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## **WPP plc**

### **Audit Committee: Terms of Reference**

The Board has established a Committee of the Board to be known as the Audit Committee (“the Committee”).

These terms of reference were adopted by resolution of the Board passed on 30 September 2008.

### **Membership**

Appointments to the Committee shall be made by the Board (recommendations having first been received from the Nomination Committee), in consultation with the Committee chairman, from amongst the independent, non-executive directors of the Company.

All Committee members shall (i) be independent as defined under Nasdaq Marketplace Rule 4350(a)(15), (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the US Securities Exchange Act of 1934 (subject to the exemptions provided in Rule 10A-3(c)), and (iii) otherwise be free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgement as Committee members.

The Committee shall consist of at least three members; a quorum shall be two members. The Chairman of the Board shall not be eligible for appointment to the Committee.

The chairman of the Committee shall be appointed by the Board, and the Board will determine the period for which the Committee chairman shall hold office.

All Committee members shall be financially literate and at least one member of the Committee shall have significant, recent and relevant financial experience. One member shall be an “audit committee financial expert” as defined in Item 16A of SEC Form 20-F. Following their appointment, new Committee members are required to complete an induction programme.

Appointments shall be for an initial period of up to three years, extendable (except where the Nominations Committee considers there to be special circumstances) by no more than two further 3-year appointments, but only if the Board determines that the relevant Committee member remains independent.

If a director nominated to be a Committee member already serves on the audit committees of three or more public companies, the Nomination Committee of the Board will satisfy itself that this does not impair his or her ability to serve effectively on the Committee.

If any member of the Committee is unable to attend a Committee meeting for any reason, the chairman of the Committee may appoint any other non-executive director of the Company who meets the independence criteria set forth above to act as alternate for the member of the Committee who is unable to attend.

The Company Secretary or his/her nominee shall be the Secretary to the Committee.

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## **Attendance at and Conduct of Meetings**

The chairman of the Committee may require the Chairman of the Board and any of the executive directors (and other executives, including the Chief Financial Officer, the head of internal audit and the general counsel) to attend its meetings for certain agenda items. No one shall have the right to attend a meeting of the Committee without the invitation of the chairman of the Committee, nor shall any such attendee have the right to vote.

The Committee may require representatives of the external auditors to attend its meetings for certain agenda items.

Members of the Committee (and any other director or officer who is present) must declare any conflicts of interest in any matter under discussion.

## **Minutes**

Minutes of Committee meetings shall be circulated promptly to all members of the Committee and nominated recipients and once agreed, are available to all members of the Board, unless a conflict of interest exists.

## **Frequency of Meetings**

Meetings shall be held at least four times a year and otherwise as frequently as required and, where appropriate, should coincide with key dates in the Company's financial reporting cycle. The external auditors, the Chief Financial Officer, head of internal audit and general counsel may each request a meeting with the Committee or its chairman if they consider that one is necessary.

At least once a year, without the presence of executive management, the Committee shall meet with the external auditors and with the head of internal audit.

Notice of each meeting confirming the date, venue and time, together with an agenda of items and relevant papers to be discussed shall be formally provided, in writing, to each member of the Committee, other than in special circumstances, at least three working days prior to the meeting.

## **Authority**

The Committee is authorised to require the provision of such information, and access to such personnel, as it requires to discharge its responsibilities and is authorised to investigate any activity within its terms of reference. The Board shall give such instructions or directions as are necessary to enable the Committee to fulfill its duties and responsibilities. The Committee is concerned with the business of the whole WPP Group and its authority extends to all relevant matters relating to WPP Group plc and its subsidiaries.

The Committee may obtain outside legal help and any other independent professional advice, at the Company's expense, as it considers necessary for the fulfilment of its duties and responsibilities and such advisers may attend meetings as necessary.

The Committee is authorised to consider and, if appropriate, pass any resolutions necessary in accordance with their duties, including those in the form of a unanimous written resolution.

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## Duties

The Committee is required to:

1. Select an external auditor and make appropriate recommendations to the Board for submission to the shareowners at the AGM.
2. Consider the (re-) appointment, resignation or termination of the external auditor with due regard as to the qualifications and independence of the auditor (ensuring that key audit partners are rotated at appropriate intervals); and approve the auditor's compensation.
3. Discuss with the auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit) and ensure effective co-ordination if more than one audit firm is involved; and pre-approve all auditing services (including management and other comfort letters and statutory audits).
4. Review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
5. Review the external auditor's management letter and management's response.
6. Pre-approve any permitted non-audit services (and fees therefor) that may be provided by the audit firm (subject to the *de minimus* exemption) ensuring that the provision of non-audit services does not impair the external auditor's independence or objectivity and confirm that the auditor is not contracted to supply any prohibited services.
7. Review and discuss with and, when necessary, challenge the actions and judgments of, management and the auditor with respect to the preliminary annual financial statements, the half yearly financial statements, interim management statements and the annual financial audited report and accounts before submission to the Board focusing particularly on:
  - 7.1 the quality and acceptability of the accounting policies and practices, the financial reporting disclosures, and any changes;
  - 7.2 any areas involving significant judgement, estimation or uncertainty;
  - 7.3 the views of both management and the auditors on any accounting issues that are (a) deemed by the auditors to be mis-statements; (b) are material either individually or collectively; and (c) have not been fully corrected;
  - 7.4 the basis for the going-concern assumption;
  - 7.5 compliance with financial reporting standards and relevant financial governance reporting requirements; and any other legal or regulatory requirements;

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- 7.6 the extent to which the financial statements are affected by any unusual transactions and, if they are individually or collectively material, whether they are properly disclosed;
    - 7.7 the clarity of disclosures; and
    - 7.8 significant adjustments resulting from the audit.
  8. Require the external auditor to report on all alternative treatments of financial disclosure discussed with management and on any written communications between auditors and management.
  9. Review the Company's annual statement on internal control and its compliance with the Turnbull guidance prior to consideration by the Board; to review and, where appropriate, approve:
    - 9.1 the policies and overall process for identifying and assessing business risks and managing their impact on the Company, and report to the Board accordingly;
    - 9.2 regular assurance reports from management, internal audit, external audit and others on the operational effectiveness of matters relating to internal financial control, financial reporting and risk; and
    - 9.3 the timeliness of, and reports on, the effectiveness of corrective actions by management.
  10. Review risk management reports setting out the risks involved in the Company's business and how they are controlled and monitored by management.
  11. Review acquisitions and investments (or disposals) and the incurrence of debt (including refinancing) above and below thresholds to be set by the Board from time to time.
  12. Request and/or consider any recommendations from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems, reservations or other matters that came to the auditor's attention (in the absence of management, if necessary) and management's response to such recommendations and findings.
  13. Consider the findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response to them, and direct any appropriate additional actions to deal with them.
  14. Review, prior to its consideration by the Board, the external auditor's report to the directors and management's response. The Committee may seek confirmation from management and from the Company's legal advisers that all arrangements are consistent with law and properly disclosed to shareholders.
  15. Seek confirmation from the Company's legal advisers that the Chief Executive Officer and the Chief Financial Officer have met and continue to meet the certification requirements imposed by Sarbanes-Oxley, and any similar obligations.

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16. Consider any necessary disclosure implications of and requirements relating to any process that has been applied by the Board to deal with any material internal control or other significant problems disclosed in the annual reports and accounts.
  17. Review such information from the Disclosure Committee as the Committee may request (including reports and minutes of the Disclosure Committee) from time to time.
  18. Ensure that (a) appropriate procedures are established, for receiving, investigating and resolving any complaints or concerns provided anonymously or in confidence (“whistle-blowing”) in relation to accounting, internal control or auditing issues, and (b) that such procedures are periodically reviewed.
  19. With regard to the internal audit function, the Committee should:
    - 16.1 review and discuss with the head of internal audit the scope of work of the internal audit function, its funding, its plans, the issues identified as a result of its work and how management is addressing these issues;
    - 16.2 monitor and ensure, through consultation with the Company’s independent auditor and legal advisers, that the function is adequately resourced, and that it has appropriate authority and standing within the Company;
    - 16.3 review co-ordination between the internal audit function and the external auditor, including those aspects of risk management for which the Committee is responsible; and
    - 16.4 approve the appointment or dismissal of the head of internal audit.
  20. Obtain assurances from the external auditor that the audit has been conducted in a manner consistent with Section 10a of the Securities Exchange Act 1934.
  21. As applicable, ensure compliance with the responsibility of the Committee under Standard No. 1 of the Independence Standards Board to obtain disclosure from the auditors of any relationships that exist or any other services they provide to the Company that may impact on their objectivity or independence. Actively engage in a dialogue with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor and take, or recommend that the Board take, appropriate action to oversee the independence of the auditors.
  22. Periodically review, and report to the board where required, the relevant provisions of the Company’s Code of Business Conduct and Ethics and the Company’s Policy Manual.
  23. Ensure that appropriate procedures are in place for dealing with all aspects of corporate social responsibility, other than those relating to employee welfare, which are the responsibility of the Compensation Committee.
  24. Consider and direct that appropriate disclosure is made in the annual report concerning the role of the Audit Committee.

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25. Consider other matters referred to the Committee by the Board (including such items as the Company's policies for preventing or detecting fraud, and the policies for ensuring that the Company complies with the relevant regulatory and legal financial reporting requirements).
  26. In fulfilling its duties, the Committee shall have due regard to the requirements and expectations of audit committees of quoted companies contained in the Smith Report.
  27. Regularly review these Terms, requesting Board approval for any proposed changes, and at appropriate intervals evaluate the Committee's performance against these Terms and best practice.
  28. Where, following its review, the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Board.
  29. Review and approve all related-party transactions.
  30. Committee members are expected to keep abreast of developments in financial reporting and related company law matters.

### **Reporting**

The Chairman of the Committee shall report to the Board matters arising from the last meeting of the Committee at the next following Board meeting and the Chairman of the Committee shall attend the Board meeting at which the accounts are approved.

The Committee's duties and activities during the year shall be disclosed in the annual financial statements and the frequency and attendance record (by member) of Committee meetings shall be reported.

The Chairman of the Committee shall be available to answer shareowners' questions on the Committee's activities and its duties and responsibilities at any relevant general meeting of the Company.

### **Funding**

To discharge the foregoing functions the Company will provide appropriate funding, as determined by the Committee, for the payment of (i) compensation to any registered public accounting firm, (ii) compensation to any outside advisors employed by the Committee, and (iii) ordinary administrative expenses of the Committee.