

## TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES STATEMENT

We support the Task Force on Climate-related Financial Disclosures and aim to develop our disclosures in line with its recommendations. This voluntary framework seeks to encourage businesses to disclose climate-related risks and opportunities and is structured around four themes: governance, strategy, risk management, and metrics and targets. Our disclosure, across these four themes, is set out below. WPP's overall approach to risk management and a summary of our principal risks can be found on pages 90-101 of this Annual Report. Our CDP response provides further disclosures on our approach to climate change and is available at [cdp.net/en](https://www.cdp.net/en).

### GOVERNANCE

Our Executive Directors have overall responsibility for climate-related risks and opportunities and our performance on carbon reduction is integrated into their incentive plans. At Board level, the Sustainability Committee steers our approach and is attended by both the CEO and CFO, as well as experienced Non-Executive Directors. The Committee meets at least four times per year. Its remit includes reviewing our sustainability strategy and evaluating our performance against targets and commitments. As our clients integrate climate adaptation and mitigation into their business strategies, the Committee will review the growth of services which maximise their success. It will also review climate adaptation and transition plans, including steps to ensure that our Campuses and offices are resilient to extreme weather and that we are meeting growing regulatory requirements that face both WPP and its clients. In 2020, climate strategy was discussed at all meetings as the Committee monitored the development of WPP's science-based carbon target and net zero strategy.

Our Executive Committee working group on sustainability also works to guide our strategy and oversee our approach across agencies. This group includes WPP's Chief Financial Officer, Chief Marketing and Growth Officer, Group Chief Counsel, and agency CEOs. The wider Executive Committee includes the leaders of WPP's largest agencies and Group functional leaders. In 2021, we will build implementation plans for our sustainability strategy, net zero carbon commitments, and climate-related risk and opportunity management. Further information on sustainability governance is provided on page 89 of this Annual Report.

### IDENTIFYING CLIMATE RISK AND OPPORTUNITY

Sustainability risks are integrated into our overall risk management processes. Performance and updated risk implications are reviewed by the Audit Committee on a regular basis. Assessment of risk is informed by feedback from investors, clients and our people. Our overall risk management process is outlined on pages 90-101 and climate change risk is included as an emerging risk as part of our principal risks and uncertainties disclosure on page 101. WPP has implemented Risk Committees in our operating companies with the aim of ensuring accountability at the network level to monitor risk and compliance and we are embedding climate risks in their agendas. Our business integrity programme is integral to ensuring that the policies, procedures and control environment set by the Board are understood and adhered to across all geographies and markets. In 2020, the business continuity implications of physical climate change and the risk of not meeting WPP's sustainability commitments was integrated into the Business Integrity function's annual risk assessment.

The Board Sustainability Committee reviews WPP's climate-related risks and opportunities on an annual basis. This analysis is informed by interviews with sustainability and consumer experts from within WPP's agencies and external data sources including Maplecroft's Climate Change Exposure Index and the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs). Factors considered include regulatory requirements, reputational risk, physical risks, and opportunities to advise our clients. Evaluation criteria include relevance to our industry, relevance to sustainability, regulatory and legal risks, financial implications and the operations affected.

**CLIMATE CHANGE AND OUR STRATEGY**

The nature of the risks and opportunities that we face depend not just on the physical aspects of climate change, but also on: the trajectory our clients take in adapting their business models; regulations in the markets in which we operate; and our ability to understand and shape a culture of climate action. Our response to our principal climate risks and opportunities involves a range of WPP Group functions and responses by our companies.

**KEY**  
 Risk  
 Opportunity

**CLIMATE-RELATED RISK OR OPPORTUNITY**

**POTENTIAL IMPACT**

**HOW IT IS MANAGED**

**PHYSICAL RISKS AND OPPORTUNITIES**

Increased frequency of extreme weather and climate-related natural disasters



This includes storms, flooding, wildfires and water and heat stress which can damage our buildings, jeopardise the safety of our people and significantly disrupt our operations.

Our assessment of physical climate risk on our Campus buildings shows that 10% of headcount will be located in countries at "extreme" risk from the physical impacts of climate change in the next 30 years, up from 9% in 2019. In addition, 15% of our headcount is in markets where climate risk exposure has increased by more than 10% in the past five years<sup>1</sup>. This includes our operations in Canada, China, Italy, Turkey and the United Arab Emirates.

Co-locating our people through our Campus strategy has enabled us to centralise emergency preparedness procedures. In 2021 we will integrate climate-related risk assessment into the technical due diligence suite that we follow when we invest in a new Campus building. This will help to ensure that material acute and chronic physical climate risks are considered in design and embedded into business continuity procedures. Further details on our Campus strategy are outlined on page 44.

Our annual risk assessment identified the need to develop tools and guidance to support our People teams in identifying and responding to emergent physical climate risk. In 2021, we will work with our Business Integrity function to develop resources and deploy them across WPP agencies.

**TRANSITION RISKS AND OPPORTUNITIES**

Increased demand for sustainable products and services



Our clients are grappling with sustainability challenges and looking to transition their business models away from fossil fuels. For example, 64% of our top 50 clients have committed to setting science-based carbon reduction targets, representing 33% of total revenues in 2020.

As clients increase their ambitions in this space, there is an opportunity for WPP to grow revenues from products and services which support the sustainability ambitions of our clients as they transition their businesses away from fossil fuels. This may include developing low or net zero marketing and ecommerce services, developing sustainability-focused brand strategies, and promoting sustainable consumption norms to consumers.

To realise this opportunity, we will need to invest in the innovation and growth of sustainability-focused services.

Our sustainability strategy (see page 68) outlines our commitment to developing products and services which enable our clients to adopt leadership positions on climate change and exceed the expectations of consumers.

In 2020 we increased investment in our virtual advertising production capability, which reduces the emissions and environmental impact of production shoots.

Increasingly, our agencies are hiring for sustainability-focused leadership roles. We expect this community to continue to grow. Additionally, we are evaluating whether to increase our sustainability resources for clients organically or by acquisition.

We are already upskilling our people in carbon reduction and climate-related issues. In 2020, we started training our people to deliver net zero products and services through programmes such as AdGreen (page 72) and to innovate on behalf of our clients through initiatives like Change the Brief. Through our strategy, we will be developing materials and training programmes to upskill our people on climate-related issues.

<sup>1</sup> Based on the Maplecroft Climate Risk Exposure Index values, December 2020.

CLIMATE-RELATED RISK OR OPPORTUNITY

POTENTIAL IMPACT

HOW IT IS MANAGED

TRANSITION RISKS AND OPPORTUNITIES

Achieving resource efficiencies through cutting our carbon footprint and improving energy efficiency



Through carbon reduction initiatives we have the opportunity to decrease the costs associated with energy use and avoid increased costs associated with carbon taxation. This relates both to our buildings, and to energy-intensive activities such as data storage.

Through energy audits we have identified that moving to offices which are certified to advanced sustainability standards reduced energy consumption by 21% per location. As part of our net zero strategy we are working to identify the potential cost savings of embedding best-practice solutions in our buildings.

Our industry is increasingly reliant on data, digital content and centralised cloud computing. In coming years, we expect to see an increase in externality taxes designed to curb the carbon emissions associated with data storage, which may lead to companies embedding data minimisation strategies<sup>1</sup>. This creates an opportunity for networks such as WPP, which are following a policy of using data well rather than focusing on collection, to emerge as practice leaders and drive innovation.

Through our Campus strategy we have been driving energy efficiency gains by ensuring that all buildings with a floor space exceeding 50,000 square feet will be certified to advanced sustainability standards including LEED and BREEAM. As part of our net zero strategy we are working with our real estate function to embed sustainability best practice into our Campus strategy. For more details see our Sustainability Report.

We are working to embed our net zero ambitions in our data and AI strategy to maximise carbon reduction opportunities. This includes through traditional methods such as embedding the use of efficient hardware and renewable energy into purchasing decisions, and by pursuing data minimisation, federation and virtualisation solutions which reduce energy consumption by keeping data in its place of origin.

Increased reputational risk associated with misrepresenting environmental claims in marketing and advertising content



As consumer consciousness around climate change rises, there is increased scrutiny of our sector's role in driving unsustainable consumption. Increased regulatory scrutiny, including government consultations, demonstrates the growing reputational, financial and regulatory risks associated with the misrepresentation of environmental claims in marketing and advertising content.

The misrepresentation of environmental issues is governed by our Code of Conduct, which makes clear that we will not take on work or produce content that is designed or intended to mislead. We train our people on avoiding misleading work through our online ethics training, How We Behave, on joining and then on a regular basis, including after each update. Our people, suppliers and partners can report concerns or suspected cases of misconduct through our independently managed Right to Speak facility. For further details, see "Policies, Procedures and Culture" (page 91).

Through our sustainability strategy, we are developing additional training and resources to help our people to avoid misrepresentation in the work we do on behalf of clients.

Increased reputational risk associated with working with oil and gas companies and taking on environmentally detrimental briefs



WPP agencies are working with a number of energy clients. In many cases we are helping them to reshape their strategies and to embed the principles of sustainability within their operations, products and marketing.

Working with oil and gas companies, or associated industry groups, who are not actively decarbonising could result in weakened employee morale, lower client confidence and greater regulatory burden.

Our sustainability strategy outlines our commitment to supporting our clients' on their sustainability journeys (see page 72). We are reviewing our policies to reduce the risk that any client brief undermines the implementation of the Paris Agreement.

MONITORING OUR PROGRESS

We have been reporting on our performance on carbon emissions' reduction since 2006. Our carbon emissions' statement is included on page 219 of WPP's 2020 Sustainability Report. In 2020 and early 2021 we worked with the consultancy Carbon Intelligence to develop a net zero carbon strategy. WPP has committed to setting carbon reduction targets in line with Science Based Targets initiative (SBTi) requirements for 1.5°C and is a signatory to the Business Ambition for 1.5°C. This year we have published our full scope 3 inventory for the first time (see [wpp.com/netzero](http://wpp.com/netzero)). WPP's net zero strategy and the metrics we will use to monitor its implementation and progress are

outlined on page 81 and in the Planet chapter of our Sustainability Report 2020. Our most material climate-related opportunities relate to our client work. As part of our sustainability strategy we will develop metrics which track the growth of sustainable products and services. Examples of work relating to climate change are included in our downloadable Sustainability Report 2020: [wpp.com/sustainability](http://wpp.com/sustainability).

<sup>1</sup> WPP, Data 2030: what does the future of data look like.