

# DIRECTORS' COMPENSATION POLICY

Approved by Shareholders on 10 June 2020

## SUMMARY OF PROPOSED CHANGES TO THE DIRECTORS' COMPENSATION POLICY

ELEMENT OF COMPENSATION	PROPOSED CHANGES
● <b>Base salary</b>	<p>The new policy allows for flexibility to review base salaries on an annual basis rather than biennially if the Committee deems this appropriate. The Compensation Committee will also have the discretion to realign base salary over a phased period for new Board appointments whose starting salary is below the competitive market level.</p> <p>The inclusion of a £100,000 Director fee has been removed. This was a legacy arrangement applicable to Paul Richardson only.</p>
● <b>Benefits</b>	<p>The annual fixed benefits allowance has been reduced from £200,000 for the CEO and £85,000 for the CFO to a maximum of £50,000 for all executives.</p>
● <b>Pension</b>	<p>Following the provisions in the new UK Corporate Governance Code to align executive pensions with those of the wider workforce, we have reduced the pension provision available to new Executive Directors to 10%. This level has been applied to the newly appointed Chief Financial Officer. Over the course of the next policy period, the CEO's contribution will be phased down to this level. During 2020, as far as practicable, the average maximum pension contribution available to employees across the UK will be increased to 10% from the current average rate of 5% to ensure alignment.</p>
● <b>Short-term incentive plan</b>	<p>The overall quantum of the short-term incentive plan has been reduced from a maximum of 400% of base salary for the CEO and 250% of base salary for other directors to a maximum of 250% of base salary for all executives. The target incentive is 50% of maximum for all directors. A significant proportion of the STIP will continue to be deferred into shares for a period of two years. Performance measures and targets are reviewed annually to ensure they align with current business priorities.</p>
● <b>Long-term incentive plan – Executive Performance Share Plan (EPSP)</b>	<p><b>Structure:</b></p> <p>The performance period for the EPSP has been reduced from five years, to three years combined with a two-year holding period. The change in performance period is designed to enhance alignment to Company business strategy and improve the effectiveness of the plan to attract, retain and motivate executives. The overall five-year holding period maintains the long-term alignment with shareholders that is a critical feature of the policy.</p> <p>Current</p>  <p>Proposed</p>  <p><b>Performance measures:</b></p> <p>The current EPSP financial measures of EPS and ROE will be replaced with cumulative free cash flow (CFCF) and return on invested capital (ROIC). These measures have been chosen on the basis that they are closely aligned with the WPP strategy to ensure long-term efficiency, profitability and cash generation. In addition, the TSR peer group will be reviewed to reflect the current key competitors of the Company.</p> <p>Current</p>  <p>Proposed</p>  <p><b>Quantum:</b></p> <p>The new policy proposes a reduction in maximum from 975% of base salary to 400% of base salary. The maximum level will be used in exceptional circumstances only. The threshold vesting level will increase from 15% to 20%.</p>

**OVERVIEW OF OTHER CHANGES TO POLICY**

POLICY AREA	PROPOSED CHANGES
<ul style="list-style-type: none"> <li>● <b>Post-employment shareholding requirements</b></li> </ul>	<p>Post-employment shareholding requirements will be formally introduced requiring Executive Directors to hold 100% of their shareholding requirement for the first year following departure, reducing to 50% for the second year. The post-employment requirement was set taking into account the level of the shareholding requirement for the CEO and CFO at 600% and 300% respectively which is considerably higher than typical UK market norms.</p>
<ul style="list-style-type: none"> <li>● ● <b>Malus and clawback</b></li> </ul>	<p>A standalone malus and clawback policy has been implemented which applies to all the incentive plans. The policy includes a broad list of events in which malus and clawback may be applied and a defined decision-making process. The Compensation Committee have far-reaching powers to ensure they can use judgement in a broad range of circumstances.</p>
<p><b>Appointments to the Board</b></p>	<p>The aggregate maximum level of ongoing variable compensation that can be awarded to a newly appointed Executive Director has been reduced from 8 times to 6.5 times base salary. This aligns with changes to limits on short- and long-term incentive levels.</p>

**GUIDING PRINCIPLES**

Our Directors' Compensation Policy is designed in the context of the UK Corporate Governance Code to attract and retain best-in-class talent and incentivise Directors to deliver growth, creativity and outstanding performance, thereby producing long-term value for shareholders.

The WPP Directors' Compensation Policy is determined by the following guiding principles:

<p><b>PERFORMANCE-DRIVEN REWARD</b></p>	<p>Our compensation structure has a high proportion of performance-based variable compensation.</p>	 <p>Value of CEO's compensation package at target</p> <ul style="list-style-type: none"> <li>● Fixed pay / <b>29%</b></li> <li>● STIP / <b>29%</b></li> <li>● EPSP / <b>42%</b></li> </ul>
<p><b>COMPETITIVENESS</b></p>	<p>Director compensation is designed to attract and retain best-in-class talent.</p>	
<p><b>LONG-TERM ALIGNMENT WITH SHAREHOLDER INTERESTS</b></p>	<p>Director pay packages have a large portion paid in the form of shares linked to strategically aligned performance measures. Directors have significant share ownership requirements both during and post-employment.</p>	
<p><b>ALIGNMENT TO WPP STRATEGY AND VALUES</b></p>	<p>Our incentive plans are structured in a way that drives performance in line with strategy and promotes long-term alignment with shareholders.</p>	

## ALIGNING INCENTIVE PLANS WITH STRATEGY

Performance measures are selected to align to the immediate and long-term business strategic priorities appropriate at the time.



### CONSIDERATIONS TAKEN INTO ACCOUNT WHEN SETTING OUR DIRECTORS' COMPENSATION POLICY EMPLOYMENT CONDITIONS AT WPP

We have set the WPP Directors' Compensation Policy in the context of the policies and practices that apply to the wider workforce.

### SHAREHOLDER VIEWS

The Committee has consulted with key shareholders throughout the development of the updated Directors' Compensation Policy. The feedback received during these conversations was valuable and was among the factors that informed the decisions made by the Committee. WPP has worked diligently to listen to all views and create a policy that is both acceptable to shareholders as well as attractive to and likely to retain Executive Directors. WPP continues to engage openly with shareholders and institutional investors to discuss matters relating to compensation.

### PROPOSED NEW POLICY FIXED ELEMENTS OF COMPENSATION

#### COMPONENT, PURPOSE AND LINK TO STRATEGY

#### OPERATION

#### OPPORTUNITY

##### ● Base salary

To maintain package competitiveness and reflect skills and experience; to enable recruitment and retention.

Base salary is typically reviewed every two years but may be reviewed annually if the Committee deems appropriate.

The Committee may realign base salary over a phased period for new Board appointees who start on a lower-than-market salary.

Salary levels and increases take into consideration:

- salary increases awarded across the Group
- individual performance
- levels in other companies of similar size, scope and complexity.

Increases for executives will usually be aligned to the wider workforce which will reflect the performance of the Company, individual and local economic factors.

Increases above the normal level may be made to take into account special circumstances such as:

- increase in the nature or scope of the role
- to reflect development in a role such as in the case of an executive appointed at a below-market salary.

##### ● Benefits

Provide an annual 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 annual 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 move to a different country, a relocation benefit may be provided in addition to the usual benefit allowance.

The maximum benefit allowance payable is £50,000.

**COMPONENT, PURPOSE AND LINK TO STRATEGY****OPERATION****OPPORTUNITY**● **Pensions**

To enable provision for retirement benefits.

Pension is provided by way of contribution to a defined contribution retirement arrangement, or as a cash allowance, determined as a percentage of base salary.

Executive Director: 10% of base salary.

Current:  
CEO – 20% of base salary less Employer's NIC (17.6% net) reducing to 10% over the 2020 to 2022 Policy period.

CFO – 10% of base salary.

## VARIABLE ELEMENTS OF COMPENSATION

**COMPONENT, PURPOSE AND LINK TO STRATEGY****OPERATION****OPPORTUNITY****PERFORMANCE**● **Short-term incentive plan (STIP)**

- Cash bonus
- Executive Share Award (ESA)

To drive the achievement of strategic priorities for the financial year and to motivate, retain and reward executives over the short and medium term.

The ESA element of the incentive aligns executives with shareholder interests.

Targets are set early in the year. The Committee determines the extent to which these targets have been achieved at the end of the year based on the performance.

The STIP is delivered as follows:

- at least 40% of the STIP pay-out is delivered in the form of conditional deferred shares (ESA) which will be released after a period of two years.
- the Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) if it is determined that performance has been impacted by unforeseen circumstances and the outcome is not reflective of the underlying company performance.
- STIP is subject to the malus and clawback policy.

**Maximum opportunity**  
– 250% of base salary

**Target opportunity**  
– 50% of the maximum opportunity

Less than the maximum opportunity may be applied to executives.

Dividends will accrue on the ESA during the deferral period.

Performance measures and targets are reviewed and set annually to ensure continued strategic alignment.

Financial measures may represent a minimum of 75% of the award and a maximum of 100%.

Individual strategic or non-financial objectives may represent up to 25% of the award.

● **Long-term incentive plan – Executive Performance Share Plan (EPSP)**

To drive the achievement of long-term strategic priorities, to aid retention and to align executive and shareholder interests over the long term.

The EPSP comprises a grant of performance share awards which will vest subject to the achievement of performance conditions.

The EPSP has a performance period of three years, followed by a two-year holding period of the vested shares.

The Committee has the discretion to adjust the formulaic outcome of the award to ensure that vesting reflects underlying Company performance and value creation for share owners.

EPSP is subject to the malus and clawback policy.

**Maximum opportunity**  
– 400% of base salary

Less than the maximum opportunity may be applied to executives.

Dividends will accrue on awards during the performance period.

Vesting of the EPSP is subject to the achievement of demanding performance targets.

Performance measures are set by the Committee and may be a mix of market, financial and non-financial measures. In 2020 the measures will be relative TSR, ROIC and cumulative free cash flow.

Threshold performance will produce an award of 20% of the award granted and increase on a sliding scale to 100% for maximum performance achievement.

Full details of the awards are in the Annual report on compensation.

● **Shareholding requirements**

To align the interests of Executive Directors with shareholders.

Executive Directors are required to hold 100% of their shareholding requirement for a period of one year following cessation of employment, reducing to 50% for a second year.

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 shareholders.

Chief Executive Officer:  
600% of base salary.

Chief Financial Officer:  
300% of base salary.

Minimum for any other new executive appointed to the Board: 200% of base salary.

Executive Directors will be permitted a period of seven years from the date of their appointment to achieve the guideline level.

If 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.

If the Executive Director fails to maintain their shareholding requirement post-employment, this may result in a reduction of outstanding awards.

## 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

Performance measures are selected by the Committee based on their alignment with strategic priorities and the key metrics used across the business.

### STIP

STIP measures are reviewed annually by the Committee taking into account business performance and priorities. 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

The EPSP performance measures are selected to complement the annual STIP measures and capture the longer-term performance of the Company.

Cumulative free cash flow is a measure that is important for both management and our shareholders, capturing growth in revenue and profitability. Return on invested capital 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 shareholder views of how WPP has performed relative to the companies in the peer group.

Operational targets under the EPSP are set taking into account a combination of factors, but primarily internal forecasts, analysts expectations and historical performance relative to budgets.

Relative TSR targets are set to ensure they are stretching and require out-performance of half of our peer group 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 managing the compensation of the Executive Committee and the Company Secretary.

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 shareholders and senior individuals within the Group, but also enables the Group to attract, retain and motivate the talented people upon whom our success depends.

### Stock Plan 2018

The WPP plc Stock Plan 2018 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 programme. In this programme, 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 Stock Plan 2018. Executive Directors are ineligible to participate in any other aspect of the management share award programme, other than in relation to awards granted prior to appointment or in relation to awards granted to buy-out previous awards on appointment.

### 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.

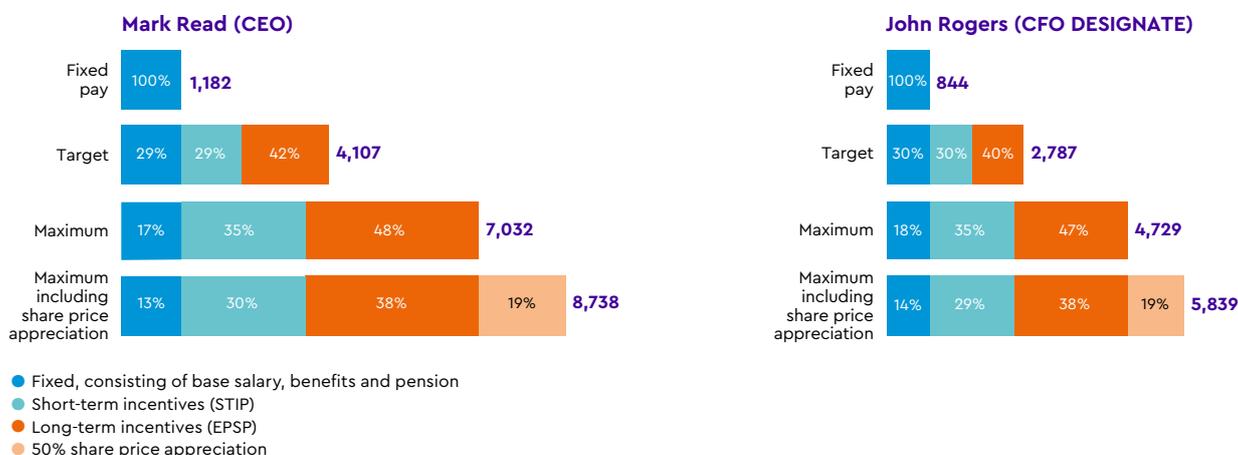
The WPP plc Share Option Plan 2015 has the capability to make grants of executive share options.

## ILLUSTRATIONS OF TOTAL COMPENSATION

The charts below provide an illustration of the potential future total remuneration of the Executive Directors. Four scenarios of potential outcomes are provided based on the assumptions set out in the notes below the charts. The charts are reflective of the pay policy that is being presented for approval at the 2020 AGM.

### COMPENSATION SCENARIOS

£000



## NOTES TO THE COMPENSATION SCENARIO CHARTS

The scenarios in the charts on the previous page have been calculated based on the following assumptions:

Fixed pay	Consists of base salary, benefits and pension Base salary reflects current levels Pension reflects current levels
Target	Assumes target STIP of 50% of maximum Assumes EPSP vesting of 50% of maximum
Maximum excluding any share price growth	Assumes maximum STIP and maximum EPSP
Maximum including 50% share price growth	Assumes maximum STIP, maximum EPSP and 50% share price appreciation on the EPSP element of the package

### 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 considering 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 120) 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 6.5 times base salary.

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 shareholders.

### 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 method of payment 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 shown in this table:

Name	Effective from	Notice period
Mark Read	3 September 2018	12 months
John Rogers	27 January 2020	12 months

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 contracts of executives provide 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 shareholder 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.

#### 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 (ESA and EPSP), which apply in other leaver scenarios. As noted on page 122, 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	<ul style="list-style-type: none"> <li>- The award will lapse if the Executive Director leaves during the first year of a performance period.</li> <li>- 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.</li> <li>- In exceptional circumstances, the Compensation Committee may determine that an award will vest on a different basis.</li> <li>- 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.</li> <li>- Awards will vest immediately on a change-of-control subject to performance and time pro-rating will be applied unless it is agreed by the Committee and the relevant Executive Director that the outstanding awards are exchanged for equivalent new awards.</li> </ul>

#### OTHER COMMITTEE DISCRETIONS NOT SET OUT ABOVE

Leaver status: the Committee has the discretion to determine an executive's leaver classification considering the guidance set out within the relevant plan rules.

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 shareholder in that organisation, non-executive fees for those roles are waived. However, if the Company is not a shareholder 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.

<p><b>Base fees</b> To reflect the skills and experience and time required to undertake the role.</p>	<p>Fees are reviewed at least every two years and consider the skills, experience and time required to undertake the role, as well as fee levels in similarly-sized UK companies.</p> <p>The Chairman and Non-Executive Directors receive a "base fee" in connection with their appointment to the Board.</p>	<p>An overall cap on all non-executive fees, excluding consultancy fees, will apply consistent with the prevailing and shareholder-approved limit in the Articles of Association.</p>
<p><b>Additional fees</b> To reflect the additional time required in any additional duties for the Company.</p>	<p>Non-Executive Directors are eligible to receive additional fees in respect of serving as:</p> <ul style="list-style-type: none"> <li>- Senior Independent Director</li> <li>- Chairman of a Board Committee</li> <li>- Member of a Board Committee</li> <li>- Consultancy fees in respect of other work that falls outside the remit of their role for the Company.</li> </ul>	<p>An overall cap on all non-executive fees, excluding consultancy fees, will apply consistent with the prevailing and shareholder-approved limit in the Articles of Association.</p> <p>Consultancy fees will be set on a discretionary basis, taking account of the nature of the role and time required.</p>
<p><b>Benefits and allowances</b> To enable the Chairman and Non-Executive Directors to undertake their roles.</p>	<p>The Company will reimburse the Chairman and Non-Executive Directors for all reasonable and properly documented expenses incurred in performing their duties of office.</p> <p>The Company may provide additional allowance to facilitate the operation of the Board such as a travel allowance for attendance at international meetings.</p> <p>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).</p> <p>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.</p>	<p>Benefits and allowances for the Chairman will be set at a level that the Committee feels is required for the performance of the role.</p>

## OTHER CHAIRMAN AND NON-EXECUTIVE DIRECTOR POLICIES

### LETTERS OF APPOINTMENT FOR THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS

Letters of appointment have a one- to 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 considering a range of factors including the profile and prior experience of the candidate and external market data.

## PAYMENTS IN EXCEPTIONAL CIRCUMSTANCES

In 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.