on foreign currency net investments	**1,378.0**	(275.9)	(221.2)
(Loss)/gain on revaluation of available for sale investments	**(93.1)**	206.0	64.6
	1,284.9	(69.9)	(156.6)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension plans	**(15.9)**	33.5	(86.6)
Deferred tax on defined benefit pension plans	**(0.4)**	(5.2)	62.1
	(16.3)	28.3	(24.5)
Other comprehensive income/(loss) for the year	**1,268.6**	(41.6)	(181.1)
Total comprehensive income for the year	**2,770.2**	1,203.5	970.4

	2016 £m	2015 £m	2014 £m
Attributable to:			
Equity holders of the parent	**2,600.6**	1,121.6	893.0
Non-controlling interests	**169.6**	81.9	77.4
	2,770.2	1,203.5	970.4

Note
The accompanying notes form an integral part of this consolidated statement of comprehensive income.

Consolidated cash flow statement

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m	2014 £m
Net cash inflow from operating activities	11	**1,773.8**	1,359.9	1,703.7
Investing activities				
Acquisitions and disposals	11	**(638.8)**	(669.5)	(489.1)
Purchases of property, plant and equipment		**(252.1)**	(210.3)	(177.9)
Purchases of other intangible assets (including capitalised computer software)		**(33.0)**	(36.1)	(36.5)
Proceeds on disposal of property, plant and equipment		**7.7**	13.4	5.9
Net cash outflow from investing activities		**(916.2)**	(902.5)	(697.6)
Financing activities				
Share option proceeds		**27.2**	27.6	25.0
Cash consideration for non-controlling interests	11	**(58.3)**	(23.6)	(5.6)
Share repurchases and buy-backs	11	**(427.4)**	(587.6)	(510.8)
Net (decrease)/increase in borrowings	11	**(22.5)**	492.0	465.2
Financing and share issue costs		**(6.4)**	(11.4)	(27.5)
Equity dividends paid		**(616.5)**	(545.8)	(460.0)
Dividends paid to non-controlling interests in subsidiary undertakings		**(89.6)**	(55.2)	(57.7)
Net cash outflow from financing activities		**(1,193.5)**	(704.0)	(571.4)
Net (decrease)/increase in cash and cash equivalents		**(335.9)**	(246.6)	434.7
Translation differences		**291.9**	(54.4)	(70.3)
Cash and cash equivalents at beginning of year		**1,946.6**	2,247.6	1,883.2
Cash and cash equivalents at end of year	11	**1,902.6**	1,946.6	2,247.6
Reconciliation of net cash flow to movement in net debt:				
Net (decrease)/increase in cash and cash equivalents		**(335.9)**	(246.6)	434.7
Cash outflow/(inflow) from decrease/(increase) in debt financing		**28.9**	(480.5)	(437.7)
Debt acquired		**(144.4)**	–	–
Other movements		**(2.3)**	(124.0)	23.8
Translation differences		**(466.0)**	(84.3)	(55.8)
Movement of net debt in the year		**(919.7)**	(935.4)	(35.0)
Net debt at beginning of year		**(3,210.8)**	(2,275.4)	(2,240.4)
Net debt at end of year	10	**(4,130.5)**	(3,210.8)	(2,275.4)

Note
The accompanying notes form an integral part of this consolidated cash flow statement.

Consolidated balance sheet

At 31 December 2016

	Notes	2016 £m	2015 £m
Non-current assets			
Intangible assets:			
Goodwill	12	**13,214.3**	10,670.6
Other	12	**2,217.3**	1,715.4
Property, plant and equipment	13	**968.7**	797.7
Interests in associates and joint ventures	14	**1,069.4**	758.6
Other investments	14	**1,310.3**	1,158.7
Deferred tax assets	15	**140.4**	94.1
Trade and other receivables	17	**204.9**	178.7
		19,125.3	15,373.8
Current assets			
Inventory and work in progress	16	**400.4**	329.0
Corporate income tax recoverable		**231.2**	168.6
Trade and other receivables	17	**12,374.5**	10,495.4
Cash and short-term deposits		**2,436.9**	2,382.4
		15,443.0	13,375.4
Current liabilities			
Trade and other payables	18	**(15,010.4)**	(12,685.0)
Corporate income tax payable		**(752.3)**	(598.5)
Bank overdrafts and loans	20	**(1,002.5)**	(932.0)
		(16,765.2)	(14,215.5)
Net current liabilities		**(1,322.2)**	(840.1)
Total assets less current liabilities		**17,803.1**	14,533.7
Non-current liabilities			
Bonds and bank loans	20	**(5,564.9)**	(4,661.2)
Trade and other payables	19	**(1,273.8)**	(891.5)
Deferred tax liabilities	15	**(692.4)**	(552.3)
Provision for post-employment benefits	23	**(276.5)**	(229.3)
Provisions for liabilities and charges	21	**(227.9)**	(183.6)
		(8,035.5)	(6,517.9)
Net assets		**9,767.6**	8,015.8
Equity			
Called-up share capital	26	**133.2**	132.9
Share premium account		**562.2**	535.3
Other reserves	27	**1,185.2**	(9.7)
Own shares		**(962.0)**	(719.6)
Retained earnings		**8,405.9**	7,698.5
Equity share owners' funds		**9,324.5**	7,637.4
Non-controlling interests		**443.1**	378.4
Total equity		**9,767.6**	8,015.8

Note
The accompanying notes form an integral part of this consolidated balance sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 19 April 2017.

Signed on behalf of the Board:

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Called-up share capital £m	Share premium account £m	Other reserves[1] £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2016	**132.9**	**535.3**	**(9.7)**	**(719.6)**	**7,698.5**	**7,637.4**	**378.4**	**8,015.8**
Ordinary shares issued	0.3	26.9	–	–	–	27.2	–	27.2
Treasury share additions	–	–	–	(274.5)	–	(274.5)	–	(274.5)
Treasury share allocations	–	–	–	3.9	(3.9)	–	–	–
Net profit for the year	–	–	–	–	1,400.1	1,400.1	101.5	1,501.6
Exchange adjustments on foreign currency net investments	–	–	1,309.9	–	–	1,309.9	68.1	1,378.0
Loss on revaluation of available for sale investments	–	–	(93.1)	–	–	(93.1)	–	(93.1)
Actuarial loss on defined benefit pension plans	–	–	–	–	(15.9)	(15.9)	–	(15.9)
Deferred tax on defined benefit pension plans	–	–	–	–	(0.4)	(0.4)	–	(0.4)
Comprehensive income	–	–	1,216.8	–	1,383.8	2,600.6	169.6	2,770.2
Dividends paid	–	–	–	–	(616.5)	(616.5)	(89.6)	(706.1)
Non-cash share-based incentive plans (including share options)	–	–	–	–	106.5	106.5	–	106.5
Tax adjustment on share-based payments	–	–	–	–	3.9	3.9	–	3.9
Net movement in own shares held by ESOP Trusts	–	–	–	28.2	(181.1)	(152.9)	–	(152.9)
Recognition/remeasurement of financial instruments	–	–	(21.9)	–	26.8	4.9	–	4.9
Share purchases – close period commitments	–	–	–	–	8.6	8.6	–	8.6
Acquisition of subsidiaries[2]	–	–	–	–	(20.7)	(20.7)	(15.3)	(36.0)
Balance at 31 December 2016	**133.2**	**562.2**	**1,185.2**	**(962.0)**	**8,405.9**	**9,324.5**	**443.1**	**9,767.6**

Notes

The accompanying notes form an integral part of this consolidated statement of changes in equity.

[1] Other reserves are analysed in note 27.

[2] Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

For the year ended 31 December 2015

	Called-up share capital £m	Share premium account £m	Shares to be issued £m	Other reserves[1] £m	Own shares £m	Retained earnings £m	Total equity share owners' funds £m	Non-controlling interests £m	Total £m
Balance at 1 January 2015	**132.6**	**508.0**	**0.3**	**36.2**	**(283.7)**	**7,106.7**	**7,500.1**	**326.7**	**7,826.8**
Ordinary shares issued	0.3	27.3	(0.3)	–	–	0.2	27.5	–	27.5
Treasury share additions	–	–	–	–	(406.0)	–	(406.0)	–	(406.0)
Treasury share allocations	–	–	–	–	3.6	(3.6)	–	–	–
Net profit for the year	–	–	–	–	–	1,160.2	1,160.2	84.9	1,245.1
Exchange adjustments on foreign currency net investments	–	–	–	(272.9)	–	–	(272.9)	(3.0)	(275.9)
Gain on revaluation of available for sale investments	–	–	–	206.0	–	–	206.0	–	206.0
Actuarial gain on defined benefit pension plans	–	–	–	–	–	33.5	33.5	–	33.5
Deferred tax on defined benefit pension plans	–	–	–	–	–	(5.2)	(5.2)	–	(5.2)
Comprehensive (loss)/income	–	–	–	(66.9)	–	1,188.5	1,121.6	81.9	1,203.5
Dividends paid	–	–	–	–	–	(545.8)	(545.8)	(55.2)	(601.0)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	99.0	99.0	–	99.0
Tax adjustment on share-based payments	–	–	–	–	–	18.0	18.0	–	18.0
Net movement in own shares held by ESOP Trusts	–	–	–	–	(33.5)	(148.1)	(181.6)	–	(181.6)
Recognition/remeasurement of financial instruments	–	–	–	(59.0)	–	(0.7)	(59.7)	–	(59.7)
Share purchases – close period commitments	–	–	–	80.0	–	2.9	82.9	–	82.9
Acquisition of subsidiaries[2]	–	–	–	–	–	(18.6)	(18.6)	25.0	6.4
Balance at 31 December 2015	**132.9**	**535.3**	**–**	**(9.7)**	**(719.6)**	**7,698.5**	**7,637.4**	**378.4**	**8,015.8**

Notes

The accompanying notes form an integral part of this consolidated statement of changes in equity.

1 Other reserves are analysed in note 27.

2 Acquisition of subsidiaries represents movements in retained earnings and non-controlling interests arising from changes in ownership of existing subsidiaries and recognition of non-controlling interests on new acquisitions.

Notes to the consolidated financial statements

For the year ended 31 December 2016

1. General information
WPP plc is a company incorporated in Jersey. The address of the registered office is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES and the address of the principal executive office is 27 Farm Street, London, United Kingdom, W1J 5RJ. The nature of the Group's operations and its principal activities are set out in note 2. These consolidated financial statements are presented in pounds sterling.

2. Segment information
The Group is a leading worldwide communications services organisation offering national and multinational clients a comprehensive range of communications services.

The Group is organised into four reportable segments – Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs; and Branding & Identity, Healthcare and Specialist Communications. This last reportable segment includes WPP Digital and direct, digital, promotional & relationship marketing.

IFRS 8 Operating Segments requires operating segments to be identified on the same basis as is used internally for the review of performance and allocation of resources by the Group chief executive. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 permits the aggregation of these components into reportable segments for the purposes of disclosure in the Group's financial statements. In assessing the Group's reportable segments, the directors have had regard to the similar economic characteristics of certain operating segments, their shared client base, the similar nature of their products or services and their long-term margins, amongst other factors.

Operating sectors
Reported contributions were as follows:

Income statement	Revenue[1] £m	Net sales £m	Headline PBIT[2,4] £m	Net sales margin[3,4] %
2016				
Advertising and Media Investment Management	**6,547.3**	**5,413.5**	**1,027.2**	**19.0**
Data Investment Management	**2,661.1**	**1,994.0**	**351.5**	**17.6**
Public Relations & Public Affairs	**1,101.3**	**1,078.8**	**179.8**	**16.7**
Branding & Identity, Healthcare and Specialist Communications	**4,079.2**	**3,911.5**	**601.8**	**15.4**
	14,388.9	**12,397.8**	**2,160.3**	**17.4**
2015				
Advertising and Media Investment Management	5,552.8	4,652.0	859.7	18.5
Data Investment Management	2,425.9	1,768.1	286.1	16.2
Public Relations & Public Affairs	945.8	929.7	145.2	15.6
Branding & Identity, Healthcare and Specialist Communications	3,310.7	3,174.5	483.0	15.2
	12,235.2	10,524.3	1,774.0	16.9
2014				
Advertising and Media Investment Management	5,134.3	4,502.0	837.6	18.6
Data Investment Management	2,429.3	1,748.9	272.7	15.6
Public Relations & Public Affairs	891.9	880.4	135.6	15.4
Branding & Identity, Healthcare and Specialist Communications	3,073.4	2,933.5	434.7	14.8
	11,528.9	10,064.8	1,680.6	16.7

Notes
1 Intersegment sales have not been separately disclosed as they are not material.
2 A reconciliation from reported profit before interest and taxation to headline PBIT is provided in note 31. Reported profit before interest and taxation is reconciled to reported profit before taxation in the consolidated income statement.
3 Net sales margin is defined in note 31.
4 Prior year headline PBIT and net sales margins have been restated to reflect a reclassification between sectors of one of the Group's associates.

Other information	Share-based payments £m	Capital additions[1] £m	Depreciation and amortisation[2] £m	Goodwill impairment £m	Share of results of associates £m	Interests in associates and joint ventures £m
2016						
Advertising and Media Investment Management	**60.7**	**126.2**	**105.4**	**20.9**	**8.3**	**285.6**
Data Investment Management	**13.0**	**61.5**	**60.9**	**–**	**13.2**	**109.4**
Public Relations & Public Affairs	**7.5**	**10.3**	**11.6**	**–**	**3.2**	**108.1**
Branding & Identity, Healthcare and Specialist Communications	**25.3**	**87.1**	**81.5**	**6.1**	**25.1**	**566.3**
	106.5	**285.1**	**259.4**	**27.0**	**49.8**	**1,069.4**
2015						
Advertising and Media Investment Management	55.4	119.7	96.9	15.1	26.8	377.0
Data Investment Management	13.7	58.1	51.8	–	0.8	86.4
Public Relations & Public Affairs	6.7	9.1	9.8	–	2.3	92.0
Branding & Identity, Healthcare and Specialist Communications	23.2	59.5	69.9	–	17.1	203.2
	99.0	246.4	228.4	15.1	47.0	758.6
2014						
Advertising and Media Investment Management	48.6	91.0	102.6	16.9	25.1	395.5
Data Investment Management	18.8	48.1	50.9	–	18.4	119.3
Public Relations & Public Affairs	7.9	7.4	12.6	–	3.9	60.1
Branding & Identity, Healthcare and Specialist Communications	26.9	67.9	62.8	–	14.5	185.0
	102.2	214.4	228.9	16.9	61.9	759.9

Notes

1 Capital additions include purchases of property, plant and equipment and other intangible assets (including capitalised computer software).

2 Depreciation of property, plant and equipment and amortisation of other intangible assets.

		Assets			Liabilities	
Balance sheet	Segment assets £m	Unallocated corporate assets[1,2] £m	Consolidated total assets £m	Segment liabilities £m	Unallocated corporate liabilities[1,2] £m	Consolidated total liabilities £m
2016						
Advertising and Media Investment Management	**15,984.9**			**(12,409.6)**		
Data Investment Management	**3,167.2**			**(1,272.0)**		
Public Relations & Public Affairs	**3,222.5**			**(542.1)**		
Branding & Identity, Healthcare and Specialist Communications	**9,385.2**			**(2,564.9)**		
	31,759.8	**2,808.5**	**34,568.3**	**(16,788.6)**	**(8,012.1)**	**(24,800.7)**
2015						
Advertising and Media Investment Management	12,911.4			(10,506.9)		
Data Investment Management	3,713.3			(1,067.0)		
Public Relations & Public Affairs	1,839.2			(425.1)		
Branding & Identity, Healthcare and Specialist Communications	7,640.2			(1,990.4)		
	26,104.1	2,645.1	28,749.2	(13,989.4)	(6,744.0)	(20,733.4)
2014						
Advertising and Media Investment Management	12,250.5			(9,803.5)		
Data Investment Management	3,427.1			(1,045.7)		
Public Relations & Public Affairs	1,744.7			(400.0)		
Branding & Identity, Healthcare and Specialist Communications	6,433.5			(1,622.3)		
	23,855.8	2,767.1	26,622.9	(12,871.5)	(5,924.6)	(18,796.1)

Notes

1 Included in unallocated corporate assets and liabilities are corporate income tax, deferred tax and net interest-bearing debt.

2 Comparative figures for 2014 have been restated to reduce both deferred tax assets and deferred tax liabilities, by a corresponding amount.

Contributions by geographical area were as follows:

	2016 £m	2015 £m	2014 £m
Revenue[1]			
North America[2]	5,280.8	4,491.2	3,899.9
UK	1,866.3	1,777.4	1,640.3
Western Continental Europe	2,943.2	2,425.6	2,568.8
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	4,298.6	3,541.0	3,419.9
	14,388.9	12,235.2	11,528.9
Net sales			
North America[2]	4,603.7	3,882.3	3,471.7
UK	1,587.6	1,504.5	1,396.0
Western Continental Europe	2,425.5	2,016.2	2,142.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	3,781.0	3,121.3	3,054.5
	12,397.8	10,524.3	10,064.8
Headline PBIT[3]			
North America[2]	895.4	728.2	621.8
UK	261.4	243.1	221.2
Western Continental Europe	351.7	277.2	277.2
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	651.8	525.5	560.4
	2,160.3	1,774.0	1,680.6

	Margin	Margin	Margin
Net sales margin[4]			
North America[2]	19.4%	18.8%	17.9%
UK	16.5%	16.2%	15.8%
Western Continental Europe	14.5%	13.7%	12.9%
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	17.2%	16.8%	18.3%
	17.4%	16.9%	16.7%

Notes
1 Intersegment sales have not been separately disclosed as they are not material.
2 North America includes the US with revenue of £5,005.8 million (2015: £4,257.4 million, 2014: £3,664.9 million), net sales of £4,365.1 million (2015: £3,674.3 million, 2014: £3,254.2 million) and headline PBIT of £849.4 million (2015: £697.3 million, 2014: £588.2 million).
3 Headline PBIT is defined in note 31.
4 Net sales margin is defined in note 31.

	2016 £m	2015 £m
Non-current assets[1]		
North America[2]	8,189.3	6,225.3
UK	2,138.5	2,106.4
Western Continental Europe	4,321.6	3,558.6
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	4,327.2	3,349.7
	18,976.6	15,240.0

Notes
1 Non-current assets excluding financial instruments and deferred tax.
2 North America includes the US with non-current assets of £6,849.0 million (2015: £5,202.6 million).

3. Operating costs

	2016 £m	2015 £m	2014 £m
Staff costs (note 5)	7,784.9	6,652.6	6,440.5
Establishment costs	836.5	726.3	711.3
Other operating costs (net)	1,713.3	1,513.4	1,405.7
Total operating costs	10,334.7	8,892.3	8,557.5
Operating costs include:			
Goodwill impairment (note 12)	27.0	15.1	16.9
Investment write-downs	86.1	78.7	7.3
Restructuring costs	27.4	106.2	127.6
IT asset write-downs	–	29.1	–
Amortisation and impairment of acquired intangible assets (note 12)	168.4	140.1	147.5
Amortisation of other intangible assets (note 12)	38.6	33.7	31.6
Depreciation of property, plant and equipment	215.2	190.0	191.7
Losses/(gains) on sale of property, plant and equipment	0.8	1.1	(0.8)
Gains on disposal of investments and subsidiaries	(44.3)	(131.0)	(186.3)
Gains on remeasurement of equity interests arising from a change in scope of ownership	(232.4)	(165.0)	(9.2)
Net foreign exchange gains	(17.0)	(10.7)	(2.5)
Operating lease rentals:			
Land and buildings	556.1	476.6	466.1
Sublease income	(11.6)	(11.3)	(11.2)
	544.5	465.3	454.9
Plant and machinery	10.6	18.3	19.9
	555.1	483.6	474.8

In 2016, operating profit includes credits totalling £26.3 million (2015: £31.6 million, 2014: £24.9 million) relating to the release of excess provisions and other balances established in respect of acquisitions completed prior to 2015. Further details of the Group's approach to acquisition reserves, as required by IFRS 3 Business Combinations, are given in note 28.

Investment write-downs of £86.1 million (2015: £78.7 million, 2014: £7.3 million) includes £79.6 million in relation to comScore Inc, which has not released any financial statements in relation to its 2015 or 2016 results due to an internal investigation by their Audit Committee. Following the announcement of this internal investigation, the market value of comScore Inc fell below the Group's carrying value. Other investment write-downs relate to certain non-core minority investments in the US where forecast financial performance and/or liquidity issues indicate a permanent decline in the recoverability of the Group's investment.

In 2016, restructuring costs of £27.4 million (2015: £106.2 million, 2014: £127.6 million) comprise £27.4 million (2015: £36.7 million, 2014: 38.9 million) of costs resulting from the project to transform and rationalise the Group's IT services and infrastructure. Included within the restructuring costs in 2015 and 2014 were £69.5 million and £88.7 million respectively arising from a structural reassessment of certain of the Group's operations, primarily in the mature markets of Western Europe.

Gains on disposal of investments and subsidiaries of £44.3 million (2015: £131.0 million, 2014: £186.3 million) include £26.5 million of gains arising on the sale of the Group's equity interest in Grass Roots Group.

Gains on remeasurement of equity interests arising from a change in scope of ownership of £232.4 million in 2016 primarily comprise gains of £260.0 million in relation to the reclassification of the Group's interest in the Imagina Group in Spain from other investments to interests in associates, resulting from WPP attaining significant influence in the period; and losses of £23.2 million in relation to the merger of most of the Group's Australian and New Zealand assets with STW Communications Group Limited in Australia. The re-named WPP AUNZ became a listed subsidiary of the Group on 8 April 2016.

All of the operating costs of the Group are related to administrative expenses.

Auditors' remuneration:

	2016 £m	2015 £m	2014 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**1.4**	1.5	1.4
The audit of the Company's subsidiaries pursuant to legislation	**19.4**	16.2	14.5
	20.8	17.7	15.9
Other services pursuant to legislation	**3.7**	3.3	3.1
Fees payable to the auditors pursuant to legislation	**24.5**	21.0	19.0
Tax advisory services	**1.6**	1.8	2.1
Tax compliance services	**1.3**	1.0	1.0
	2.9	2.8	3.1
Corporate finance services	**0.1**	0.2	0.3
Other services[1]	**5.7**	6.5	5.4
Total non-audit fees	**8.7**	9.5	8.8
Total fees	**33.2**	30.5	27.8

Note
1 Other services include audits for earnout purposes.

Minimum committed annual rentals
Amounts payable in 2017 under leases will be as follows:

	Plant and machinery			Land and buildings		
	2017 £m	2016 £m	2015 £m	2017 £m	2016 £m	2015 £m
In respect of operating leases which expire:						
– within one year	4.0	4.3	5.3	85.1	57.6	66.7
– within two to five years	10.5	9.7	10.8	287.9	240.3	223.9
– after five years	–	0.3	0.1	187.0	163.1	139.4
	14.5	14.3	16.2	560.0	461.0	430.0

Future minimum annual amounts payable under all lease commitments in existence at 31 December 2016 are as follows:

	Minimum rental payments £m	Less sub-let rentals £m	Net payment £m
Year ending 31 December			
2017	574.5	(9.3)	565.2
2018	491.1	(7.1)	484.0
2019	432.6	(4.9)	427.7
2020	406.3	(2.9)	403.4
2021	377.3	(2.6)	374.7
Later years	1,728.1	(5.6)	1,722.5
	4,009.9	(32.4)	3,977.5

4. Share of results of associates
Share of results of associates include:

	2016 £m	2015 £m	2014 £m
Share of profit before interest and taxation	**97.1**	95.2	101.8
Share of exceptional losses	**(15.2)**	(21.8)	(7.6)
Share of interest and non-controlling interests	**(4.7)**	(1.7)	(3.1)
Share of taxation	**(27.4)**	(24.7)	(29.2)
	49.8	47.0	61.9

5. Our people
Our staff numbers averaged 132,657 for the year ended 31 December 2016 against 124,930 in 2015 and 121,397 in 2014. Their geographical distribution was as follows:

	2016	2015	2014
North America	**27,246**	26,224	26,809
UK	**14,070**	13,401	12,838
Western Continental Europe	**24,996**	23,506	23,376
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**66,345**	61,799	58,374
	132,657	124,930	121,397

Their operating sector distribution was as follows:

	2016	2015	2014
Advertising and Media Investment Management	**55,120**	53,227	52,329
Data Investment Management	**29,279**	28,395	28,240
Public Relations & Public Affairs	**9,054**	8,492	8,392
Branding & Identity, Healthcare and Specialist Communications	**39,204**	34,816	32,436
	132,657	124,930	121,397

At the end of 2016, staff numbers were 134,341 (2015: 128,123, 2014: 123,621). Including all employees of associated undertakings, this figure was approximately 198,000 at 31 December 2016 (2015: 190,000, 2014: 179,000).

Staff costs include:

	2016 £m	2015 £m	2014 £m
Wages and salaries	5,395.6	4,578.4	4,467.8
Cash-based incentive plans	260.2	231.8	210.7
Share-based incentive plans (note 22)	106.5	99.0	102.2
Social security costs	658.1	578.4	567.8
Pension costs (note 23)	178.1	160.0	148.9
Severance	34.5	24.0	37.4
Other staff costs[1]	1,151.9	981.0	905.7
	7,784.9	6,652.6	6,440.5
Staff cost to net sales ratio	62.8%	63.2%	64.0%

Note
1 Freelance and temporary staff costs are included in other staff costs.

Included above are charges of £15.5 million (2015: £16.7 million, 2014: £16.9 million) for share-based incentive plans in respect of key management personnel (who comprise the directors of the Group). Further details of compensation for key management personnel are disclosed on pages 128 to 158.

6. Finance income, finance costs and revaluation of financial instruments

Finance income includes:

	2016 £m	2015 £m	2014 £m
Income from available for sale investments	12.5	18.9	26.0
Interest income	67.9	53.5	68.7
	80.4	72.4	94.7

Finance costs include:

	2016 £m	2015 £m	2014 £m
Net interest expense on pension plans (note 23)	6.7	7.3	8.0
Interest on other long-term employee benefits	2.7	2.5	1.9
Interest payable and similar charges[1]	245.1	214.3	252.8
	254.5	224.1	262.7

Revaluation of financial instruments[2] include:

	2016 £m	2015 £m	2014 £m
Movements in fair value of treasury instruments	(19.5)	(3.7)	31.3
Movements in fair value of other derivatives	–	15.9	15.0
Revaluation of put options over non-controlling interests	(17.2)	(11.3)	(8.8)
Revaluation of payments due to vendors (earnout agreements)	(11.6)	(35.6)	13.2
	(48.3)	(34.7)	50.7

Notes
1 Interest payable and similar charges are payable on bank overdrafts, bonds and bank loans held at amortised cost.
2 Financial instruments are held at fair value through profit and loss.

The majority of the Group's long-term debt is represented by $2,862 million of US dollar bonds at an average interest rate of 4.48%, €2,952 million of Eurobonds at an average interest rate of 1.85% and £1,000 million of Sterling bonds at an average interest rate of 4.83%.

Average borrowings under the US Dollar Revolving Credit Facilities (note 10) amounted to the equivalent of $109 million at an average interest rate of 0.82%.

Average borrowings under the Australian dollar Revolving Credit Facilities, acquired as part of the merger of most of the Group's Australian and New Zealand assets with STW Communications Group Limited in Australia, amounted to A$336 million at an average rate of 3.69%.

Average borrowings under the US Commercial Paper Program for 2016 amounted to $293 million at an average interest rate of 0.75% inclusive of margin.

7. Taxation

The headline tax rate was 21.0% (2015: 19.0%, 2014: 20.0%). The tax rate on reported PBT was 20.6% (2015: 16.6%, 2014: 20.7%). The cash tax rate on headline PBT was 20.9% (2015: 18.6%, 2014: 19.2%).

The tax charge comprises:

	2016 £m	2015 £m	2014 £m
Corporation tax			
Current year	569.4	403.0	394.9
Prior years	(80.3)	(108.4)	4.4
	489.1	294.6	399.3
Deferred tax			
Current year	(88.0)	(35.8)	(93.2)
Prior years	(12.2)	(11.3)	(5.7)
	(100.2)	(47.1)	(98.9)
Tax charge	388.9	247.5	300.4

The corporation tax credit for prior years in 2016, and also 2015, mainly comprises the release of a number of provisions following the resolution of tax matters in various countries. In 2014 the deferred tax credit primarily related to the recognition of temporary differences that were previously unrecognised.

The tax charge for the year can be reconciled to profit before taxation in the consolidated income statement as follows:

	2016 £m	2015 £m	2014 £m
Profit before taxation	1,890.5	1,492.6	1,451.9
Tax at the corporation tax rate of 20%[1]	378.1	302.3	312.2
Tax effect of share of results of associates	(10.0)	(9.5)	(13.3)
Irrecoverable withholding taxes	36.3	25.7	24.2
Items that are not deductible in determining taxable profit	9.4	25.4	14.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	60.4	49.9	12.9
Origination and reversal of unrecognised temporary differences	(4.3)	0.4	10.6
Tax losses not recognised or utilised in the year	52.2	4.0	52.1
Utilisation of tax losses not previously recognised	(11.3)	(10.4)	(42.2)
Recognition of temporary differences not previously recognised	(29.4)	(20.6)	(69.0)
Net release of prior year provisions in relation to acquired businesses	(23.3)	(22.9)	(17.4)
Other prior year adjustments	(69.2)	(96.8)	16.1
Tax charge	388.9	247.5	300.4
Effective tax rate on profit before tax	20.6%	16.6%	20.7%

Note
1 The parent company of the Group is tax resident in the UK. As such, the tax rate in the tax reconciliation for 2016 is the UK corporation tax rate of 20% (2015: 20.25%, 2014: 21.5%).

The calculation of the headline tax rate is as follows:

	2016 £m	2015 £m	2014 £m
Headline PBT[1]	**1,986.2**	1,622.3	1,512.6
Tax charge	**388.9**	247.5	300.4
Tax charge relating to gains on disposal of investments and subsidiaries	**(1.1)**	(1.1)	(21.4)
Tax (charge)/credit relating to restructuring costs	**(3.0)**	26.5	14.1
Deferred tax relating to gains on disposal of investments and subsidiaries	**3.2**	–	(13.8)
Deferred tax impact of the amortisation of acquired intangible assets and other goodwill items	**29.2**	35.4	23.2
Headline tax charge	**417.2**	308.3	302.5
Headline tax rate	**21.0%**	19.0%	20.0%

Note
[1] Headline PBT is defined in note 31.

Factors affecting the tax charge in future years
Factors that may affect the Group's future tax charge include the levels and mix of profits in the many countries in which we operate, the prevailing tax rates in each of those countries and also the foreign exchange rates that apply to those profits. The tax charge may also be affected by the impact of acquisitions, disposals and other corporate restructurings, the resolution of open tax issues, future planning, and the ability to use brought forward tax losses. Furthermore, changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), or new challenges by tax or competition authorities, may expose us to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.

The Group has a number of open tax returns and is subject to various ongoing tax audits in respect of which it has recognised potential liabilities, none of which are individually material. The Group does not currently expect any material additional charges, or credits, to arise in respect of these matters, beyond the amounts already provided. Liabilities relating to these open and judgemental matters are based upon estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts which were initially recorded then such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Tax risk management
We maintain constructive engagement with the tax authorities and relevant government representatives, as well as active engagement with a wide range of international companies and business organisations with similar issues. We engage advisors and legal counsel to obtain opinions on tax legislation and principles. We have a Tax Risk Management Strategy in place which sets out the controls established and our assessment procedures for decision-making and how we monitor tax risk. We monitor proposed changes in taxation legislation and ensure these are taken into account when we consider our future business plans. Our directors are informed by management of any tax law changes, the nature and status of any significant ongoing tax audits, and other developments that could materially affect the Group's tax position.

8. Ordinary dividends
Amounts recognised as distributions to equity holders in the year:

	2016	2015	2014	2016	2015	2014
Per share	Pence per share			£m	£m	£m
2015 Final dividend	**28.78p**	26.58p	23.65p	**368.5**	343.2	309.5
2016 Interim dividend	**19.55p**	15.91p	11.62p	**248.0**	202.6	150.5
	48.33p	42.49p	35.27p	**616.5**	545.8	460.0

	2016	2015	2014	2016	2015	2014
Per ADR[1]	Cents per share			$m	$m	$m
2015 Final dividend	**219.99¢**	218.95¢	185.01¢	**563.4**	565.5	484.1
2016 Interim dividend	**132.42¢**	121.62¢	95.72¢	**335.9**	309.7	248.0
	352.41¢	340.57¢	280.73¢	**899.3**	875.2	732.1

Proposed final dividend for the year ended 31 December 2016:

	2016	2015	2014
Per share	Pence per share		
Final dividend	**37.05p**	28.78p	26.58p

	2016	2015	2014
Per ADR[1]	Cents per ADR		
Final dividend	**250.96¢**	219.99¢	218.95¢

Note
[1] These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 186. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

The payment of dividends will not have any tax consequences for the Group.

9. Earnings per share

Basic EPS
The calculation of basic reported and headline EPS is as follows:

	2016	2015	2014
Reported earnings[1] (£m)	**1,400.1**	1,160.2	1,077.2
Headline earnings (£m) (note 31)	**1,467.5**	1,229.1	1,135.8
Average shares used in basic EPS calculation (m)	**1,277.8**	1,288.5	1,307.4
Reported EPS	**109.6p**	90.0p	82.4p
Headline EPS	**114.8p**	95.4p	86.9p

Note
[1] Reported earnings is equivalent to profit for the year attributable to equity holders of the parent.

Diluted EPS
The calculation of diluted reported and headline EPS is as follows:

	2016	2015	2014
Diluted reported earnings (£m)	**1,400.1**	1,160.2	1,077.2
Diluted headline earnings (£m)	**1,467.5**	1,229.1	1,135.8
Average shares used in diluted EPS calculation (m)	**1,296.0**	1,313.0	1,337.5
Diluted reported EPS	**108.0p**	88.4p	80.5p
Diluted headline EPS	**113.2p**	93.6p	84.9p

Diluted EPS has been calculated based on the diluted reported and diluted headline earnings amounts above. At 31 December 2016, options to purchase 8.4 million ordinary shares (2015: 7.0 million, 2014: 10.7 million) were outstanding, but were excluded from the computation of diluted earnings per share because the exercise prices of these options were greater than the average market price of the Group's shares and, therefore, their inclusion would have been accretive.

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2016 m	2015 m	2014 m
Average shares used in basic EPS calculation	**1,277.8**	1,288.5	1,307.4
Dilutive share options outstanding	**2.4**	3.5	4.8
Other potentially issuable shares	**15.8**	21.0	25.3
Shares used in diluted EPS calculation	**1,296.0**	1,313.0	1,337.5

At 31 December 2016 there were 1,331,880,730 (2015: 1,329,366,024, 2014: 1,325,747,724) ordinary shares in issue.

10. Sources of finance

The following table summarises the equity and debt financing of the Group, and changes during the year:

	Shares		Debt	
	2016 £m	2015 £m	2016 £m	2015 £m
Analysis of changes in financing				
Beginning of year	**668.2**	640.6	**5,157.4**	4,523.0
Ordinary shares issued	**27.2**	27.6	**–**	–
Net (decrease)/increase in drawings on bank loans and corporate bonds	**–**	–	**(22.5)**	492.0
Amortisation of financing costs included in net debt	**–**	–	**9.0**	7.5
Debt acquired	**–**	–	**144.4**	–
Other movements	**–**	–	**(13.1)**	105.0
Exchange adjustments	**–**	–	**757.9**	29.9
End of year	**695.4**	668.2	**6,033.1**	5,157.4

Note
The table above excludes bank overdrafts which fall within cash and cash equivalents for the purposes of the consolidated cash flow statement.

Shares

At 31 December 2016, the Company's share base was entirely composed of ordinary equity share capital and share premium of £695.4 million (2015: £668.2 million), further details of which are disclosed in note 26.

Debt

US$ bonds The Group has in issue $812 million of 4.75% bonds due November 2021, $500 million of 3.625% bonds due September 2022, $750 million of 3.75% bonds due September 2024, $300 million of 5.125% bonds due September 2042 and $500 million of 5.625% bonds due November 2043.

Eurobonds The Group has in issue €252 million of 0.43% bonds due March 2018, €600 million of 0.75% bonds due November 2019, €750 million of 3% bonds due November 2023, €750 million of 2.25% bonds due September 2026 and €600 million of 1.625% bonds due March 2030.

Sterling bonds In September 2016, the Group issued £400 million of 2.875% bonds due September 2046. The Group has in issue £400 million of 6% bonds due April 2017 and £200 million of 6.375% bonds due November 2020.

Revolving Credit Facility The Group has a five-year Revolving Credit Facility of $2.5 billion due July 2021. The Group's borrowing under these facilities, which are drawn down predominantly in US dollars and pounds sterling, averaged the equivalent of $109 million in 2016. In April 2016, the Group entered into a A$520 million Revolving Credit Facility due April 2019. The Group's borrowings under the Australian dollar facilities were drawn down in Australian dollars and New Zealand dollars, averaged the equivalent of A$336 million in 2016. The Group had available undrawn committed credit facilities of £2,122.3 million at December 2016 (2015: £1,696.8 million).

Borrowings under the $2.5 billion Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of the Group. Borrowings under the A$520 million Revolving Credit Facility are governed by certain financial covenants based on the results and financial position of WPP AUNZ.

US Commercial Paper Program

The Group operates a commercial paper program using its Revolving Credit Facility as a backstop. The average commercial paper outstanding in 2016 was $293 million. There was no US Commercial Paper outstanding at 31 December 2016.

The following table is an analysis of future anticipated cash flows in relation to the Group's debt, on an undiscounted basis which, therefore, differs from the fair value and carrying value:

	2016 £m	2015 £m
Within one year	**(582.9)**	(541.7)
Between one and two years	**(389.5)**	(548.2)
Between two and three years	**(893.0)**	(325.4)
Between three and four years	**(369.1)**	(581.6)
Between four and five years	**(812.9)**	(335.0)
Over five years	**(5,144.7)**	(4,459.5)
Debt financing (including interest) under the Revolving Credit Facility and in relation to unsecured loan notes	**(8,192.1)**	(6,791.4)
Short-term overdrafts – within one year	**(534.3)**	(435.8)
Future anticipated cash flows	**(8,726.4)**	(7,227.2)
Effect of discounting/financing rates	**2,159.0**	1,634.0
Debt financing	**(6,567.4)**	(5,593.2)
Cash and short-term deposits	**2,436.9**	2,382.4
Net debt	**(4,130.5)**	(3,210.8)

Analysis of fixed and floating rate debt by currency including the effect of interest rate and cross-currency swaps:

2016 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	1,255.6	4.62%	n/a	212
	– floating	1,063.1	n/a	LIBOR	n/a
£	– fixed	800.0	4.53%	n/a	193
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	2,521.9	1.85%	n/a	93
Other		192.5	n/a	n/a	n/a
		6,033.1			

2015 Currency		£m	Fixed rate[1]	Floating basis	Period (months)[1]
$	– fixed	1,052.0	4.62%	n/a	224
	– floating	890.7	n/a	LIBOR	n/a
£	– fixed	400.0	6.19%	n/a	37
	– floating	200.0	n/a	LIBOR	n/a
€	– fixed	2,544.4	2.54%	n/a	90
Other		70.3	n/a	n/a	n/a
		5,157.4			

Note

1 Weighted average. These rates do not include the effect of gains on interest rate swap terminations that are written to income over the life of the original instrument.

The following table is an analysis of future anticipated cash flows in relation to the Group's financial derivatives, which include interest rate swaps, cash flow hedges and other foreign exchange swaps:

	Financial liabilities		Financial assets	
2016	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	183.2	183.0	282.5	302.2
Between one and two years	19.2	20.6	51.7	55.4
Between two and three years	18.8	18.1	57.5	58.5
Between three and four years	20.0	18.1	61.2	60.5
Between four and five years	20.7	18.1	1,687.3	1,686.1
Over five years	521.3	518.1	–	–
	783.2	**776.0**	**2,140.2**	**2,162.7**

	Financial liabilities		Financial assets	
2015	Payable £m	Receivable £m	Payable £m	Receivable £m
Within one year	55.2	50.6	72.4	102.7
Between one and two years	40.7	39.4	277.1	298.1
Between two and three years	17.4	17.6	52.8	56.7
Between three and four years	18.4	19.1	55.6	56.7
Between four and five years	20.3	20.8	58.1	56.7
Over five years	834.1	834.2	1,393.6	1,387.2
	986.1	981.7	1,909.6	1,958.1

11. Analysis of cash flows

The following tables analyse the items included within the main cash flow headings on page 188.

Net cash from operating activities:

	2016 £m	2015 £m	2014 £m
Profit for the year	**1,501.6**	1,245.1	1,151.5
Taxation	**388.9**	247.5	300.4
Revaluation of financial instruments	**48.3**	34.7	(50.7)
Finance costs	**254.5**	224.1	262.7
Finance income	**(80.4)**	(72.4)	(94.7)
Share of results of associates	**(49.8)**	(47.0)	(61.9)
Operating profit	**2,063.1**	1,632.0	1,507.3
Adjustments for:			
Non-cash share-based incentive plans (including share options)	**106.5**	99.0	102.2
Depreciation of property, plant and equipment	**220.8**	194.7	197.3
Impairment of goodwill	**27.0**	15.1	16.9
Amortisation and impairment of acquired intangible assets	**168.4**	140.1	147.5
Amortisation of other intangible assets	**38.6**	33.7	31.6
Investment write-downs	**86.1**	78.7	7.3
Gains on disposal of investments and subsidiaries	**(44.3)**	(131.0)	(186.3)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(232.4)**	(165.0)	(9.2)
Losses/(gains) on sale of property, plant and equipment	**0.8**	1.1	(0.8)
Operating cash flow before movements in working capital and provisions	**2,434.6**	1,898.4	1,813.8
(Increase)/decrease in inventories and work in progress	**(16.7)**	7.8	(9.7)
Increase in trade receivables and accrued income	**(53.7)**	(882.7)	(132.5)
Increase in trade payables and deferred income	**188.7**	713.4	449.8
Decrease/(increase) in other receivables	**77.4**	(39.0)	48.5
(Decrease)/increase in other payables – short term	**(303.7)**	74.5	(58.9)
Increase in other payables – long-term	**4.5**	24.2	36.5
Decrease in provisions	**(47.8)**	(62.3)	(38.7)
Cash generated by operations	**2,283.3**	1,734.3	2,108.8
Corporation and overseas tax paid	**(414.2)**	(301.2)	(289.9)
Interest and similar charges paid	**(242.1)**	(212.0)	(249.1)
Interest received	**73.9**	61.3	69.8
Investment income	**12.5**	4.9	11.9
Dividends from associates	**60.4**	72.6	52.2
Net cash inflow from operating activities	**1,773.8**	1,359.9	1,703.7

Acquisitions and disposals:

	2016 £m	2015 £m	2014 £m
Initial cash consideration	(424.1)	(463.5)	(382.7)
Cash and cash equivalents acquired (net)	57.3	57.7	74.4
Earnout payments	(92.3)	(43.9)	(34.3)
Purchase of other investments (including associates)	(260.2)	(283.2)	(188.8)
Proceeds on disposal of investments and subsidiaries	80.5	63.4	42.3
Acquisitions and disposals	(638.8)	(669.5)	(489.1)
Cash consideration for non-controlling interests	(58.3)	(23.6)	(5.6)
Net cash outflow	(697.1)	(693.1)	(494.7)

Share repurchases and buy-backs:

	2016 £m	2015 £m	2014 £m
Purchase of own shares by ESOP Trusts	(152.9)	(181.6)	(98.3)
Shares purchased into treasury	(274.5)	(406.0)	(412.5)
Net cash outflow	(427.4)	(587.6)	(510.8)

Net (decrease)/increase in borrowings:

	2016 £m	2015 £m	2014 £m
Proceeds from issue of £400 million bonds	400.0	–	–
Repayment of €498 million bonds	(392.1)	–	–
Proceeds from issues of €600 million bonds	–	858.7	–
Repayment of €500 million bonds	–	(481.9)	–
Premium on exchange of €252 million bonds	–	(13.7)	–
Repayment of $369 million bonds	–	–	(235.3)
Repayment of $600 million bonds	–	–	(333.7)
Repayment of $25 million TNS private placements	–	–	(14.6)
Proceeds from issue of €750 million bonds	–	–	588.7
Proceeds from issue of $750 million bonds	–	–	460.1
(Decrease)/increase in drawings on bank loans	(30.4)	128.9	–
Net cash (outflow)/inflow	(22.5)	492.0	465.2

Cash and cash equivalents:

	2016 £m	2015 £m	2014 £m
Cash at bank and in hand	2,256.2	2,227.8	1,967.0
Short-term bank deposits	180.7	154.6	545.7
Overdrafts[1]	(534.3)	(435.8)	(265.1)
	1,902.6	1,946.6	2,247.6

Note

1 Bank overdrafts are included in cash and cash equivalents because they form an integral part of the Group's cash management.

The Group considers that the carrying amount of cash and cash equivalents approximates their fair value.

12. Intangible assets

Goodwill

The movements in 2016 and 2015 were as follows:

	£m
Cost:	
1 January 2015	10,583.0
Additions[1]	763.6
Revision of earnout estimates	19.9
Exchange adjustments	(72.3)
31 December 2015	11,294.2
Additions[1]	796.6
Revision of earnout estimates	28.4
Exchange adjustments	1,820.2
31 December 2016	**13,939.4**
Accumulated impairment losses and write-downs:	
1 January 2015	603.6
Impairment losses for the year	15.1
Exchange adjustments	4.9
31 December 2015	623.6
Impairment losses for the year	20.0
Exchange adjustments	81.5
31 December 2016	**725.1**
Net book value:	
31 December 2016	**13,214.3**
31 December 2015	10,670.6
1 January 2015	9,979.4

Note

1 Additions represent goodwill arising on the acquisition of subsidiary undertakings including the effect of any revisions to fair value adjustments that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations. The effect of such revisions was not material in either year presented. Goodwill arising on the acquisition of associate undertakings is shown within interests in associates and joint ventures in note 14.

Cash-generating units with significant goodwill as at 31 December are:

	2016 £m	2015 £m
GroupM	2,966.2	2,390.7
Kantar	2,573.0	2,223.4
Wunderman	1,297.1	1,083.3
Y&R Advertising	1,140.3	946.9
Burson-Marsteller	590.3	482.6
Other	4,647.4	3,543.7
Total goodwill	13,214.3	10,670.6

Other goodwill represents goodwill on a large number of cash-generating units, none of which is individually significant in comparison to the total carrying value of goodwill.

Other intangible assets

The movements in 2016 and 2015 were as follows:

	Brands with an indefinite useful life £m	Acquired intan-gibles £m	Other £m	Total £m
Cost:				
1 January 2015	969.3	1,784.2	313.0	3,066.5
Additions	–	–	36.1	36.1
Disposals	–	–	(19.2)	(19.2)
New acquisitions	–	230.7	2.4	233.1
Other movements[1]	–	6.7	(4.1)	2.6
Exchange adjustments	(1.2)	(14.5)	2.8	(12.9)
31 December 2015	968.1	2,007.1	331.0	3,306.2
Additions	–	–	33.0	33.0
Disposals	–	(0.8)	(42.2)	(43.0)
New acquisitions	–	319.1	10.5	329.6
Other movements[1]	–	11.6	4.7	16.3
Exchange adjustments	173.2	198.5	67.1	438.8
31 December 2016	**1,141.3**	**2,535.5**	**404.1**	**4,080.9**
Amortisation and impairment:				
1 January 2015	–	1,187.3	210.3	1,397.6
Charge for the year	–	135.7	33.7	169.4
Disposals	–	–	(18.3)	(18.3)
IT asset write-downs	–	–	29.1	29.1
Other movements	–	–	(7.3)	(7.3)
Exchange adjustments	–	16.5	3.8	20.3
31 December 2015	–	1,339.5	251.3	1,590.8
Charge for the year	–	163.3	38.6	201.9
Disposals	–	(0.4)	(39.5)	(39.9)
Other movements	–	–	2.0	2.0
Exchange adjustments	–	60.6	48.2	108.8
31 December 2016	**–**	**1,563.0**	**300.6**	**1,863.6**
Net book value:				
31 December 2016	**1,141.3**	**972.5**	**103.5**	**2,217.3**
31 December 2015	968.1	667.6	79.7	1,715.4
1 January 2015	969.3	596.9	102.7	1,668.9

Note

1 Other movements in acquired intangibles include revisions to fair value adjustments arising on the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

Brands with an indefinite life are carried at historical cost in accordance with the Group's accounting policy for intangible assets. The carrying values of the separately identifiable brands are not individually significant in comparison with the total carrying value of brands with an indefinite useful life.

Acquired intangible assets at net book value at 31 December 2016 include brand names of £486.2 million (2015: £401.0 million), customer-related intangibles of £448.9 million (2015: £239.9 million), and other assets (including proprietary tools) of £37.4 million (2015: £26.7 million).

The total amortisation and impairment of acquired intangible assets of £168.4 million (2015: £140.1 million) includes £5.1 million (2015: £4.4 million) in relation to associates.

In accordance with the Group's accounting policy, the carrying values of goodwill and intangible assets with indefinite useful lives are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The carrying values of brands with an indefinite useful life are assessed for impairment purposes by using the royalty and loyalty methods of valuation, both of which utilise the net present value of future cash flows associated with the brands.

The goodwill impairment review is undertaken annually on 30 September. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate of 8.5% (2015: 8.5%) and management forecasts for a projection period of up to five years, followed by an assumed annual long-term growth rate of 3.0% (2015: 3.0%) and no assumed improvement in operating margin. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment charge of £27.0 million (2015: £15.1 million) relates to a number of under-performing businesses in the Group, of which £7.0 million (2015: £nil) is in relation to associates. In certain markets, the impact of local economic conditions and trading circumstances on these businesses was sufficiently severe to indicate impairment to the carrying value of goodwill.

Under IFRS, an impairment charge is required for both goodwill and other indefinite-lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

Historically our impairment losses have resulted from a specific event, condition or circumstance in one of our companies, such as the loss of a significant client. As a result, changes in the assumptions used in our impairment model have not had a significant effect on the impairment charges recognised and a reasonably possible change in assumptions would not lead to a significant impairment. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

13. Property, plant and equipment

The movements in 2016 and 2015 were as follows:

	Land £m	Freehold buildings £m	Leasehold buildings £m	Fixtures, fittings and equipment £m	Computer equipment £m	Total £m
Cost:						
1 January 2015	37.1	110.3	784.7	334.7	598.4	1,865.2
Additions	–	0.4	107.2	39.4	63.3	210.3
New acquisitions	–	1.2	2.2	13.3	4.4	21.1
Disposals	–	(12.6)	(68.2)	(37.7)	(55.9)	(174.4)
Exchange adjustments	–	2.9	11.5	(11.4)	(7.3)	(4.3)
31 December 2015	37.1	102.2	837.4	338.3	602.9	1,917.9
Additions	–	1.3	107.9	55.9	87.0	252.1
New acquisitions	–	–	7.9	6.5	6.2	20.6
Disposals	–	(0.3)	(83.2)	(46.1)	(106.4)	(236.0)
Exchange adjustments	–	23.2	142.5	48.0	153.7	367.4
31 December 2016	**37.1**	**126.4**	**1,012.5**	**402.6**	**743.4**	**2,322.0**
Depreciation:						
1 January 2015	–	22.5	412.4	203.4	454.4	1,092.7
Charge for the year	–	5.2	70.5	40.9	78.1	194.7
Disposals	–	(7.7)	(64.8)	(29.5)	(54.5)	(156.5)
Exchange adjustments	–	(0.8)	5.1	(5.9)	(9.1)	(10.7)
31 December 2015	–	19.2	423.2	208.9	468.9	1,120.2
Charge for the year	–	4.3	81.1	45.7	89.7	220.8
Disposals	–	(0.6)	(77.8)	(49.2)	(101.4)	(229.0)
Exchange adjustments	–	2.3	83.3	34.6	121.1	241.3
31 December 2016	**–**	**25.2**	**509.8**	**240.0**	**578.3**	**1,353.3**
Net book value:						
31 December 2016	**37.1**	**101.2**	**502.7**	**162.6**	**165.1**	**968.7**
31 December 2015	37.1	83.0	414.2	129.4	134.0	797.7
1 January 2015	37.1	87.8	372.3	131.3	144.0	772.5

At the end of the year, capital commitments contracted, but not provided for in respect of property, plant and equipment were £22.1 million (2015: £61.3 million).

14. Interests in associates, joint ventures and other investments

The movements in 2016 and 2015 were as follows:

	Net assets of associates and joint ventures £m	Goodwill and other intangibles of associates and joint ventures £m	Total associates and joint ventures £m	Other investments £m
1 January 2015	419.2	340.7	759.9	669.2
Additions	(18.7)	–	(18.7)	357.1
Goodwill arising on acquisition of new associates	–	124.8	124.8	–
Share of results of associate undertakings (note 4)	47.0	–	47.0	–
Dividends	(75.1)	–	(75.1)	–
Other movements	5.1	5.7	10.8	–
Exchange adjustments	(7.9)	(5.8)	(13.7)	18.9
Disposals	(46.7)	(1.6)	(48.3)	(13.8)
Reclassification from/(to) subsidiaries	11.2	(34.9)	(23.7)	–
Revaluation of other investments	–	–	–	206.0
Amortisation of other intangible assets	–	(4.4)	(4.4)	–
Write-downs	–	–	–	(78.7)
31 December 2015	334.1	424.5	758.6	1,158.7
Additions	(1.3)	–	(1.3)	233.5
Goodwill arising on acquisition of new associates	–	292.2	292.2	–
Share of results of associate undertakings (note 4)	49.8	–	49.8	–
Dividends	(60.4)	–	(60.4)	–
Other movements	(45.3)	52.4	7.1	–
Reclassification from other investments to associates	43.6	30.7	74.3	(74.3)
Exchange adjustments	61.6	50.1	111.7	170.4
Disposals	(12.7)	–	(12.7)	(3.4)
Reclassification to subsidiaries	(44.2)	(88.8)	(133.0)	(0.2)
Revaluation of other investments	–	–	–	(93.1)
Amortisation of other intangible assets	–	(5.1)	(5.1)	–
Goodwill impairment	–	(7.0)	(7.0)	–
Write-downs	(4.8)	–	(4.8)	(81.3)
31 December 2016	**320.4**	**749.0**	**1,069.4**	**1,310.3**

The investments included above as 'other investments' represent investments in equity securities that present the Group with opportunity for return through dividend income and trading gains. They have no fixed maturity or coupon rate. The fair values of the listed securities are based on quoted market prices. For unlisted securities, where market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate.

The carrying values of the Group's associates and joint ventures are reviewed for impairment in accordance with the Group's accounting policies.

The Group's principal associates and joint ventures at 31 December 2016 included:

	% owned	Country of incorporation
Asatsu-DK Inc.	24.6	Japan
Barrows Design and Manufacturing (Pty) Limited	35.0	South Africa
Chime Communications Ltd	24.9	UK
CTR Market Research Company Limited	46.0	China
CVSC Sofres Media Co Limited	40.0	China
GIIR Inc	30.0	Korea
Globant S.A.[1]	19.5	Argentina
Haworth Marketing & Media Company	49.0	USA
High Co SA	34.1	France
Imagina	23.5	Spain
Marktest Investimentos SGPS S.A.	43.1	Portugal
Smollan Holdings (Pty) Ltd	24.8	South Africa

Note

1 Although the Group holds less than 20% of Globant S.A, it is considered to be an associate as the Group exercises significant influence over the entity.

The market value of the Group's shares in its principal listed associate undertakings at 31 December 2016 was as follows: Asatsu-DK Inc: £202.9 million, GIIR Inc: £26.9 million, Globant SA: £180.7 million and High Co SA: £21.0 million (2015: Asatsu-DK Inc: £171.6 million, GIIR Inc: £25.2 million, Globant SA: £170.3 million and High Co SA: £27.2 million).

The carrying value (including goodwill and other intangibles) of these equity interests in the Group's consolidated balance sheet at 31 December 2016 was as follows: Asatsu-DK Inc: £134.5 million, GIIR Inc: £37.9 million, Globant SA: £78.5 million and High Co SA: £31.4 million (2015: Asatsu-DK Inc: £120.1 million, GIIR Inc: £30.4 million, Globant SA: £61.9 million and High Co SA: £28.6 million).

Where the market value of the Group's listed associates is less than the carrying value, an impairment review is performed utilising the discounted cash flow methodology discussed in note 12.

The Group's investments in its principal associate undertakings are represented by ordinary shares.

Summarised financial information

The following tables present a summary of the aggregate financial performance and net asset position of the Group's associate undertakings and joint ventures. These have been estimated and converted, where appropriate, to an IFRS presentation based on information provided by the relevant companies at 31 December 2016.

	2016 £m	2015 £m	2014 £m
Income statement			
Revenue	2,254.5	2,049.5	2,246.5
Operating profit	308.3	283.7	280.6
Profit before taxation	237.2	236.5	267.0
Profit for the year	156.7	162.0	183.0

	2016 £m	2015 £m	2014 £m
Balance sheet			
Assets	4,223.1	3,912.4	4,380.3
Liabilities	(1,900.0)	(1,906.2)	(1,823.9)
Net assets	2,323.1	2,006.2	2,556.4

The application of equity accounting is ordinarily discontinued when the investment is reduced to zero and additional losses are not provided for unless the Group has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

At the end of the year, capital commitments contracted, but not provided for in respect of interests in associates and other investments were £89.2 million (2015: £93.1 million).

15. Deferred tax

The Group's deferred tax assets and liabilities are measured at the end of each period in accordance with IAS 12 Income taxes. The recognition of deferred tax assets is determined by reference to the Group's estimate of recoverability, using models where appropriate to forecast future taxable profits.

Deferred tax assets have only been recognised for territories where the Group considers that it is probable there would be sufficient taxable profits for the future deductions to be utilised.

Based on available evidence, both positive and negative, we determine whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors that we consider include:

- the future earnings potential determined through the use of internal forecasts;
- the cumulative losses in recent years;
- the various jurisdictions in which the potential deferred tax assets arise;
- the history of losses carried forward and other tax assets expiring;
- the timing of future reversal of taxable temporary differences;
- the expiry period associated with the deferred tax assets; and
- the nature of the income that can be used to realise the deferred tax asset.

If it is probable that some portion of these assets will not be realised, then no asset is recognised in relation to that portion.

If market conditions improve and future results of operations exceed our current expectations, our existing recognised deferred tax assets may be adjusted, resulting in future tax benefits. Alternatively, if market conditions deteriorate further or future results of operations are less than expected, future assessments may result in a determination that some or all of the deferred tax assets are not realisable. As a result, all or a portion of the deferred tax assets may need to be reversed.

Certain deferred tax assets and liabilities have been offset as they relate to the same tax group. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Gross 2016 £m	Offset 2016 £m	As reported 2016 £m	Gross 2015 £m	Offset 2015 £m	As reported 2015 £m	Gross 2014[1] £m	Offset 2014[1] £m	As reported 2014[1] £m
Deferred tax assets	598.0	(457.6)	**140.4**	410.7	(316.6)	94.1	406.8	(298.0)	108.8
Deferred tax liabilities	(1,150.0)	457.6	**(692.4)**	(868.9)	316.6	(552.3)	(834.7)	298.0	(536.7)
	(552.0)	–	**(552.0)**	(458.2)	–	(458.2)	(427.9)	–	(427.9)

Note
[1] Comparative figures for 2014 have been restated to reduce both the deferred tax assets and the deferred tax liabilities, by a corresponding amount.

The following are the major gross deferred tax assets recognised by the Group and movements thereon in 2016 and 2015:

	Deferred compensation £m	Accounting provisions & accruals £m	Retirement benefit obligations £m	Property, plant & equipment £m	Tax losses & credits £m	Share-based payments £m	Restructuring provisions £m	Other temporary differences £m	Total £m
1 January 2015	45.5	51.5	106.4	41.4	48.1	71.5	20.4	22.0	406.8
(Charge)/credit to income	(5.8)	(2.9)	(12.0)	2.1	20.4	(3.3)	11.2	(5.1)	4.6
Charge to other comprehensive income	–	–	(5.2)	–	–	–	–	–	(5.2)
Credit to equity	–	–	–	–	–	6.4	–	–	6.4
Exchange differences	2.2	0.9	1.8	1.2	2.8	4.2	(0.5)	(0.3)	12.3
Transfer to current tax creditor	–	–	–	–	–	–	(14.2)	–	(14.2)
31 December 2015	41.9	49.5	91.0	44.7	71.3	78.8	16.9	16.6	410.7
Acquisition of subsidiaries	–	7.1	–	–	–	0.2	–	15.0	22.3
Credit/(charge) to income	39.5	8.5	28.3	19.2	6.2	(1.8)	(11.7)	7.7	95.9
Credit to other comprehensive income	–	–	1.8	–	–	–	–	–	1.8
Charge to equity	–	–	–	–	–	(15.0)	–	–	(15.0)
Exchange differences	14.2	15.5	20.3	6.9	12.2	13.6	0.7	(1.1)	82.3
31 December 2016	**95.6**	**80.6**	**141.4**	**70.8**	**89.7**	**75.8**	**5.9**	**38.2**	**598.0**

Other temporary differences comprise a number of items including tax deductible goodwill, none of which is individually significant to the Group's consolidated balance sheet.

In addition the Group has recognised the following gross deferred tax liabilities and movements thereon in 2016 and 2015:

	Brands and other intangibles £m	Associate earnings £m	Goodwill £m	Property, plant & equipment £m	Financial instruments £m	Other temporary differences £m	Total £m
1 January 2015	558.2	19.6	163.7	30.8	49.7	12.7	834.7
Acquisition of subsidiaries	73.4	–	–	–	–	0.4	73.8
(Credit)/charge to income	(44.2)	2.7	4.7	(1.6)	(1.8)	(2.4)	(42.6)
Exchange adjustments	(10.3)	0.2	8.3	1.7	2.8	0.3	3.0
31 December 2015	577.1	22.5	176.7	30.9	50.7	11.0	868.9
Acquisition of subsidiaries	114.8	–	–	–	–	–	114.8
(Credit)/charge to income	(51.3)	3.1	23.5	(0.4)	3.5	17.3	(4.3)
Charge to other comprehensive income	–	–	–	–	–	2.2	2.2
Exchange differences	115.3	2.7	32.3	5.7	9.8	2.6	168.4
31 December 2016	**755.9**	**28.3**	**232.5**	**36.2**	**64.0**	**33.1**	**1,150.0**

At the balance sheet date, the Group has gross tax losses and other temporary differences of £5,153.2 million (2015: £4,581.9 million) available for offset against future profits. Deferred tax assets have been recognised in respect of the tax benefit of £1,104.4 million (2015: £1,186.3 million) of such tax losses and other temporary differences. No deferred tax asset has been recognised in respect of the remaining £4,048.8 million (2015: £3,395.6 million) of losses and other temporary differences as the Group considers that there will not be enough taxable profits in the entities concerned such that any additional asset could be considered recoverable. Included in the total unrecognised temporary differences are losses of £42.4 million that will expire within 1–10 years, and £3,489.3 million of losses that may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of the temporary differences in relation to the investment in subsidiaries for which deferred tax liabilities have not been recognised was £3,270.8 million. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Group considers that it is probable that such differences will not reverse in the foreseeable future.

16. Inventory and work in progress

The following are included in the net book value of inventory and work in progress:

	2016 £m	2015 £m
Work in progress	**383.1**	315.1
Inventory	**17.3**	13.9
	400.4	329.0

17. Trade and other receivables

The following are included in trade and other receivables:

Amounts falling due within one year:

	2016 £m	2015 £m
Trade receivables (net of bad debt provision)	**8,054.2**	6,799.4
VAT and sales taxes recoverable	**157.2**	154.9
Prepayments	**310.0**	235.0
Accrued income	**3,353.8**	2,853.8
Fair value of derivatives	**14.7**	4.6
Other debtors	**484.6**	447.7
	12,374.5	10,495.4

The ageing of trade receivables and other financial assets is as follows:

2016	Carrying amount at 31 December 2016 £m	Neither past due nor impaired £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Trade receivables	8,054.2	5,545.6	1,611.0	683.6	156.6	37.2	20.2
Other financial assets	504.5	335.0	91.3	16.3	6.7	11.9	43.3
	8,558.7	5,880.6	1,702.3	699.9	163.3	49.1	63.5

2015	Carrying amount at 31 December 2015 £m	Neither past due nor impaired £m	0-30 days £m	31-90 days £m	91-180 days £m	181 days-1 year £m	Greater than 1 year £m
Trade receivables	6,799.4	4,290.7	1,704.0	631.9	133.0	35.4	4.4
Other financial assets	453.5	265.7	107.6	23.8	5.1	19.1	32.2
	7,252.9	4,556.4	1,811.6	655.7	138.1	54.5	36.6

Other financial assets are included in other debtors.

Past due amounts are not impaired where collection is considered likely.

Amounts falling due after more than one year:

	2016 £m	2015 £m
Prepayments	**3.7**	1.5
Accrued income	**9.5**	5.8
Fair value of derivatives	**8.3**	39.7
Other debtors	**183.4**	131.7
	204.9	178.7

Bad debt provisions:

	2016 £m	2015 £m
Balance at beginning of year	**85.4**	85.3
New acquisitions	**1.8**	1.0
Charged to operating costs	**15.5**	21.6
Exchange adjustments	**13.7**	0.2
Utilisations and other movements	**(22.6)**	(22.7)
Balance at end of year	**93.8**	85.4

The allowance for bad and doubtful debts is equivalent to 1.2% (2015: 1.2%) of gross trade accounts receivables.

The Group considers that the carrying amount of trade and other receivables approximates their fair value.

18. Trade and other payables: amounts falling due within one year

The following are included in trade and other payables falling due within one year:

	2016 £m	2015 £m
Trade payables	10,308.3	8,538.3
Deferred income	1,312.7	1,081.0
Payments due to vendors (earnout agreements)	277.5	126.0
Liabilities in respect of put option agreements with vendors	51.0	51.1
Fair value of derivatives	4.1	0.7
Other creditors and accruals	3,056.8	2,887.9
	15,010.4	12,685.0

The Group considers that the carrying amount of trade and other payables approximates their fair value.

19. Trade and other payables: amounts falling due after more than one year

The following are included in trade and other payables falling due after more than one year:

	2016 £m	2015 £m
Payments due to vendors (earnout agreements)	699.0	455.3
Liabilities in respect of put option agreements with vendors	246.0	183.3
Fair value of derivatives	1.8	2.3
Other creditors and accruals	327.0	250.6
	1,273.8	891.5

The Group considers that the carrying amount of trade and other payables approximates their fair value.

The following tables set out payments due to vendors, comprising deferred consideration and the directors' best estimates of future earnout-related obligations:

	2016 £m	2015 £m
Within one year	277.5	126.0
Between one and two years	220.1	104.9
Between two and three years	170.2	105.1
Between three and four years	176.6	110.9
Between four and five years	122.4	122.5
Over five years	9.7	11.9
	976.5	581.3

	2016 £m	2015 £m
At beginning of year	581.3	311.4
Earnouts paid (note 11)	(92.3)	(43.9)
New acquisitions	359.5	262.2
Revision of estimates taken to goodwill (note 12)	28.4	19.9
Revaluation of payments due to vendors (note 6)	11.6	35.6
Exchange adjustments	88.0	(3.9)
At end of year	976.5	581.3

As of 31 December 2016, the potential undiscounted amount of future payments that could be required under the earnout agreements for acquisitions completed in the current year and for all earnout agreements range from £nil to £453 million (2015: £nil to £378 million) and £nil to £2,108 million (2015: £nil to £1,645 million), respectively. The increase in the maximum potential undiscounted amount of future payments for all earnout agreements is due to earnout arrangements related to new acquisitions and exchange adjustments, partially offset by earnout arrangements that have completed and payments made on active arrangements during the year.

20. Bank overdrafts, bonds and bank loans

Amounts falling due within one year:

	2016 £m	2015 £m
Bank overdrafts	534.3	435.8
Corporate bonds and bank loans	468.2	496.2
	1,002.5	932.0

The Group considers that the carrying amount of bank overdrafts approximates their fair value.

Amounts falling due after more than one year:

	2016 £m	2015 £m
Corporate bonds and bank loans	5,564.9	4,661.2

The Group estimates that the fair value of corporate bonds is £6,101.4 million at 31 December 2016 (2015: £5,207.4 million). The Group considers that the carrying amount of bank loans approximates their fair value. The fair values of the corporate bonds are based on quoted market prices.

The corporate bonds, bank loans and overdrafts included within liabilities fall due for repayment as follows:

	2016 £m	2015 £m
Within one year	1,002.5	932.0
Between one and two years	208.0	413.6
Between two and three years	717.2	174.7
Between three and four years	195.7	440.6
Between four and five years	660.9	194.2
Over five years	3,783.1	3,438.1
	6,567.4	5,593.2

21. Provisions for liabilities and charges

The movements in 2016 and 2015 were as follows:

	Property £m	Other £m	Total £m
1 January 2015	44.5	121.9	166.4
Charged to the income statement	9.2	15.6	24.8
Acquisitions[1]	13.3	11.2	24.5
Utilised	(7.2)	(11.4)	(18.6)
Released to the income statement	(2.8)	(10.9)	(13.7)
Transfers	(3.0)	2.5	(0.5)
Exchange adjustments	(1.3)	2.0	0.7
31 December 2015	52.7	130.9	183.6
Charged to the income statement	5.8	14.5	20.3
Acquisitions[1]	11.1	3.9	15.0
Utilised	(14.7)	(18.1)	(32.8)
Released to the income statement	(2.9)	(3.7)	(6.6)
Transfers	(1.6)	14.6	13.0
Exchange adjustments	8.1	27.3	35.4
31 December 2016	**58.5**	**169.4**	**227.9**

Note

1 Acquisitions include £3.4 million (2015: £13.5 million) of provisions arising from revisions to fair value adjustments related to the acquisition of subsidiary undertakings that had been determined provisionally at the immediately preceding balance sheet date, as permitted by IFRS 3 Business Combinations.

Provisions comprise liabilities where there is uncertainty about the timing of settlement, but where a reliable estimate can be made of the amount. These include provisions for vacant space, sub-let losses and other property-related liabilities. Also included are other provisions, such as certain long-term employee benefits and legal claims, where the likelihood of settlement is considered probable.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings and claims will have a material adverse effect on the Group's financial position or on the results of its operations.

22. Share-based payments

Charges for share-based incentive plans were as follows:

	2016 £m	2015 £m	2014 £m
Share-based payments (note 5)	**106.5**	99.0	102.2

Share-based payments comprise charges for stock options and restricted stock awards to employees of the Group.

As of 31 December 2016, there was £175.9 million (2015: £162.0 million) of total unrecognised compensation cost related to the Group's restricted stock plans. That cost is expected to be recognised over an average period of one to two years.

Further information on stock options is provided in note 26.

Restricted stock plans

The Group operates a number of equity-settled share incentive schemes, in most cases satisfied by the delivery of stock from one of the Group's ESOP Trusts. The most significant current schemes are as follows:

Leadership Equity Acquisition Plan III (LEAP III)

Under LEAP III, the most senior executives of the Group, including certain Executive Directors, commit WPP shares ('investment shares') in order to have the opportunity to earn additional WPP shares ('matching shares'). The number of matching shares which a participant can receive at the end of the fixed performance period of five years is dependent on the performance (based on the Total Shareholder Return (TSR)) of the Company over that period against a comparator group of other listed communications services companies. The 2012 LEAP III plan vested in March 2017 at a match of 5.0 shares for each investment share, the maximum match possible. The last LEAP III award was granted in 2012 and no further awards will be made following the introduction of the EPSP.

Executive Performance Share Plan (EPSP)

The first grant of restricted stock under the EPSP was made in 2013. This scheme is intended to reward and incentivise the most senior executives of the Group and has effectively replaced LEAP III. The performance period is five complete financial years, commencing with the financial year in which the award is granted. The vest date will usually be in the March following the end of the five-year performance period. Vesting is conditional on continued employment throughout the vesting period.

There are three performance criteria, each constituting one-third of the vesting value, and each measured over this five-year period:
(i) TSR against a comparator group of companies. Threshold performance (equating to ranking in the 50th percentile of the comparator group) will result in 20% vesting of the part of the award dependent on TSR. The maximum vest of 100% will arise if performance ranks in the 90th percentile, with a sliding scale of vesting for performance between threshold and maximum.
(ii) Headline diluted earnings per share. Threshold performance (7% compound annual growth) will again result in a 20% vest. Maximum performance of 14% compound annual growth will give rise to a 100% vest, with a sliding vesting scale for performance between threshold and maximum.
(iii) Return on equity (ROE). Average annual ROE defined as headline diluted EPS divided by the balance sheet value per share of share owners' equity. Threshold performance of 10% average annual ROE and maximum performance of 14%, with a sliding scale in between. Threshold again gives rise to a 20% vest, with 100% for maximum.

Performance Share Awards (PSA)

Grants of restricted stock under PSA are dependent upon annual performance targets, typically based on one or more of: operating profit, profit before taxation and operating margin. Grants are made in the year following the year of performance measurement, and vest two years after grant date provided the individual concerned is continually employed by the Group throughout this time.

Leaders, Partners and High Potential Group

This scheme provides annual grants of restricted stock to well over 1,000 key executives of the Group. Vesting is conditional on continued employment over the three-year vesting period.

Valuation methodology

For all of these schemes, the valuation methodology is based upon fair value on grant date, which is determined by the market price on that date or the application of a Black-Scholes model, depending upon the characteristics of the scheme concerned. The assumptions underlying the Black-Scholes model are detailed in note 26, including details of assumed dividend yields. Market price on any given day is obtained from external, publicly available sources.

Market/non-market conditions

Most share-based plans are subject to non-market performance conditions, such as margin or growth targets, as well as continued employment. LEAP III and EPSP schemes are subject to a number of performance conditions, including TSR, a market-based condition.

For schemes without market-based performance conditions, the valuation methodology above is applied and, at each year end, the relevant accrual for each grant is revised, if appropriate, to take account of any changes in estimate of the likely number of shares expected to vest.

For schemes with market-based performance conditions, the probability of satisfying these conditions is assessed at grant date through a statistical model (such as the Monte Carlo Model) and applied to the fair value. This initial valuation remains fixed throughout the life of the relevant plan, irrespective of the actual outcome in terms of performance. Where a lapse occurs due to cessation of employment, the cumulative charge taken to date is reversed.

Movement on ordinary shares granted for significant restricted stock plans:

	Non-vested 1 January 2016 number m	Granted number m	Lapsed number m	Vested number m	Non-vested 31 December 2016 number m
LEAP III[1]	2.1	5.4	(0.1)	(6.6)	**0.8**
Executive Performance Share Plan (EPSP)	6.7	1.8	(0.5)	–	**8.0**
Performance Share Awards (PSA)	1.7	1.1	(0.1)	(1.5)	**1.2**
Leaders, Partners and High Potential Group	5.7	2.9	(0.4)	(1.8)	**6.4**
Weighted average fair value (pence per share):					
LEAP III[1]	749p	665p	860p	665p	**860p**
Executive Performance Share Plan (EPSP)	1,271p	1,705p	1,179p	–	**1,373p**
Performance Share Awards (PSA)	1,343p	1,490p	1,596p	1,225p	**1,596p**
Leaders, Partners and High Potential Group	1,401p	1,603p	1,410p	1,242p	**1,534p**

Note

1 The number of shares granted represents the matched shares awarded on vest date for the 2011 LEAP III plan which vested in March 2016. The actual number of shares that vest for each LEAP III plan is dependent on the extent to which the relevant performance criteria are satisfied.

The total fair value of shares vested for all the Group's restricted stock plans during the year ended 31 December 2016 was £116.8 million (2015: £111.7 million, 2014: £107.2 million).

23. Provision for post-employment benefits

Companies within the Group operate a large number of pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. The Group's pension costs are analysed as follows:

	2016 £m	2015 £m	2014 £m
Defined contribution plans	**153.5**	135.0	129.8
Defined benefit plans charge to operating profit	**24.6**	25.0	19.1
Pension costs (note 5)	**178.1**	160.0	148.9
Net interest expense on pension plans (note 6)	**6.7**	7.3	8.0
	184.8	167.3	156.9

Defined benefit plans

The pension costs are assessed in accordance with the advice of local independent qualified actuaries. The latest full actuarial valuations for the various pension plans were carried out at various dates in the last three years. These valuations have been updated by the local actuaries to 31 December 2016.

The Group's policy is to close existing defined benefit plans to new members. This has been implemented across a significant number of the pension plans.

Contributions to funded plans are determined in line with local conditions and practices. Contributions in respect of unfunded plans are paid as they fall due. The total contributions (for funded plans) and benefit payments (for unfunded plans) paid for 2016 amounted to £43.7 million (2015: £70.9 million, 2014: £68.2 million). Employer contributions and benefit payments in 2017 are expected to be approximately £70 million.

(a) Assumptions

There are a number of areas in pension accounting that involve judgments made by management based on advice of qualified advisors. These include establishing the discount rates, rates of increase in salaries and pensions in payment, inflation, and mortality assumptions. The main weighted average assumptions used for the actuarial valuations at 31 December are shown in the following table:

	2016 % pa	2015 % pa	2014 % pa	2013 % pa
UK				
Discount rate[1]	**2.5**	3.7	3.4	4.5
Rate of increase in salaries	**3.5**	3.1	3.1	3.6
Rate of increase in pensions in payment	**4.1**	3.9	3.9	4.2
Inflation	**2.8**	2.4	2.4	2.9
North America				
Discount rate[1]	**3.8**	4.0	3.7	4.5
Rate of increase in salaries	**3.1**	3.0	3.0	3.0
Inflation	**4.0**	2.5	2.5	2.5
Western Continental Europe				
Discount rate[1]	**1.7**	2.5	2.1	3.7
Rate of increase in salaries	**2.0**	2.3	2.2	2.4
Rate of increase in pensions in payment	**1.3**	1.6	2.0	2.0
Inflation	**1.7**	2.0	2.0	2.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe				
Discount rate[1]	**4.2**	4.2	4.2	4.4
Rate of increase in salaries	**5.9**	5.8	6.1	5.9
Inflation	**4.0**	4.0	3.9	4.5

Note

1 Discount rates are based on high-quality corporate bond yields. In countries where there is no deep market in corporate bonds, the discount rate assumption has been set with regard to the yield on long-term government bonds.

For the Group's pension plans, the plans' assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling balance sheet volatility and future contributions. Pension plan assets are invested with a number of investment managers, and assets are diversified among equities, bonds, insured annuities, property and cash or other liquid investments. The primary use of bonds as an investment class is to match the anticipated cash flows from the plans to pay pensions. The Group is invested in high-quality corporate and government bonds which share similar risk characteristics and are of equivalent currency and term to the plan liabilities. Various insurance policies have also been bought historically to provide a more exact match for the cash flows, including a match for the actual mortality of specific plan members. These insurance policies effectively provide protection against both investment fluctuations and longevity risks. The strategic target allocation varies among the individual plans.

Management considers the types of investment classes in which the pension plan assets are invested. The types of investment classes are determined by economic and market conditions and in consideration of specific asset class risk.

Management periodically commissions detailed asset and liability studies performed by third-party professional investment advisors and actuaries that generate probability-adjusted expected future returns on those assets. These studies also project the estimated future pension payments and evaluate the efficiency of the allocation of the pension plan assets into various investment categories.

At 31 December 2016, the life expectancies underlying the value of the accrued liabilities for the main defined benefit pension plans operated by the Group were as follows:

Years life expectancy after age 65	All plans	North America	UK	Western Continental Europe	Other[1]
– current pensioners (at age 65) – male	22.8	22.8	23.6	21.0	19.6
– current pensioners (at age 65) – female	24.5	24.4	24.8	24.2	24.8
– future pensioners (current age 45) – male	24.7	24.4	25.6	23.4	19.6
– future pensioners (current age 45) – female	26.5	26.0	27.0	26.6	24.8

Note

1 Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The life expectancies after age 65 at 31 December 2015 were 22.9 years and 24.7 years for male and female current pensioners (at age 65) respectively, and 24.8 years and 26.7 years for male and female future pensioners (current age 45), respectively.

In the determination of mortality assumptions, management uses the most up-to-date mortality tables available in each country.

The following table provides information on the weighted average duration of the defined benefit pension obligations and the distribution of the timing of benefit payments for the next 10 years. The duration corresponds to the weighted average length of the underlying cash flows.

	All plans	North America	UK	Western Continental Europe	Other[1]
Weighted average duration of the defined benefit obligation (years)	**12.5**	**9.3**	**13.8**	**17.1**	**9.1**
Expected benefit payments over the next 10 years (£m)					
Benefits expected to be paid within 12 months	71.4	43.4	17.1	8.1	2.8
Benefits expected to be paid in 2018	65.7	38.3	17.3	7.8	2.3
Benefits expected to be paid in 2019	66.5	37.9	17.4	8.4	2.8
Benefits expected to be paid in 2020	65.4	36.7	17.7	8.5	2.5
Benefits expected to be paid in 2021	65.7	35.1	18.2	8.9	3.5
Benefits expected to be paid in the next five years	315.5	150.5	95.2	49.5	20.3

Note

1 Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. This sensitivity analysis applies to the defined benefit obligation only and not to the net defined benefit pension liability in its entirety, the measurement of which is driven by a number of factors including, in addition to the assumptions below, the fair value of plan assets.

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant so that interdependencies between the assumptions are excluded. The methodology applied is consistent with that used to determine the recognised defined benefit obligation. The sensitivity analysis for inflation is not shown as it is an underlying assumption to build the pension and salary increase assumptions. Changing the inflation assumption on its own without changing the salary or pension assumptions will not result in a significant change in pension liabilities.

Sensitivity analysis of significant actuarial assumptions	Increase/(decrease) in benefit obligation 2016 £m	2015 £m
Discount rate		
Increase by 25 basis points		
UK	**(13.3)**	(10.9)
North America	**(10.9)**	(9.4)
Western Continental Europe	**(10.1)**	(7.8)
Other[1]	**(0.6)**	(0.5)
Decrease by 25 basis points		
UK	**14.1**	11.5
North America	**11.2**	9.7
Western Continental Europe	**10.6**	8.2
Other[1]	**0.6**	0.5
Rate of increase in salaries		
Increase by 25 basis points		
UK	**0.2**	0.2
North America	**–**	0.1
Western Continental Europe	**1.4**	1.3
Other[1]	**0.6**	0.5
Decrease by 25 basis points		
UK	**(0.2)**	(0.1)
North America	**–**	–
Western Continental Europe	**(1.4)**	(1.3)
Other[1]	**(0.6)**	(0.5)
Rate of increase in pensions in payment		
Increase by 25 basis points		
UK	**2.3**	2.1
Western Continental Europe	**6.8**	5.3
Decrease by 25 basis points		
UK	**(2.3)**	(2.0)
Western Continental Europe	**(6.4)**	(5.0)
Life expectancy		
Increase in longevity by one additional year		
UK	**17.7**	13.3
North America	**6.2**	5.1
Western Continental Europe	**7.4**	5.6
Other[1]	**–**	–

Note
1 Includes Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.

(b) Assets and liabilities
At 31 December, the fair value of the assets in the pension plans, and the assessed present value of the liabilities in the pension plans are shown in the following table:

	2016 £m	%	2015 £m	%	2014 £m	%
Equities	**161.9**	**17.3**	132.5	16.3	151.1	17.8
Bonds	**566.0**	**60.6**	479.5	58.9	496.2	58.4
Insured annuities	**63.5**	**6.8**	60.5	7.4	68.0	8.0
Property	**1.6**	**0.2**	1.5	0.2	1.4	0.2
Cash	**44.9**	**4.8**	65.1	8.0	52.2	6.1
Other	**96.3**	**10.3**	75.1	9.2	80.6	9.5
Total fair value of assets	**934.2**	**100.0**	814.2	100.0	849.5	100.0
Present value of liabilities	**(1,209.8)**		(1,039.9)		(1,144.8)	
Deficit in the plans	**(275.6)**		(225.7)		(295.3)	
Irrecoverable surplus	**(0.9)**		(3.6)		(0.9)	
Net liability[1]	**(276.5)**		(229.3)		(296.2)	
Plans in surplus	**28.0**		31.4		17.2	
Plans in deficit	**(304.5)**		(260.7)		(313.4)	

Note
1 The related deferred tax asset is discussed in note 15.

All plan assets have quoted prices in active markets with the exception of insured annuities and other assets.

Surplus/(deficit) in plans by region	2016 £m	2015 £m	2014 £m
UK	**20.0**	30.9	11.4
North America	**(133.8)**	(123.4)	(150.1)
Western Continental Europe	**(116.9)**	(97.4)	(126.2)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(44.9)**	(35.8)	(30.4)
Deficit in the plans	**(275.6)**	(225.7)	(295.3)

Some of the Group's defined benefit plans are unfunded (or largely unfunded) by common custom and practice in certain jurisdictions. In the case of these unfunded plans, the benefit payments are made as and when they fall due. Pre-funding of these plans would not be typical business practice.

The following table shows the split of the deficit at 31 December between funded and unfunded pension plans.

	2016 Surplus/ (deficit) £m	2016 Present value of liabilities £m	2015 Surplus/ (deficit) £m	2015 Present value of liabilities £m	2014 Surplus/ (deficit) £m	2014 Present value of liabilities £m
Funded plans by region						
UK	**20.0**	**(406.4)**	30.9	(352.6)	11.4	(385.8)
North America	**(56.0)**	**(420.4)**	(45.5)	(364.5)	(70.6)	(402.5)
Western Continental Europe	**(48.9)**	**(180.9)**	(42.3)	(143.9)	(67.8)	(178.4)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(5.8)**	**(17.2)**	(4.9)	(15.0)	(5.4)	(15.2)
Deficit/liabilities in the funded plans	**(90.7)**	**(1,024.9)**	(61.8)	(876.0)	(132.4)	(981.9)
Unfunded plans by region						
UK	**–**	**–**	–	–	–	–
North America	**(77.8)**	**(77.8)**	(77.9)	(77.9)	(79.5)	(79.5)
Western Continental Europe	**(68.0)**	**(68.0)**	(55.1)	(55.1)	(58.4)	(58.4)
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	**(39.1)**	**(39.1)**	(30.9)	(30.9)	(25.0)	(25.0)
Deficit/liabilities in the unfunded plans	**(184.9)**	**(184.9)**	(163.9)	(163.9)	(162.9)	(162.9)
Deficit/liabilities in the plans	**(275.6)**	**(1,209.8)**	(225.7)	(1,039.9)	(295.3)	(1,144.8)

In accordance with IAS 19, plans that are wholly or partially funded are considered funded plans.

(c) Pension expense

The following table shows the breakdown of the pension expense between amounts charged to operating profit, amounts charged to finance costs and amounts recognised in the consolidated statement of comprehensive income (OCI):

	2016 £m	2015 £m	2014 £m
Service cost[1]	**22.4**	23.0	17.3
Administrative expenses	**2.2**	2.0	1.8
Charge to operating profit	**24.6**	25.0	19.1
Net interest expense on pension plans	**6.7**	7.3	8.0
Charge to profit before taxation for defined benefit plans	**31.3**	32.3	27.1
Return on plan assets (excluding interest income)	**66.3**	(31.7)	68.9
Changes in demographic assumptions underlying the present value of the plan liabilities	**6.7**	13.8	(12.3)
Changes in financial assumptions underlying the present value of the plan liabilities	**(92.6)**	55.4	(141.4)
Experience gain/(loss) arising on the plan liabilities	**1.0**	(1.3)	(1.8)
Change in irrecoverable surplus	**2.7**	(2.7)	–
Actuarial (loss)/gain recognised in OCI	**(15.9)**	33.5	(86.6)

Note

1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

(d) Movement in plan liabilities

The following table shows an analysis of the movement in the pension plan liabilities for each accounting period:

	2016 £m	2015 £m	2014 £m
Plan liabilities at beginning of year	**1,039.9**	1,144.8	972.8
Service cost[1]	**22.4**	23.0	17.3
Interest cost	**37.2**	34.6	40.7
Actuarial (gain)/loss			
Effect of changes in demographic assumptions	**(6.7)**	(13.8)	12.3
Effect of changes in financial assumptions	**92.6**	(55.4)	141.4
Effect of experience adjustments	**(1.0)**	1.3	1.8
Benefits paid	**(92.4)**	(112.6)	(57.7)
Loss due to exchange rate movements	**124.2**	13.4	14.8
Settlement payments	**(4.8)**	–	–
Other[2]	**(1.6)**	4.6	1.4
Plan liabilities at end of year	**1,209.8**	1,039.9	1,144.8

Notes

1 Includes current service cost, past service costs related to plan amendments and (gain)/loss on settlements and curtailments.

2 Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

(e) Movement in plan assets

The following table shows an analysis of the movement in the pension plan assets for each accounting period:

	2016 £m	2015 £m	2014 £m
Fair value of plan assets at beginning of year	**814.2**	849.5	726.2
Interest income on plan assets	**30.5**	27.3	32.7
Return on plan assets (excluding interest income)	**66.3**	(31.7)	68.9
Employer contributions	**43.7**	70.9	68.2
Benefits paid	**(92.4)**	(112.6)	(57.7)
Gain due to exchange rate movements	**78.8**	12.4	12.6
Settlement payments	**(4.8)**	–	–
Administrative expenses	**(2.2)**	(2.0)	(1.8)
Other[1]	**0.1**	0.4	0.4
Fair value of plan assets at end of year	**934.2**	814.2	849.5
Actual return on plan assets	**96.8**	(4.4)	101.6

Note

1 Other includes acquisitions, disposals, plan participants' contributions and reclassifications. The reclassifications represent certain of the Group's defined benefit plans which are included in this note for the first time in the periods presented.

24. Risk management policies

Foreign currency risk

The Group's results in pounds sterling are subject to fluctuation as a result of exchange rate movements. The Group does not hedge this translation exposure to its earnings but does hedge the currency element of its net assets using foreign currency borrowings, cross-currency swaps and forward foreign exchange contracts.

The Group effects these currency net asset hedges by borrowing in the same currencies as the operating (or 'functional') currencies of its main operating units. The majority of the Group's debt is therefore denominated in US dollars, pounds sterling and euros. The Group's borrowings at 31 December 2016 were primarily made up of $2,862 million, £1,000 million and €2,952 million. The Group's average gross debt during the course of 2016 was $3,182 million, £781 million and €3,132 million.

The Group's operations conduct the majority of their activities in their own local currency and consequently the Group has no significant transactional foreign exchange exposures arising from its operations. Any significant cross-border trading exposures are hedged by the use of forward foreign-exchange contracts. No speculative foreign exchange trading is undertaken.

Interest rate risk

The Group is exposed to interest rate risk on both interest-bearing assets and interest-bearing liabilities. The Group has a policy of actively managing its interest rate risk exposure while recognising that fixing rates on all its debt eliminates the possibility of benefiting from rate reductions and similarly, having all its debt at floating rates unduly exposes the Group to increases in rates.

Including the effect of interest rate and cross-currency swaps, 54.2% of the year-end US dollar debt is at fixed rates averaging 4.62% for an average period of 212 months; 80.0% of the sterling debt is at a fixed rate of 4.53% for an average period of 193 months; and 100% of the euro debt is at fixed rates averaging 1.85% for an average period of 93 months.

Other than fixed rate debt, the Group's other fixed rates are achieved principally through interest rate swaps with the Group's bankers. The Group also uses forward rate agreements and interest rate caps to manage exposure to interest rate changes. At 31 December 2016 no forward rate agreements or interest rate caps were in place. These interest rate derivatives are used only to hedge exposures to interest rate movements arising from the Group's borrowings and surplus cash balances arising from its commercial activities and are not traded independently. Payments made under these instruments are accounted for on an accruals basis.

Going concern and liquidity risk

In considering going concern and liquidity risk, the directors have reviewed the Group's future cash requirements and earnings projections. The directors believe these forecasts have been prepared on a prudent basis and have also considered the impact of a range of potential changes to trading performance. The directors have concluded that the Group should be able to operate within its current facilities and comply with its banking covenants for the foreseeable future and therefore believe it is appropriate to prepare the financial statements of the Group on a going concern basis.

At 31 December 2016, the Group has access to £8.2 billion of committed facilities with maturity dates spread over the years 2017 to 2046 as illustrated below:

	£m	2017 £m	2018 £m	2019 £m	2020 £m	2021+ £m
£ bonds £400m (2.875% '46)	**400.0**					400.0
US bond $500m (5.625% '43)	**405.0**					405.0
US bond $300m (5.125% '42)	**243.0**					243.0
Eurobonds €600m (1.625% '30)	**512.6**					512.6
Eurobonds €750m (2.25% '26)	**640.8**					640.8
US bond $750m (3.75% '24)	**607.5**					607.5
Eurobonds €750m (3.0% '23)	**640.8**					640.8
US bond $500m (3.625% '22)	**405.0**					405.0
US bond $812m (4.75% '21)	**658.0**					658.0
Bank revolver ($2,500m)	**2,025.1**					2,025.1
£ bonds £200m (6.375% '20)	**200.0**				200.0	
Eurobonds €600m (0.75% '19)	**512.6**			512.6		
Bank revolver (A$520m)	**304.0**			304.0		
Eurobonds €252m (0.43% '18)	**215.3**		215.3			
£ bonds £400m (6.0% '17)	**400.0**	400.0				
Total committed facilities available	**8,169.7**	**400.0**	**215.3**	**816.6**	**200.0**	**6,537.8**
Drawn down facilities at 31 December 2016	**6,047.4**	400.0	215.3	719.4	200.0	4,512.7
Undrawn committed credit facilities	**2,122.3**					
Drawn down facilities at 31 December 2016	**6,047.4**					
Net cash at 31 December 2016	**(1,902.6)**					
Other adjustments	**(14.3)**					
Net debt at 31 December 2016	**4,130.5**					

Given the strong cash generation of the business, its debt maturity profile and available facilities, the directors believe the Group has sufficient liquidity to match its requirements for the foreseeable future.

Treasury activities
Treasury activity is managed centrally from London, New York and Hong Kong, and is principally concerned with the monitoring of working capital, managing external and internal funding requirements and the monitoring and management of financial market risks, in particular interest rate and foreign exchange exposures.

The treasury operation is not a profit centre and its activities are carried out in accordance with policies approved by the Board of Directors and subject to regular review and audit.

The Group manages liquidity risk by ensuring continuity and flexibility of funding even in difficult market conditions. Undrawn committed borrowing facilities are maintained in excess of peak net-borrowing levels and debt maturities are closely monitored. Targets for average net debt are set on an annual basis and, to assist in meeting this, working capital targets are set for all the Group's major operations.

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 10, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and in notes 26 and 27.

Credit risk
The Group's principal financial assets are cash and short-term deposits, trade and other receivables and investments, the carrying values of which represent the Group's maximum exposure to credit risk in relation to financial assets, as shown in note 25.

The Group's credit risk is primarily attributable to its trade receivables. The majority of the Group's trade receivables are due from large national or multinational companies where the risk of default is considered low. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. A relatively small number of clients make up a significant percentage of the Group's debtors, but no single client represents more than 5% of total trade receivables as at 31 December 2016.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or banks that have been financed by their government.

A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's clients generally are able to reduce advertising and marketing spending or cancel projects at any time for any reason. There can be no assurance that any of the Group's clients will continue to utilise the Group's services to the same extent, or at all, in the future. A significant reduction in advertising and marketing spending by, or the loss of one or more of, the Group's largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Group's prospects, business, financial condition and results of operations.

Sensitivity analysis
The following sensitivity analysis addresses the effect of currency and interest rate risks on the Group's financial instruments. The analysis assumes that all hedges are highly effective.

Currency risk
At 31 December 2016, the Group's major foreign currency denominated borrowings are held in individual entities with the same financial reporting currencies as borrowings. Therefore a weakening or strengthening of sterling against the Group's major currencies would not result in any gains or losses. In 2015, a 10% weakening of sterling would have resulted in a £40.8m loss being posted directly to equity. These losses would arise on the retranslation of foreign currency denominated borrowings and derivatives designated as effective net investment hedges of overseas net assets. These losses would have been partially offset in equity by a corresponding gain arising on the retranslation of the related hedged foreign currency net assets. A 10% strengthening of sterling would have an equal and opposite effect.

Interest rate risk
A one percentage point increase in market interest rates for all currencies in which the Group had cash and borrowings at 31 December 2016 would increase profit before tax by approximately £4.5 million (2015: £7.9 million). A one percentage decrease in market interest rates would have an equal and opposite effect. This has been calculated by applying the interest rate change to the Group's variable rate cash and borrowings.

25. Financial instruments

Currency derivatives
The Group utilises currency derivatives to hedge significant future transactions and cash flows and the exchange risk arising on translation of the Group's investments in foreign operations. The Group is a party to a variety of foreign currency derivatives in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

During 2016, the Group held no currency derivatives. In 2015, the amounts taken to and deferred in equity during the year for currency derivatives that are designated and effective hedges was a charge of £73.5 million for cash flow hedges. In 2015 and 2014, changes in the fair value relating to the ineffective portion of the currency derivatives amounted to a gain of £3.2 million and £23.0 million respectively which is included in the revaluation of financial instruments for the year.

The Group designates its foreign currency-denominated debt and cross-currency swaps as hedging instruments against the currency risk associated with the translation of its foreign operations.

At the balance sheet date, the total nominal amount of outstanding forward foreign exchange contracts not designated as hedges was £122.0 million (2015: £86.5 million). The Group estimates the fair value of these contracts to be a net asset of £0.1 million (2015: £3.9 million).

These arrangements are designed to address significant exchange exposure and are renewed on a revolving basis as required.

Interest rate swaps
The Group uses interest rate swaps as hedging instruments in fair value hedges to manage its exposure to interest rate movements on its borrowings. Contracts with a nominal value of $500 million have fixed interest receipts of 3.63% until September 2022 and have floating interest payments averaging LIBOR plus 1.52%. Contracts with a nominal value of $812 million have fixed interest receipts of 4.75% until November 2021 and have floating rate payments averaging LIBOR plus 2.17% (set in arrears). Contracts with a nominal value of £200 million have fixed interest receipts of 6.00% up until April 2017 and have floating rate payments averaging LIBOR plus 0.64%. Contracts with a nominal value of A$30 million have fixed interest receipts of 2.59% until December 2017 and have floating rate payments based on the Australian bank bill swap bid rate (BBSY). Contracts with a nominal value of A$30 million have fixed interest rate receipts of 2.85% until August 2017 and have floating rate payments based on the Australian bank bill swap reference rate (BBSW).

The fair value of interest rate swaps entered into at 31 December 2016 is estimated to be a net asset of approximately £17.0 million (2015: £37.4 million). These amounts are based on market values of equivalent instruments at the balance sheet date, comprising £20.0 million (2015: £39.7 million) assets included in trade and other receivables and £3.0 million (2015: £2.3 million) liabilities included in trade and other payables.

Changes in the fair value relating to the ineffective portion of interest rate swaps amounted to a loss of £5.2 million (2015: loss of £6.8 million, 2014: gain of £5.3 million) which is included in the revaluation of financial instruments for the year. This loss resulted from a £19.3 million loss on hedging instruments and a £14.1 million gain on hedged items.

An analysis of the Group's financial assets and liabilities by accounting classification is set out below:

	Derivatives in designated hedge relationships £m	Held for trading £m	Loans & receiv-ables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2016						
Other investments	–	–	–	1,310.3	–	1,310.3
Cash and short-term deposits	–	–	2,436.9	–	–	2,436.9
Bank overdrafts and loans	–	–	–	–	(1,002.5)	(1,002.5)
Bonds and bank loans	–	–	–	–	(5,564.9)	(5,564.9)
Trade and other receivables: amounts falling due within one year	–	–	8,468.8	–	–	8,468.8
Trade and other receivables: amounts falling due after more than one year	–	–	89.9	–	–	89.9
Trade and other payables: amounts falling due within one year	–	–	–	–	(10,398.9)	(10,398.9)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(8.4)	(8.4)
Derivative assets	20.0	3.0	–	–	–	23.0
Derivative liabilities	(3.0)	(2.9)	–	–	–	(5.9)
Payments due to vendors (earnout agreements) (note 19)	–	(976.5)	–	–	–	(976.5)
Liabilities in respect of put options	–	(297.0)	–	–	–	(297.0)
	17.0	**(1,273.4)**	**10,995.6**	**1,310.3**	**(16,974.7)**	**(5,925.2)**

	Derivatives in designated hedge relationships £m	Held for trading £m	Loans & receiv-ables £m	Available for sale £m	Amortised cost £m	Carrying value £m
2015						
Other investments	–	–	–	1,158.7	–	1,158.7
Cash and short-term deposits	–	–	2,382.4	–	–	2,382.4
Bank overdrafts and loans	–	–	–	–	(932.0)	(932.0)
Bonds and bank loans	–	–	–	–	(4,661.2)	(4,661.2)
Trade and other receivables: amounts falling due within one year	–	–	7,184.4	–	–	7,184.4
Trade and other receivables: amounts falling due after more than one year	–	–	68.5	–	–	68.5
Trade and other payables: amounts falling due within one year	–	–	–	–	(8,595.5)	(8,595.5)
Trade and other payables: amounts falling due after more than one year	–	–	–	–	(5.3)	(5.3)
Derivative assets	39.7	4.6	–	–	–	44.3
Derivative liabilities	(2.3)	(0.7)	–	–	–	(3.0)
Payments due to vendors (earnout agreements) (note 19)	–	(581.3)	–	–	–	(581.3)
Liabilities in respect of put options	–	(234.4)	–	–	–	(234.4)
	37.4	(811.8)	9,635.3	1,158.7	(14,194.0)	(4,174.4)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £m	Level 2 £m	Level 3 £m
2016			
Derivatives in designated hedge relationships			
Derivative assets	–	20.0	–
Derivative liabilities	–	(3.0)	–
Held for trading			
Derivative assets	–	3.0	–
Derivative liabilities	–	(2.9)	–
Payments due to vendors (earnout agreements) (note 19)	–	–	(976.5)
Liabilities in respect of put options	–	–	(297.0)
Available for sale			
Other investments	429.3	–	881.0

	Level 1 £m	Level 2 £m	Level 3 £m
2015			
Derivatives in designated hedge relationships			
Derivative assets	–	39.7	–
Derivative liabilities	–	(2.3)	–
Held for trading			
Derivative assets	–	4.6	–
Derivative liabilities	–	(0.7)	–
Payments due to vendors (earnout agreements) (note 19)	–	–	(581.3)
Liabilities in respect of put options	–	–	(234.4)
Available for sale			
Other investments	311.4	–	847.3

Reconciliation of level 3 fair value measurements[1]:

	Liabilities in respect of put options £m	Other investments £m
1 January 2015	(184.9)	534.4
Losses recognised in the income statement	(11.3)	(2.2)
Gain recognised in other comprehensive income	–	196.4
Exchange adjustments	21.4	13.3
Additions	(86.8)	113.5
Disposals	–	(8.1)
Cancellations	25.3	–
Settlements	1.9	–
31 December 2015	(234.4)	847.3
Losses recognised in the income statement	(17.2)	(1.6)
Gain recognised in other comprehensive income	–	(105.6)
Exchange adjustments	(47.4)	112.9
Additions	(42.9)	105.7
Disposals	–	(3.4)
Reclassifications from other investments to interests in associates	–	(74.3)
Settlements	44.9	–
31 December 2016	**(297.0)**	**881.0**

Note
1 The reconciliation of payments due to vendors (earnout agreements) is presented in note 19.

The fair values of financial assets and liabilities are based on quoted market prices where available. Where the market value is not available, the Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate.

Payments due to vendors and liabilities in respect of put options
Future anticipated payments due to vendors in respect of contingent consideration (earnout agreements) are recorded at fair value, which is the present value of the expected cash outflows of the obligations. Liabilities in respect of put option agreements are initially recorded at the present value of the redemption amount in accordance with IAS 32 and subsequently measured at fair value in accordance with IAS 39. Both types of obligations are dependent on the future financial performance of the entity and it is assumed that future profits are in line with directors' estimates. The directors derive their estimates from internal business plans together with financial due diligence performed in connection with the acquisition. At 31 December 2016, the weighted average growth rate in estimating future financial performance was 25.0% (2015: 20.3%), which reflects the prevalence of recent acquisitions in the faster-growing markets and new media sectors. The risk adjusted discount rate applied to these obligations at 31 December 2016 was 1.5% (2015: 1.7%).

A one percentage point increase or decrease in the growth rate in estimated future financial performance would increase or decrease the combined liabilities due to earnout agreements and put options by approximately £13.4 million (2015: £11.9 million) and £17.9 million (2015: £19.0 million), respectively. A 0.5 percentage point increase or decrease in the risk adjusted discount rate would decrease or increase the combined liabilities by approximately £16.0 million (2015: £11.6 million) and £16.4 million (2015: £11.9 million), respectively. An increase in the liability would result in a loss in the revaluation of financial instruments, while a decrease would result in a gain.

Other investments
The fair value of other investments included in level 1 are based on quoted market prices. Other investments included in level 3 are unlisted securities, where market value is not readily available. The Group has estimated relevant fair values on the basis of publicly available information from outside sources or on the basis of discounted cash flow models where appropriate. The sensitivity to changes in unobservable inputs is specific to each individual investment.

26. Authorised and issued share capital

	Equity ordinary shares	Nominal value £m
Authorised		
1 January 2015	1,750,000,000	175.0
31 December 2015	1,750,000,000	175.0
31 December 2016	**1,750,000,000**	**175.0**
Issued and fully paid		
1 January 2015	1,325,747,724	132.6
Exercise of share options	3,618,300	0.3
31 December 2015	1,329,366,024	132.9
Exercise of share options	2,514,706	0.3
31 December 2016	**1,331,880,730**	**133.2**

Company's own shares
The Company's holdings of own shares are stated at cost and represent shares held in treasury and purchases by the Employee Share Ownership Plan ('ESOP') trusts of shares in WPP plc for the purpose of funding certain of the Group's share-based incentive plans, details of which are disclosed in the Compensation Committee report on pages 145 to 158.

The trustees of the ESOP purchase the Company's ordinary shares in the open market using funds provided by the Company. The Company also has an obligation to make regular contributions to the ESOP to enable it to meet its administrative costs. The number and market value of the ordinary shares of the Company held by the ESOP at 31 December 2016 was 13,857,706 (2015: 17,154,359), and £251.7 million (2015: £268.1 million) respectively. The number and market value of ordinary shares held in treasury at 31 December 2016 was 51,026,358 (2015: 34,619,468) and £926.6 million (2015: £541.1 million) respectively.

Share options

WPP Executive Share Option Scheme
As at 31 December 2016, unexercised options over ordinary shares of 6,741 and unexercised options over ADRs of 422 have been granted under the WPP Executive Share Option Scheme as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
3,696	8.333	2015-2022
3,045	10.595	2016-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
422	59.170	2011-2018

WPP Worldwide Share Ownership Program

As at 31 December 2016, unexercised options over ordinary shares of 4,447,052 and unexercised options over ADRs of 672,573 have been granted under the WPP Worldwide Share Ownership Program as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
2,750	4.819	2011-2018
50,250	5.483	2012-2019
26,500	5.483	2013-2019
1,750	5.608	2012-2019
1,200	5.913	2011-2018
875	5.917	2011-2018
24,425	6.028	2011-2018
8,875	6.268	2014-2018
158,050	6.268	2014-2021
64,125	6.268	2015-2021
125	6.668	2009-2017
1,300	7.005	2010-2017
750	7.113	2013-2017
102,050	7.113	2013-2020
41,500	7.113	2014-2020
500	7.478	2011-2017
4,500	7.543	2014-2020
9,050	7.718	2010-2017
390,820	8.458	2015-2022
75,000	13.145	2017-2021
2,472,576	13.145	2017-2024
5,625	13.145	2018-2024
970,706	13.505	2016-2023
33,750	13.505	2017-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
19,610	44.560	2012-2019
46,650	49.230	2014-2021
30,495	56.560	2013-2020
12,270	59.500	2011-2018
71,134	67.490	2015-2022
4,915	75.760	2010-2017
266,516	102.670	2017-2024
220,983	110.760	2016-2023

WPP Share Option Plan 2015

As at 31 December 2016, unexercised options over ordinary shares of 6,599,650 and unexercised options over ADRs of 734,760 have been granted under the WPP Share Option Plan 2015 as follows:

Number of ordinary shares under option	Exercise price per share (£)	Exercise dates
102,625	15.150	2018-2022
2,878,700	15.150	2018-2025
6,875	15.150	2019-2025
3,591,825	17.055	2019-2026
19,625	17.055	2019-2023

Number of ADRs under option	Exercise price per ADR ($)	Exercise dates
417,770	105.490	2020-2026
316,990	115.940	2018-2025

The aggregate status of the WPP Share Option Plans during 2016 was as follows:

Movements on options granted (represented in ordinary shares)

	1 January 2016	Granted	Exercised	Lapsed	Outstanding 31 December 2016	Exercisable 31 December 2016
WPP	22,473	–	(12,842)	(780)	8,851	8,851
WWOP	11,881,717	–	(2,488,979)	(1,582,821)	7,809,917	3,890,386
WSOP	5,678,475	5,776,275	(5,700)	(1,175,600)	10,273,450	–
24/7	9,420	–	(7,185)	(2,235)	–	–
	17,592,085	5,776,275	(2,514,706)	(2,761,436)	18,092,218	3,899,237

Weighted-average exercise price for options over

	1 January 2016	Granted	Exercised	Lapsed	Outstanding 31 December 2016	Exercisable 31 December 2016
Ordinary shares (£)						
WPP	7.950	–	6.679	–	9.355	9.355
WWOP	11.859	–	11.137	12.475	12.059	10.542
WSOP	15.150	17.055	–	15.243	16.192	–
ADRs ($)						
WPP	66.270	–	69.387	63.900	59.170	59.170
WWOP	90.449	–	61.647	96.402	93.131	86.871
WSOP	115.940	105.490	–	115.006	109.998	–
24/7	57.635	–	56.688	60.679	–	–

Options over ordinary shares
Outstanding

Range of exercise prices £	Weighted average exercise price £	Weighted average contractual life Months
4.819 – 17.055	14.525	87

Options over ADRs
Outstanding

Range of exercise prices $	Weighted average exercise price $	Weighted average contractual life Months
44.56 – 115.94	101.925	95

As at 31 December 2016 there was £9.9 million (2015: £10.4 million) of total unrecognised compensation cost related to share options. That cost is expected to be recognised over a weighted average period of 20 months (2015: 20 months).

Share options are satisfied out of newly issued shares.

The weighted average fair value of options granted in the year calculated using the Black-Scholes model was as follows:

	2016	2015	2014
Fair value of UK options (shares)	**135.0p**	144.0p	155.0p
Fair value of US options (ADRs)	**$9.94**	$11.34	$12.23
Weighted average assumptions:			
UK Risk-free interest rate	**0.44%**	1.04%	1.12%
US Risk-free interest rate	**1.60%**	1.45%	1.28%
Expected life (months)	**48**	48	48
Expected volatility	**16%**	17%	20%
Dividend yield	**2.8%**	2.8%	2.8%

Options are issued at an exercise price equal to market value on the date of grant.

The average share price of the Group for the year ended 31 December 2016 was £16.45 (2015: £14.74, 2014: £12.65) and the average ADR price for the same period was $111.20 (2015: $112.88, 2014: $104.21).

Expected volatility is sourced from external market data and represents the historic volatility in the Group's share price over a period equivalent to the expected option life.

Expected life is based on a review of historic exercise behaviour in the context of the contractual terms of the options, as described in more detail below.

Terms of share option plans
In 2015, the Group introduced the Share Option Plan 2015 to replace both the 'all-employee' Worldwide Share Ownership Plan and the discretionary Executive Stock Option Plan. Two kinds of options over ordinary shares can be granted, both with a market value exercise price. Firstly, options can be granted to employees who have worked at a company owned by WPP plc for at least two years which are not subject to performance conditions. Secondly, options may be granted on a discretionary basis subject to the satisfaction of performance conditions.

The Worldwide Share Ownership Program was open for participation to employees with at least two years' employment in the Group. It was not available to those participating in other share-based incentive programs or to Executive Directors. The vesting period for each grant is three years and there are no performance conditions other than continued employment with the Group.

The Executive Stock Option Plan has historically been open for participation to WPP Group Leaders, Partners and High Potential Group. It is not currently offered to parent company Executive Directors. The vesting period is three years and performance conditions include achievement of various TSR (Total Shareholder Return) and EPS (Earnings Per Share) objectives, as well as continued employment.

The Group grants stock options with a life of 10 years, including the vesting period. The terms of stock options with performance conditions are such that if, after nine years and eight months, the performance conditions have not been met, then the stock option will vest automatically.

27. Other reserves

Other reserves comprise the following:

	Capital redemption reserve £m	Equity reserve £m	Revaluation reserve £m	Translation reserve £m	Total other reserves £m
1 January 2015	2.7	(246.2)	158.4	121.3	36.2
Exchange adjustments on foreign currency net investments	–	–	–	(272.9)	(272.9)
Gain on revaluation of available for sale investments	–	–	206.0	–	206.0
Recognition and remeasurement of financial instruments	–	(59.0)	–	–	(59.0)
Share purchases – close period commitments	–	80.0	–	–	80.0
31 December 2015	2.7	(225.2)	364.4	(151.6)	(9.7)
Exchange adjustments on foreign currency net investments	–	–	–	1,309.9	1,309.9
Loss on revaluation of available for sale investments	–	–	(93.1)	–	(93.1)
Recognition and remeasurement of financial instruments	–	(21.9)	–	–	(21.9)
31 December 2016	**2.7**	**(247.1)**	**271.3**	**1,158.3**	**1,185.2**

28. Acquisitions

The Group accounts for acquisitions in accordance with IFRS 3 Business Combinations. IFRS 3 requires the acquiree's identifiable assets, liabilities and contingent liabilities (other than non-current assets or disposal groups held for sale) to be recognised at fair value at acquisition date. In assessing fair value at acquisition date, management make their best estimate of the likely outcome where the fair value of an asset or liability may be contingent on a future event. In certain instances, the underlying transaction giving rise to an estimate may not be resolved until some years after the acquisition date. IFRS 3 requires the release to profit of any acquisition reserves which subsequently become excess in the same way as any excess costs over those provided at acquisition date are charged to profit. At each period end management assess provisions and other balances established in respect of acquisitions for their continued probability of occurrence and amend the relevant value accordingly through the consolidated income statement or as an adjustment to goodwill as appropriate under IFRS 3.

The Group acquired a number of subsidiaries in the year. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group. The fair value adjustments for certain acquisitions have been determined provisionally at the balance sheet date.

	Book value at acquisition £m	Fair value adjustments £m	Fair value to Group £m
Intangible assets	10.5	319.1	329.6
Property, plant and equipment	20.6	–	20.6
Cash	57.1	–	57.1
Trade receivables due within one year	249.5	–	249.5
Other current assets	78.0	–	78.0
Total assets	**415.7**	**319.1**	**734.8**
Current liabilities	(299.4)	(2.8)	(302.2)
Trade and other payables due after one year	(40.4)	(59.5)	(99.9)
Deferred tax liabilities	–	(96.1)	(96.1)
Provisions	(0.1)	(11.5)	(11.6)
Bank loans	(144.4)	–	(144.4)
Total liabilities	**(484.3)**	**(169.9)**	**(654.2)**
Net assets	**(68.6)**	**149.2**	**80.6**
Non-controlling interests			(15.0)
Fair value of equity stake in associate undertakings before acquisition of controlling interest			(98.5)
Goodwill			799.3
Consideration			766.4
Consideration satisfied by:			
Cash			423.3
Payments due to vendors			343.1

Goodwill arising from acquisitions represents the value of synergies with our existing portfolio of businesses and skilled staff to deliver services to our clients. Goodwill that is expected to be deductible for tax purposes is £54.8 million.

Non-controlling interests in acquired companies are measured at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The contribution to revenue and operating profit of acquisitions completed in the year was not material. There were no material acquisitions completed between 31 December 2016 and the date the financial statements have been authorised for issue.

29. Principal subsidiary undertakings

The principal subsidiary undertakings of the Group are:

	Country of incorporation
Grey Global Group LLC	US
J. Walter Thompson Company LLC	US
GroupM Worldwide LLC	US
The Ogilvy Group LLC	US
Young & Rubicam, Inc	US
TNS Group Holdings Ltd	UK

All of these subsidiaries are operating companies and are 100% owned by the Group.

A more detailed listing of the operating subsidiary undertakings is given on pages 14 and 15. The Company directly or indirectly holds controlling interests in the issued share capital of these undertakings with the exception of those specifically identified.

30. Related party transactions

From time to time the Group enters into transactions with its associate undertakings. These transactions were not material for any of the years presented.

31. Reconciliation to non-GAAP measures of performance

Management includes non-GAAP measures as they consider these measures to be both useful and necessary. They are used by management for internal performance analyses; the presentation of these measures facilitates comparability with other companies, although management's measures may not be calculated in the same way as similarly titled measures reported by other companies; and these measures are useful in connection with discussions with the investment community.

Reconciliation of profit before interest and taxation to headline PBIT:

	2016 £m	2015 £m	2014 £m
Profit before interest and taxation	**2,112.9**	1,679.0	1,569.2
Amortisation and impairment of acquired intangible assets	**168.4**	140.1	147.5
Goodwill impairment	**27.0**	15.1	16.9
Gains on disposal of investments and subsidiaries	**(44.3)**	(131.0)	(186.3)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(232.4)**	(165.0)	(9.2)
Investment write-downs	**86.1**	78.7	7.3
Restructuring costs	**27.4**	106.2	127.6
IT asset write-downs	**–**	29.1	–
Share of exceptional losses of associates	**15.2**	21.8	7.6
Headline PBIT	**2,160.3**	1,774.0	1,680.6
Finance income	**80.4**	72.4	94.7
Finance costs	**(254.5)**	(224.1)	(262.7)
	(174.1)	(151.7)	(168.0)
Interest cover on headline PBIT	**12.4 times**	11.7 times	10.0 times

Calculation of headline EBITDA:

	2016 £m	2015 £m	2014 £m
Headline PBIT (as above)	**2,160.3**	1,774.0	1,680.6
Depreciation of property, plant and equipment	**220.8**	194.7	197.3
Amortisation of other intangible assets	**38.6**	33.7	31.6
Headline EBITDA	**2,419.7**	2,002.4	1,909.5

Reconciliation of profit before taxation to headline PBT and headline earnings:

	2016 £m	2015 £m	2014 £m
Profit before taxation	**1,890.5**	1,492.6	1,451.9
Amortisation and impairment of acquired intangible assets	**168.4**	140.1	147.5
Goodwill impairment	**27.0**	15.1	16.9
Gains on disposal of investments and subsidiaries	**(44.3)**	(131.0)	(186.3)
Gains on remeasurement of equity interests arising from a change in scope of ownership	**(232.4)**	(165.0)	(9.2)
Investment write-downs	**86.1**	78.7	7.3
Restructuring costs	**27.4**	106.2	127.6
IT asset write-downs	**–**	29.1	–
Share of exceptional losses of associates	**15.2**	21.8	7.6
Revaluation of financial instruments	**48.3**	34.7	(50.7)
Headline PBT	**1,986.2**	1,622.3	1,512.6
Headline tax charge	**(417.2)**	(308.3)	(302.5)
Non-controlling interests	**(101.5)**	(84.9)	(74.3)
Headline earnings	**1,467.5**	1,229.1	1,135.8
Ordinary dividends paid	**616.5**	545.8	460.0
Dividend cover on headline earnings	**2.4 times**	2.3 times	2.5 times

Net sales margin before and after share of results of associates:

	Margin %	2016 £m	Margin %	2015 £m	Margin %	2014 £m
Net sales		**12,397.8**		10,524.3		10,064.8
Headline PBIT	**17.4%**	**2,160.3**	16.9%	1,774.0	16.7%	1,680.6
Share of results of associates (excluding exceptional gains/losses)		**(65.0)**		(68.8)		(69.5)
Headline operating profit	**16.9%**	**2,095.3**	16.2%	1,705.2	16.0%	1,611.1

Reconciliation of free cash flow:

	2016 £m	2015 £m	2014 £m
Cash generated by operations	**2,283.3**	1,734.3	2,108.8
Plus:			
Interest received	**73.9**	61.3	69.8
Investment income	**12.5**	4.9	11.9
Dividends from associates	**60.4**	72.6	52.2
Share option proceeds	**27.2**	27.6	25.0
Proceeds on disposal of property, plant and equipment	**7.7**	13.4	5.9
Movement in other receivables, payables and provisions	**269.6**	2.5	12.6
Less:			
Movements in trade working capital	**(118.3)**	161.6	(307.6)
Interest and similar charges paid	**(242.1)**	(212.0)	(249.1)
Purchases of property, plant and equipment	**(252.1)**	(210.3)	(177.9)
Purchases of other intangible assets (including capitalised computer software)	**(33.0)**	(36.1)	(36.5)
Corporation and overseas tax paid	**(414.2)**	(301.2)	(289.9)
Dividends paid to non-controlling interests in subsidiary undertakings	**(89.6)**	(55.2)	(57.7)
Free cash flow	**1,585.3**	1,263.4	1,167.5

Company profit and loss account

For the year ended 31 December 2016

	Notes	2016 £m	2015 £m
Turnover		–	–
Operating income		**13.8**	10.6
Operating profit		**13.8**	10.6
Interest receivable and similar income	33	–	1.2
Interest payable and similar charges	34	**(102.5)**	(146.1)
Revaluation of financial instruments		**(8.6)**	(4.0)
Loss on ordinary activities before taxation		**(97.3)**	(138.3)
Taxation on loss on ordinary activities	35	–	–
Loss for the year		**(97.3)**	(138.3)

Note
The accompanying notes form an integral part of this profit and loss account.

All results are derived from continuing activities.

There are no recognised gains or losses in either year, other than those shown above, and accordingly no statement of comprehensive income has been prepared.

Company balance sheet

As at 31 December 2016

	Notes	2016 £m	2015 £m
Fixed assets			
Investments	36	**12,970.3**	12,863.8
		12,970.3	12,863.8
Current assets			
Debtors			
– due within one year	37	**1,640.2**	1,686.1
– due after one year	38	**–**	19.1
Cash at bank and in hand		**13.7**	83.8
		1,653.9	1,789.0
Current liabilities			
Creditors: amounts falling due within one year	39	**(4,322.0)**	(3,855.7)
Net current liabilities		**(2,668.1)**	(2,066.7)
Total assets less current liabilities		**10,302.2**	10,797.1
Creditors: amounts falling due after more than one year	40	**(1,363.4)**	(1,012.3)
Net assets		**8,938.8**	9,784.8
Capital and reserves			
Called-up share capital		**133.2**	132.9
Share premium account		**562.2**	535.3
Other reserves		**(10.0)**	(10.0)
Capital redemption reserve		**2.7**	2.7
Own shares		**(766.7)**	(496.1)
Profit and loss account		**9,017.4**	9,620.0
Equity share owners' funds		**8,938.8**	9,784.8

Note
The accompanying notes form an integral part of this balance sheet.

The financial statements were approved by the Board of Directors and authorised for issue on 19 April 2017.

Sir Martin Sorrell
Group chief executive

Paul Richardson
Group finance director

Registered Company Number: 111714

Company statement of changes in equity

For the year ended 31 December 2016

	Ordinary share capital £m	Share premium £m	Shares to be issued £m	Other reserves[1] £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total equity share owners' funds £m
Balance at 1 January 2015	132.6	508.0	0.3	(90.0)	2.7	(93.7)	10,205.6	10,665.5
Ordinary shares issued	0.3	27.3	(0.3)	–	–	–	0.2	27.5
Treasury share additions	–	–	–	–	–	(406.0)	–	(406.0)
Treasury share allocations	–	–	–	–	–	3.6	(3.6)	–
Net loss for the year	–	–	–	–	–	–	(138.3)	(138.3)
Dividends paid	–	–	–	–	–	–	(545.8)	(545.8)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	–	99.0	99.0
Share purchases – close period adjustments	–	–	–	80.0	–	–	2.9	82.9
Balance at 31 December 2015	132.9	535.3	–	(10.0)	2.7	(496.1)	9,620.0	9,784.8
Ordinary shares issued	0.3	26.9	–	–	–	–	–	27.2
Treasury share additions	–	–	–	–	–	(274.5)	–	(274.5)
Treasury share allocations	–	–	–	–	–	3.9	(3.9)	–
Net loss for the year	–	–	–	–	–	–	(97.3)	(97.3)
Dividends paid	–	–	–	–	–	–	(616.5)	(616.5)
Non-cash share-based incentive plans (including share options)	–	–	–	–	–	–	106.5	106.5
Share purchases – close period adjustments	–	–	–	–	–	–	8.6	8.6
Balance at 31 December 2016	**133.2**	**562.2**	**–**	**(10.0)**	**2.7**	**(766.7)**	**9,017.4**	**8,938.8**

Notes

The accompanying notes form an integral part of this statement of changes in equity.

[1] Other reserves are analysed in note 41.

Notes to the Company financial statements

32. Accounting policies
The principal accounting policies of WPP plc (the Company) are summarised below. These accounting policies have all been applied consistently throughout the year and preceding year.

a) Basis of accounting
The separate financial statements of the Company are prepared under the historical cost convention in accordance with the Companies (Jersey) Law 1991. The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements. The financial statements are prepared on a going concern basis, further details of which are in the Directors' report on page 50.

b) Translation of foreign currency
Foreign currency transactions arising from operating activities are translated from local currency into pounds sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are translated at the period-end exchange rate. Foreign currency gains or losses are credited or charged to the profit and loss account as they arise.

c) Investments
Fixed asset investments are stated at cost less provision for impairment.

d) Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences unless specifically excepted by IAS 12 Income Taxes. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or other assets and liabilities (other than in a business combination) in a transaction that affects neither the tax profit nor the accounting profit.

e) Group and treasury share transactions
Where a parent entity grants rights to its equity instruments to employees of a subsidiary, and such share-based compensation is accounted for as equity-settled in the consolidated financial statements of the parent, IFRS 2 (share-based payment) requires the subsidiary to record an expense for such compensation with a corresponding increase recognised in equity as a contribution from the parent. Consequently, in the financial statements of the parent (WPP plc), the Company has recognised an addition to fixed asset investments of the aggregate amount of these contributions of £106.5 million in 2016 (2015: £99.0 million), with a credit to equity for the same amount.

f) Foreign currency and interest rate hedging
The Company's policy on interest rate and foreign exchange rate management sets out the instruments and methods available to hedge interest and currency risk exposures and the control procedures in place to ensure effectiveness.

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow or net investment hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the consolidated income statement.

33. Interest receivable and similar income

	2016 £m	2015 £m
Interest receivable from subsidiary undertakings	–	0.6
Interest receivable on financial instruments	–	0.6
	–	1.2

34. Interest payable and similar charges

	2016 £m	2015 £m
Interest payable on corporate bonds	33.7	65.1
Bank and other interest payable	5.4	8.9
Interest payable to subsidiary undertakings	63.4	72.1
	102.5	146.1

35. Taxation on loss on ordinary activities

The tax assessed for the year differs from that resulting from applying the rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £m	2015 £m
Loss on ordinary activities before tax	(97.3)	(138.3)
Tax at the rate of 20% thereon	19.5	28.0
Factors affecting tax charge for the year:		
Revaluation of financial instruments	(1.7)	(0.8)
Unrecognised losses carried forward	(17.8)	(27.2)
Tax charge for the year	–	–

36. Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Subsidiary undertakings £m
1 January 2016	12,863.8
Additions	106.5
31 December 2016	12,970.3

Fixed asset investments primarily represent 100% of the issued share capital of WPP Jubilee Limited, a company incorporated in Great Britain. Fixed asset investments were purchased in a share-for-share exchange. At 31 December 2016 cost and net book value were the same. Details of indirect subsidiaries are given in note 29.

37. Debtors: amounts falling due within one year

The following are included in debtors falling due within one year:

	2016 £m	2015 £m
Amounts owed by subsidiary undertakings	1,628.7	1,685.4
Fair value of derivatives	10.3	–
Other debtors	1.2	0.7
	1,640.2	1,686.1

38. Debtors: amounts falling due after one year

The following are included in debtors falling due after more than one year:

	2016 £m	2015 £m
Fair value of derivatives	–	19.1

39. Creditors: amounts falling due within one year

The following are included in creditors falling due within one year:

	2016 £m	2015 £m
Bank overdrafts	1,238.7	1,010.3
Corporate bonds	403.1	367.2
Amounts due to subsidiary undertakings	2,659.2	2,436.5
Interest payable on corporate bonds	18.0	33.4
Other creditors and accruals	3.0	8.3
	4,322.0	3,855.7

Corporate bonds include £400 million of 6% bonds due April 2017. Further details are given in note 10.

40. Creditors: amounts falling due after more than one year

The following are included in creditors falling due after more than one year:

	2016 £m	2015 £m
Corporate bonds	–	411.8
Amounts due to subsidiary undertakings	1,363.4	600.5
	1,363.4	1,012.3

Total borrowings are repayable as follows:

	2016 £m	2015 £m
Within one year	4,322.0	3,855.7
Between one and five years	656.1	411.8
Over five years	707.3	600.5
	5,685.4	4,868.0

41. Equity share owners' funds

Other reserves at 31 December 2016 comprises a translation reserve of £10.0 million (2015: £10.0 million).

At 31 December 2016 the Company's distributable reserves amounted to £8,595.7 million (2015: £9,310.3 million). Further details of the Company's share capital are shown in note 26.

Independent auditors' report

Opinion on financial statements of WPP plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's profit and the Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

The financial statements that we have audited comprise:

- the accounting policies;
- the consolidated income statement (excluding the US dollar information);
- the consolidated statement of comprehensive income;
- the consolidated cash flow statement;
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the Parent Company profit and loss account, balance sheet and statement of changes in equity; and
- the related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Summary of our audit approach

Key risks	The key risks that we identified in the current year were: ▪ Revenue recognition – accounting for media volume income ▪ Goodwill ▪ Taxation reserves The key risks are the same as the prior year.
Materiality	The materiality that we used in the current year was £94.5 million which was determined on the basis of 5% of profit before tax.
Scoping	Those entities subject to audit provide for coverage of 81% of the Group's consolidated revenue (2015: 83%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world.
Significant changes in our approach	There have been no significant changes in our approach compared with the prior year.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies to the Group financial statements, in addition to applying IFRSs as adopted by the European Union, the group has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting on page 50 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 46 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

- the disclosures on pages 47 to 50 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement on page 175 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 50 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. As part of our risk assessment procedures we obtained an understanding of and tested the design, implementation and operating effectiveness of internal controls (at Group level and at each of the full scope audit components) that respond to the identified risks, in addition to performing the substantive audit procedures detailed below.

Risk	How the scope of our substantive audit procedures responded to the risk	Key observations
Revenue recognition – accounting for media volume income Assessing the timing of recognition and valuation of media volume income earned from media owners is an area of complexity and judgement due to the need for management to determine at what point persuasive evidence of agreement with the media owner exists and to interpret the variety of language used in the underlying contractual terms with media owners. Assessing the valuation of media volume income is also an area of complexity with regards to whether the media volume income is required to be passed back to the client and on what basis to calculate such passback. Given the complexity and judgement involved the timing of recognition and the valuation of media income are considered to be key audit risks. Refer to page 125 (Review of the Audit Committee) and page 177 (accounting policies).	We have: ▪ Checked that management could demonstrate that persuasive evidence exists in respect of the arrangement with the media owner at the time media volume income is recorded, and viewed this evidence on a sample basis. ▪ Challenged the timing of recognition and valuation of media volume income earned from media owners by understanding the rationale for income recognised in the current year in respect of media investment activity in prior periods and verifying the accounting for arrangements that are non-coterminous with the Group's year end. ▪ Assessed management's interpretation of contractual terms with media owners and clients in determining the valuation of media volume income and determined whether consistent judgement has been applied year on year. ▪ Assessed the ageing of balance sheet provisions for the pass back of media volume income to clients and challenged management where brought forward provisions had been released. ▪ Analysed and understood the trend of media volume income recognised against prior year activity.	The results of our testing were satisfactory. We consider the timing and valuation of media volume income recognised in the year to be reasonable.

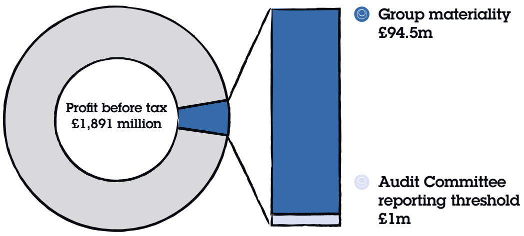
Risk	How the scope of our substantive audit procedures responded to the risk	Key observations
Goodwill Given the magnitude of the goodwill balance and the continued economic uncertainty in certain regions, it is important to ensure that the goodwill impairment review is approached in a robust manner to identify potential impairments, where necessary. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates concerning the estimated future cash flows and associated discount rates and growth rates based on management's view of future business prospects. The Group is highly acquisitive. As such, given the magnitude of the goodwill balance (2016: £13,214 million, 2015: £10,671 million), and the relative sensitivity to certain inputs to the impairment testing process, in particular the discount rate, the valuation of goodwill is considered a key audit risk. Refer to page 125 (Review of the Audit Committee), page 177 (accounting policies) and page 200 (financial disclosures).	We have: ▪ Challenged the key assumptions used in the impairment model for goodwill, including specifically the operating cash flow projections, discount rates, and long term growth rates. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. ▪ Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment. ▪ Engaged our internal fair value specialists who assisted in computing an independent assessment of the discount rates used and assessing the methodology used in preparing the impairment testing model. ▪ Tested the integrity and mathematical accuracy of the impairment model. ▪ Considered the sensitivity of the impairment testing model to changes in key assumptions. We also considered the adequacy of the Group's disclosures in respect of its goodwill impairment testing and whether disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions properly reflected the risks inherent in such assumptions.	The results of our testing were satisfactory and we concur that the assumptions used in the impairment model, including the discount rate, and level of goodwill impairment booked in the year are appropriate.
Taxation reserves There is uncertainty in respect of resolving matters with tax authorities around the world. The highly disaggregated nature of the Group coupled with its acquisitive nature means that there are a number of different tax jurisdictions in which the Group could be liable to pay tax, making potential tax exposures a key audit risk. Therefore assessing the Group's exposure to significant tax risks and the level of provisions recognised is an area of judgement. Refer to page 125 (Review of the Audit Committee), page 177 (accounting policies) and page 196 (financial disclosures).	We have: ▪ Discussed and considered all significant taxation exposures with Group management including their tax specialists. ▪ Together with our internal taxation specialists we challenged the estimates and judgements made by management when calculating the income tax payable in each territory and the associated provisions held. We reviewed correspondence with taxation authorities in significant locations where available, as well as reviewing the support or opinions received from external counsel and other advisors where management has utilised such opinions to make assumptions on the level of taxation payable.	The results of our testing were satisfactory. There were no material exceptions noted when corroborating management's judgement to the correspondence and support reviewed for those significant tax reserves.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 125.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.



Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£94.5 million (2015: £76.6 million)
Basis for determining materiality	5% of profit before tax (2015: 5% of profit before tax).
Rationale for the benchmark applied	We have determined that the critical benchmark for the Group was profit before tax because we consider this measure to be what the shareholders believe to be a key performance indicator for the Group. We also considered this measure to be suitable having compared to another benchmark: our materiality is below 1% of equity (2015: below 1%). Materiality is higher than for the year ended 31 December 2015 primarily as a result of higher profit before tax achieved in 2016.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2015: £0.75 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

As a result of the highly disaggregated nature of the Group, with operations in 112 countries and more than 3,000 offices among more than 150 companies within the Group, a significant portion of audit planning time is spent so that the scope of our work is appropriate to address the Group's identified risks of material misstatement. In selecting the components that are in scope each year, we refresh and update our understanding of the Group and its environment, including obtaining an understanding of the Group's system of internal controls, and assessing the risks of material misstatement at the Group level, in order to check that the units selected provide an appropriate basis on which to undertake audit work to address the identified risks of material misstatement. Such audit work represents a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective manner possible. Those entities subject to audit provide for coverage of 81% of the Group's consolidated revenue (2015: 83%); achieved through a combination of direct testing and specified audit procedures (including substantive analytical review procedures) performed by the Group auditor and/or component auditors across the world. Our audit work at the components is executed at levels of materiality appropriate for such components, which in all instances are capped at 50% of Group materiality. In order to support our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit, we tested the consolidation process and carried out analytical procedures at the parent entity level using our bespoke data analytics tool.

How we work closely with component auditors

The Group audit team plans its visits to component auditors based on a carefully designed programme, which considers a variety of factors including size of entity and number of significant risks; this programme is put in place to check that appropriate oversight and guidance is provided to the component auditors through a combination of:

- upfront team briefings to all component teams;
- site visits;
- central review of documentation; and
- risk assessment discussions and detailed workpaper reviews.

These are designed so that the Senior Statutory Auditor visits all key locations across the Group on a regular basis. In addition we assess the competence of our component auditors.

In years when we do not visit a key location we will:

- include the component audit partner in our team briefing;
- discuss their risk assessment; and
- review documentation of the findings from their work.

We also hold quarterly meetings with management at a regional and global level in order to update our understanding of the Group and its environment on an on-going basis.

Opinion on other matters prescribed by our engagement letter

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the UK Companies Act 2006 as if that Act had applied to the Company;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Parent Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under our engagement letter we are required to report if in our opinion certain disclosures of directors' remuneration that would be required by the UK Companies Act 2006 have not been made or the part of the Directors' Compensation Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Richard Muschamp
for and on behalf of Deloitte LLP
Chartered Accountants and Recognised Auditor
London, United Kingdom
19 April 2017

Five-year summary

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Income statement					
Billings[1]	**55,245.2**	47,631.9	46,186.3	46,209.3	44,405.3
Revenue	**14,388.9**	12,235.2	11,528.9	11,019.4	10,373.1
Net sales[1]	**12,397.8**	10,524.3	10,064.8	10,076.1	9,514.8
Operating profit	**2,063.1**	1,632.0	1,507.3	1,410.3	1,241.1
Headline EBITDA[2]	**2,419.7**	2,002.4	1,909.5	1,896.3	1,755.7
Headline PBIT[2]	**2,160.3**	1,774.0	1,680.6	1,661.6	1,531.0
Profit before taxation	**1,890.5**	1,492.6	1,451.9	1,295.8	1,091.9
Headline PBT[2]	**1,986.2**	1,622.3	1,512.6	1,458.0	1,317.1
Profit for the year	**1,501.6**	1,245.1	1,151.5	1,012.1	894.7
Net sales margin[2]	**17.4%**	16.9%	16.7%	16.5%	16.1%
Balance sheet					
Non-current assets[3]	**19,125.3**	15,373.8	14,107.3	13,225.3	13,452.9
Net current liabilities[4]	**(1,322.2)**	(840.1)	(521.4)	(384.6)	(1,047.2)
Net assets	**9,767.6**	8,015.8	7,826.8	7,846.5	7,060.6
Net debt	**(4,130.5)**	(3,210.8)	(2,275.4)	(2,240.4)	(2,821.2)
Average net debt	**(4,340.5)**	(3,562.3)	(3,000.8)	(2,988.7)	(3,202.5)

	2016	2015	2014	2013	2012
Our people					
Revenue per employee (£000)	**108.5**	97.9	95.0	94.1	90.6
Net sales per employee (£000)	**93.5**	84.2	82.9	86.0	83.1
Staff cost per employee (£000)	**58.7**	53.3	53.1	55.3	53.3
Average headcount	**132,657**	124,930	121,397	117,115	114,490
Share information					
Headline[5] – basic earnings per share	**114.8p**	95.4p	86.9p	84.1p	77.7p
– diluted earnings per share	**113.2p**	93.6p	84.9p	80.8p	73.4p
Reported – basic earnings per share	**109.6p**	90.0p	82.4p	72.4p	66.2p
– diluted earnings per share	**108.0p**	88.4p	80.5p	69.6p	62.8p
Dividends per share[6]	**56.60p**	44.69p	38.20p	34.21p	28.51p
Dividend payout ratio on headline diluted earnings per share	**50%**	48%	45%	42%	39%
Share price – high	**1,850.0p**	1,611.0p	1,383.0p	1,383.0p	894.5p
– low	**1,338.0p**	1,304.0p	1,117.0p	905.5p	669.0p
Market capitalisation at year-end (£m)	**23,260.3**	20,236.9	17,831.3	18,612.5	11,236.8

Notes

1 Billings and net sales are defined on page 234.

2 The calculation of 'headline' measures of performance (including headline EBITDA, headline PBIT, net sales margin and headline PBT) is set out in note 31 of the financial statements.

3 Prior year balance sheets in 2014 and 2013 have been restated to reduce both the deferred tax assets and deferred tax liabilities, by a corresponding amount. No restatement was required in 2012.

4 Prior year balance sheets in 2014, 2013 and 2012 have been restated to reclassify all income tax creditors from non-current liabilities to current liabilities.

5 Headline earnings per share for 2016, 2015 and 2014 is set out in note 9 of the financial statements.

6 Dividends per share represents the dividends declared in respect of each year.

The information on this page is unaudited.

Financial glossary

Term used in Annual Report	US equivalent or brief description
Allotted	Issued
ADRs/ADSs	American Depositary Receipts/American Depositary Shares. The Group uses the terms ADR and ADS interchangeably. One ADR/ADS represents five ordinary shares
Average net debt and net debt	Average net debt is calculated as the average daily net borrowings of the Group. Net debt at a period end is calculated as the sum of the net borrowings of the Group, derived from the cash ledgers and accounts in the balance sheet
Billings	Billings comprise the gross amounts billed to clients in respect of commission-based/fee-based income together with the total of other fees earned
Called-up share capital	Ordinary shares, issued and fully paid
Constant currency	The Group uses US dollar-based, constant currency models to measure performance. These are calculated by applying budgeted 2016 exchange rates to local currency reported results for the current and prior year. This gives a US dollar-denominated income statement which exclude any variances attributable to foreign exchange rate movements
ESOP	Employee share ownership plan
Estimated net new billings	Net new billings represent the estimated annualised impact on billings of new business gained from both existing and new clients, net of existing client business lost. The estimated impact is based upon initial assessments of the clients' marketing budgets, which may not necessarily result in actual billings of the same amount
EURIBOR	The euro area inter-bank offered rate for euro deposits
Finance lease	Capital lease
Free cash flow	Free cash flow is calculated as headline operating profit before non-cash charges for share-based incentive plans, depreciation of property, plant and equipment and amortisation of other intangible assets, including dividends received from associates, interest received, investment income received, proceeds from the issue of shares, and proceeds from the disposal of property, plant and equipment, less corporation and overseas tax paid, interest and similar charges paid, dividends paid to non-controlling interests in subsidiary undertakings, purchases of property, plant and equipment and purchases of other intangible assets
Freehold	Ownership with absolute rights in perpetuity
Headline earnings	Headline PBT less taxation (excluding tax charge/deferred tax relating to gains on disposals of investments and subsidiaries, deferred tax impact of the amortisation of acquired intangible assets and other goodwill items and tax charge/credit relating to restructuring costs)
Headline EBITDA	Profit before finance income/costs and revaluation of financial instruments, taxation, investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of intangible assets, IT asset write-downs, share of exceptional losses/gains of associates, depreciation of property, plant and equipment, losses/gains on remeasurement of equity interests arising from a change in scope of ownership and Group restructuring costs
Headline operating profit	PBIT excluding share of results of associates before investment gains/losses and write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, gains/losses on remeasurement of equity interest on acquisition of controlling interest, IT asset write-downs and Group restructuring costs

Term used in Annual Report	US equivalent or brief description
Headline PBIT	Profit before finance income/costs and revaluation of financial instruments, taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, Group restructuring costs, IT asset write-downs, share of exceptional gains/losses of associates and gains/losses on remeasurement of equity interests arising from a change in scope of ownership
Headline PBT	Profit before taxation, gains/losses on disposal of investments and subsidiaries, investment write-downs, goodwill impairment and other goodwill write-downs, amortisation and impairment of acquired intangible assets, Group restructuring costs, IT asset write-downs, share of exceptional gains/losses of associates, gains/losses arising from the revaluation of financial instruments, and gains/losses on remeasurement of equity interests arising from a change in scope of ownership
IFRS/IAS	International Financial Reporting Standard/International Accounting Standard
LIBOR	The London inter-bank offered rate
Net sales/Net sales margin	Net sales are revenue less direct costs. Net sales margin is calculated as headline PBIT (defined above) as a percentage of net sales. The Group has previously used the terms gross margin and gross profit to refer to net sales.
OCI	Consolidated statement of comprehensive income
Operating margin	Headline PBIT as a percentage of net sales
Profit	Income
Profit attributable to equity holders of the parent	Net income
Pro forma ('like-for-like')	Pro forma comparisons are calculated as follows: current year, constant currency actual results (which include acquisitions from the relevant date of completion) are compared with prior year, constant currency actual results, adjusted to include the results of acquisitions for the commensurate period in the prior year. The Group uses the terms 'pro forma' and 'like-for-like' interchangeably
Sarbanes-Oxley Act	An Act passed in the US to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws, and for other purposes
Share capital	Ordinary shares, capital stock or common stock issued and fully paid
Share premium account	Additional paid-in capital or paid-in surplus (not distributable)
Shares in issue	Shares outstanding
UK Corporate Governance Code	The UK Corporate Governance Code published by the Financial Reporting Council dated September 2014

About share ownership

Information for share owners

Share owners' register

A register of share owners' interests is kept at the Company's registrar's office in Jersey and is available for inspection on request. The register includes information on nominee accounts and their beneficial owners.

Analysis of shareholdings at 31 December 2016

Issued share capital as at 31 December 2016: 1,331,880,730 ordinary shares.

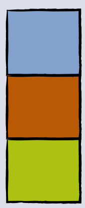
Number of shares held	Number of holders	% owners	Shareholdings	% outstanding*
1-100	2,077	15.5	54,404	0.0
101-250	1,524	11.4	242,352	0.0
251-500	1,350	10.1	470,384	0.0
501-1,000	1,198	8.9	811,694	0.1
1,001-5,000	2,153	16.1	4,912,063	0.4
5,001-10,000	777	5.8	5,518,257	0.4
10,001-25,000	1,043	7.8	16,955,360	1.3
25,001-50,000	832	6.2	29,804,640	2.2
50,001-100,000	767	5.7	55,244,342	4.2
100,001-500,000	1,199	9.0	266,949,087	20.0
500,001-1,000,000	237	1.8	164,960,823	12.4
1,000,001-2,000,000	124	0.9	170,179,492	12.8
2,000,001-3,000,000	42	0.3	102,019,737	7.7
3,000,001-4,000,000	25	0.2	85,817,229	6.4
4,000,001 and above	40	0.3	427,940,866	32.1
Total	**13,388**	**100%**	**1,331,880,730**	**100%**

* All calculations are based on the percentage outstanding on the share register as of 31 December 2016.

Share owners by geography	%	Share owners by type	%
UK	33	Institutional investors	94
US	33	Our people	3
Rest of world	34	Other individuals	3
Total	**100**	**Total**	**100**

Share owners by geography %

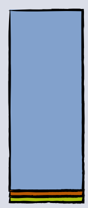
UK	**33**
US	**33**
Rest of world	**34**



Share owners by type %

Institutional investors	**94**
Our people*	**3**
Other individuals	**3**

* In addition 1.4% of the Company's share capital (excluding treasury shares) is under option to our people.



Dividends

Ordinary share owners have received the following dividends in respect of each financial year:

	2016	2015	2014	2013	2012
Interim or first interim dividend per ordinary share	**19.55p**	15.91p	11.62p	10.56p	8.80p
Final dividend per ordinary share	**37.05p**	28.78p	26.58p	23.65p	19.71p
Total	**56.60p**	44.69p	38.20p	34.21p	28.51p

Financial calendar

- The 2016 final dividend will be paid on 3 July 2017 to share owners on the register at 9 June 2017.
- Interim statements for the half-year ending 30 June are issued in August.
- Quarterly trading announcements are issued in April and October.
- Interim dividends are paid in November.
- Preliminary announcements of results for the financial year ending 31 December are issued in the first quarter.
- Annual Reports are posted to share owners in April.
- Annual General Meetings are held in London in June.

Share price

The closing price of the shares at 31 December was as follows:

	At 12 April 2017	2016	2015	2014	2013	2012
Ordinary 10p shares	**1,737.0p**	1,816.0p	1,563.0p	1,345.0p	1,380.0p	888.0p

Share price information is also available online at wpp.com/investor.

Online information

WPP's public website, wpp.com, provides current and historical financial information, news releases, trading reports and share price information. Go to wpp.com/investor.

Access numbers/Ticker symbols

	NASDAQ	Reuters	Bloomberg
Ordinary shares	–	WPP.L	WPP LN
American Depositary Shares	WPPGY	WPPGY.O	WPPGY US

Registrar and transfer office

Computershare Investor Services (Jersey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES
Enquiry number: 0870 707 1411

American Depositary Receipts (ADRs) office

Citibank N.A.
PO Box 43077
Providence
RI 02940-3077

Telephone enquiries: within the US +1 877 248 4237
Telephone enquiries: outside the US +1 781 575 4555
E-mail enquiries: citibank@shareholders-online.com

WPP registered office

Queensway House
Hilgrove Street
St Helier
Jersey
JE1 1ES

The Company's registered number is 111714.

American Depositary Receipts (ADRs)

Each ADR represents five ordinary shares.

ADR holders receive the annual and interim reports issued by WPP plc.

WPP plc is subject to the informational requirements of the US securities laws applicable to foreign companies and files an annual report on Form 20-F and other information with the US Securities and Exchange Commission. These documents are available at the Commission's website, sec.gov. Our reports on Form 20-F are also available from our Investor Relations department in New York.

ADR dividends

ADR holders are eligible for all stock dividends or other entitlements accruing on the underlying WPP plc shares and receive all cash dividends in US dollars. These are normally paid twice a year.

Dividend cheques are mailed directly to the ADR holder on the payment date if ADRs are registered with WPP's US depositary. Dividends on ADRs that are registered with brokers are sent to the brokers, who forward them to ADR holders. WPP's US depositary is Citibank N.A. (address on page 238).

Dividends per ADR in respect of each financial year are set out below.

	2016	2015	2014	2013	2012
In £ sterling					
Interim[1]	**97.75p**	79.55p	58.10p	52.80p	44.00p
Final	**185.25p**	143.90p	132.90p	118.25p	98.55p
Total	**283.00p**	223.45p	191.00p	171.05p	142.55p
In US dollars[2]					
Interim[1]	**132.42¢**	121.62¢	95.72¢	82.61¢	69.75¢
Final	**250.96¢**	219.99¢	218.95¢	185.01¢	156.22¢
Total	**383.38¢**	341.61¢	314.67¢	267.62¢	225.97¢

[1] In 2012, first interim dividend.
[2] These figures have been translated for convenience purposes only, using the approximate average rate for the year shown on page 186. This conversion should not be construed as a representation that the pound sterling amounts actually represent, or could be converted into, US dollars at the rates indicated.

Dollar amounts paid to ADR holders depend on the sterling/dollar exchange rate at the time of payment.

No withholding tax is imposed on dividends paid to ADR holders and there will be no entitlement to offset any part of the notional UK taxation credit against any US taxation liability. The dividends received will be subject to US taxation.

Tax information

UK taxation

Dividends received from 6 April 2016

From 6 April 2016, the dividend tax credit previously available to UK resident individuals is replaced by a Dividend Allowance in the form of a 0% tax rate on the first £5,000 of dividend income received each tax year. Any dividends received over the £5,000 allowance are taxed at a rate of 7.5% on dividend income for individuals in the basic rate band, 32.5% for higher rate tax payers and at 38.1% for individuals with income of £150,000 or more.

Dividends received on or before 5 April 2016

Cash dividends received from WPP plc by individual share owners resident in the UK will generally be subject to UK income tax on the gross amount of any dividends paid by WPP with a tax credit equal to one-ninth of the dividend received; tax credits are not repayable to UK holders with no tax liability.

Individuals whose income is within the basic tax rate band are liable to tax at 10% on the dividend income and the tax credit will satisfy their income tax liability on UK dividends. For higher tax rate payers the rate of tax on dividend income for dividends is 32.5% whilst for individuals with income of £150,000 or more, the rate is 37.5%, with relief available for the tax credit referred to above. The gross amount of the cash dividend will be regarded as the top slice of the WPP share owner's income and will be subject to UK income tax as set out above.

Capital gains tax

The market value of an ordinary share at 31 March 1982 was 39p. Since that date rights issues have occurred in September 1986, August 1987 and April 1993. For capital gains tax purposes the acquisition cost of ordinary shares is adjusted to take account of such rights issues. Since any adjustments will depend on individual circumstances, share owners are advised to consult their professional advisors.

Capital gains

As liability to capital gains tax on a disposal of WPP shares will depend on individual circumstances, share owners are advised to consult their professional advisors.

Art of the street

There's a case to be made for street art being one of the most important artistic movements of the 21st century. The world over, it is reclaiming and redefining urban space with clever, confident, compelling imagery.

For this Annual Report, we are featuring work by 13 of today's leading street artists. Their subject matter may vary, but they are united by a desire to take art out of its museum setting and on to the streets for all to see.

The movement has its roots in history, in the Ice Age paintings – on ceilings and walls – at the caves of Lascaux in France and Altamira in Spain.

Yet street art is a highly-contemporary practice, facilitated by two key factors. First, rapid urbanisation, which has meant an ever-growing 'canvas' of grey city settings waiting to be adorned. Second, the rise of social media, which has created a buzz around artists and locations, making local works globally celebrated.

The art reproduced in this report can be found across Western Europe, in Germany, France, Italy, Spain and the UK.

Frenchmen **Dominique Antony** and **Patrick Commecy** use trompe-l'œil to trick the viewer into thinking they are seeing things that aren't there. Those include a giant wave on the wall of a beach house on the Bay of Biscay; and a collection of local French celebrities at balconies or windows on the wall of a three-storey building in Montpellier.

Bristol's **JPS** does something similar with a cat painted on a wall. In a neat piece of optical illusion, it seems to be walking towards us along an actual chain beneath its feet, which stretches out from the wall.

In street art, size matters. Its makers tend to use the very large space on an urban wall to paint very large subjects: two pairs of twins from Italy's **Agostino Iacurci**; a blonde comic-book heroine, inspired by Roy Lichtenstein, in the case of **Stepan Krasnov**; and a couple of pouting silver-screen icons by **Rone**.

OAKOAK, of Saint-Étienne, however, bucks that trend, preferring a smaller scale, with touches of visual whimsy and a keen eye for detail. He hones in on architectural features such as peeling paint, which most of us would barely register. For his two works in this report, he deployed the bars of a tiny ventilation shaft to represent the stripes of a zebra; and the horizontal crack in a wall as a horizon in the desert, on which he drew tiny camels.

What unites all 13 of our chosen artists is that their imagery is figurative: something that's true of most street art. It's a movement that aims to communicate its message fast – where the viewer doesn't need to be steeped in art history.

The work is accessible to all people in all places: such as Florentine artist **Exit Enter**'s image of a stick man grabbing on to a red heart that's about to fly away; and **Jef Aérosol**'s *Nuée de papillons*, in which a young boy throws a swarm of butterflies into the sky.

Over the years, WPP's Annual Reports have drawn visual inspiration from different geographical markets important to our clients and our companies. In turn, we have embraced artists from India, China, Africa, Brazil, the US, Eastern Europe, the UK, Indonesia, Mexico and last year – as the first major international communications services group to have a presence on the island – we looked to Cuba.

While the UK may have chosen to leave the EU, Continental Europe is more important than ever to WPP. More than 30,000 of our people work in Western Continental Europe, which includes three of our top 10 markets worldwide, and many of our people in Britain are non-UK EU nationals. This year's choice of artwork recognises that fact, and celebrates the ever-stronger connections with our European colleagues, partners and clients.

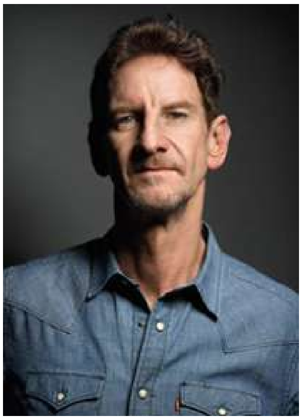
In that spirit, we have taken our cue from Western Europe – focusing on Germany, France, Italy, Spain *and* the UK – as seen through the eyes of some of the most engaging street artists currently enlivening our city walls. For once, these are walls that unite not divide.

Often relying on visual puns or double takes, street art doesn't demand linguistic understanding either. It bridges cultures, borders and also dictionaries. It gives sometimes harsh environments a sense of place and community.

Certain artists use recurring characters. **XOOOOX** achieves this with his introspective fashion models; as does **Nick Walker** with his artist-gentleman, in bowler hat and pin-striped suit, regularly depicted in the act of creating a piece of street art.

Many times, of course, works invite the viewer to stop and reflect. **David de la Mano**, for example, with *Diaspora*, in which a black mass of silhouetted humans – with flippers for legs – appear to be taking flight. His fellow Spaniard, **Pablo S. Herrero**, uses bare trees that seem to suggest nature reclaiming the streets ever so slowly from metropolitan forces.

All 13 of these artists, then, are transforming urban environments across the continent. They combine wit, a gift for communicating with large audiences and a position at the cutting edge of today's art. These are walls, but ones that bring people together rather than divide. →



© Nathan Podshadley

Mark Seliger

Mark Seliger is a well-known American photographer noted for his portraiture. His credits include *Rolling Stone*, where he was chief photographer for 10 years, shooting over 125 covers. In 2001 he moved to Condé Nast. He shoots frequently for *Vanity Fair*, Details, Italian Vogue, German Vogue among others. His work has been exhibited in museums and galleries.

1 cover

2 page 17


3 page 9


4 page 113


5 page 22


6 page 159


7 page 114


8 page 98


9 page 168

10 page 176

11 page 236

12 page 80

13 page 120

14 page 160

1 **Rone**
Whispers
Berlin, Germany

2 **JPS**
Untitled
Barcelona, Spain

3 **Stepan Krasnov**
Dream
Barcelona, Spain

4 **XOOOOX**
Untitled
Berlin, Germany

5 **Dominique Antony**
La grande vague (The great wave)
Hossegor, France

6 **David de la Mano**
Diaspora
Salamanca, Spain

7 **©A.FRESCO, Patrick Commecy**
Juliette et les esprits
(Juliette and the spirits)
Montpellier, France

8 **Jef Aérosol**
Nuée de papillons (Cloud of butterflies)
Boston, US

9 **Nick Walker**
Love Vandal
Paris, France

10 **Pablo S. Herrero**
Brecha (Opening)
Salamanca, Spain

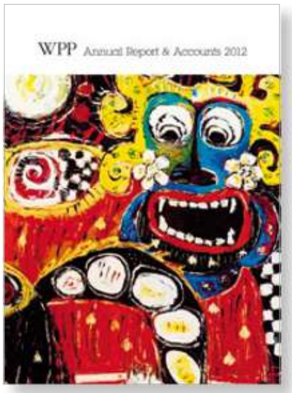
11 **Agostino Iacurci**
Siamese
Courtesy of Urban Outfitters
London, UK

12 **Exit Enter**
Love is the exit
Florence, Italy

13 **OAKOAK**
Urban zebra
Saint-Étienne, France

14 **OAKOAK**
La caravane passe
(The caravan goes by)
Saint-Étienne, France

Awards for recent WPP Annual Reports



2012

LACP Vision Awards
Gold Award and ranked in the Top 50 Annual Reports EMEA.

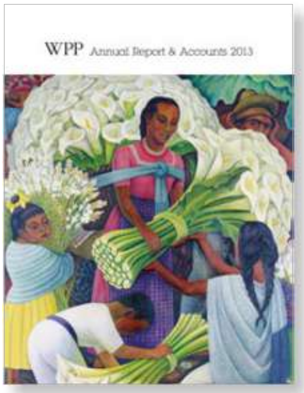
International ARC Awards
Gold.

Galaxy Awards
Gold.

Communicate magazine's Corporate and Financial Awards
Gold for Best Printed Report, Silver for Best Online Report.

PwC Building Public Trust Awards
Winner.

Astrid Awards (for design communications)
Bronze.

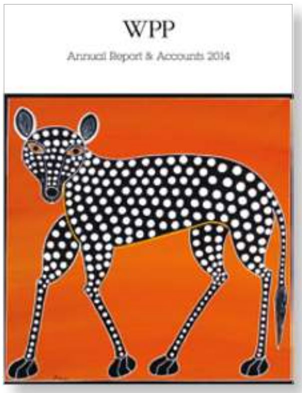


2013

LACP Vision Awards
Ranked 5 out of Top 100 Annual Reports Worldwide.
Ranked 3 out of Top 80 Annual Reports EMEA.

LACP Vision Awards
Four Platinum Awards:

- Industry Excellence, Print.
- Industry Excellence, Online.
- Best Annual Report Narrative, Worldwide.
- Best Annual Report Narrative, EMEA.



2014

LACP Vision Awards
Ranked 1 out of Top 100 Annual Reports Worldwide.
Ranked 1 out of Top 50 Annual Reports EMEA.

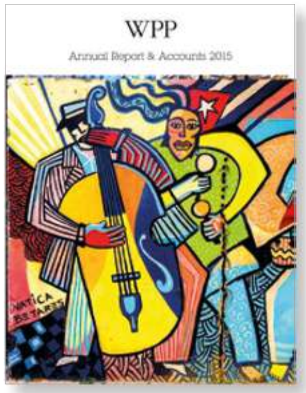
LACP Vision Awards
Three Platinum Awards:

- Industry Excellence.
- Best Agency, Worldwide.
- Best Agency, EMEA.

Digital Impact Awards
Gold, Best Online Annual Report.

International ARC Awards
Gold and Silver.

Galaxy Awards
Silver, Print and Honours, Design.



2015

LACP Vision Awards
Ranked 3 out of Top 100 Annual Reports Worldwide.
Ranked 2 out of Top 80 Annual Reports EMEA.

LACP Vision Awards
Three Platinum Awards:

- Industry Excellence.
- Best Agency, Worldwide.
- Best Agency, EMEA.

International ARC Awards
Gold.

Galaxy Awards
Silver, Print and Honours, Design.

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