



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 appreciate 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

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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 year's 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

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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

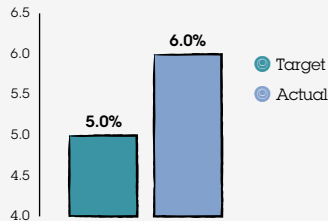
19 April 2017

At a glance

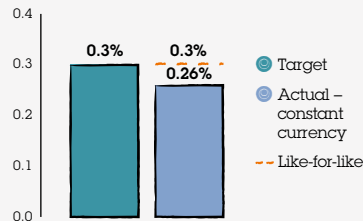
How we performed in 2016

Group financial performance measures:

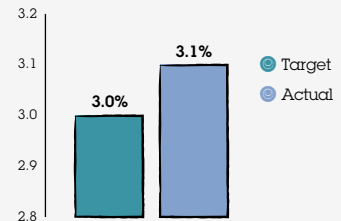
Headline PBT growth



Headline net sales margin improvement

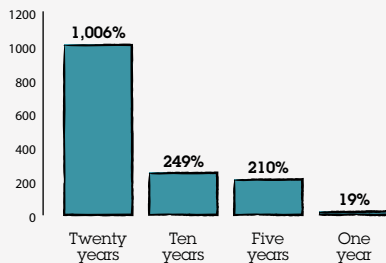


Growth in net sales



Long-term total shareholder return performance¹

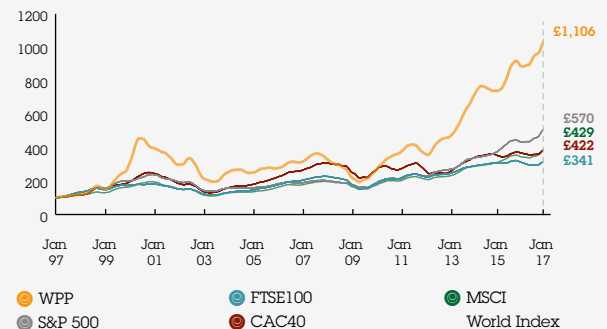
WPP Total Shareholder Return ("TSR")



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%

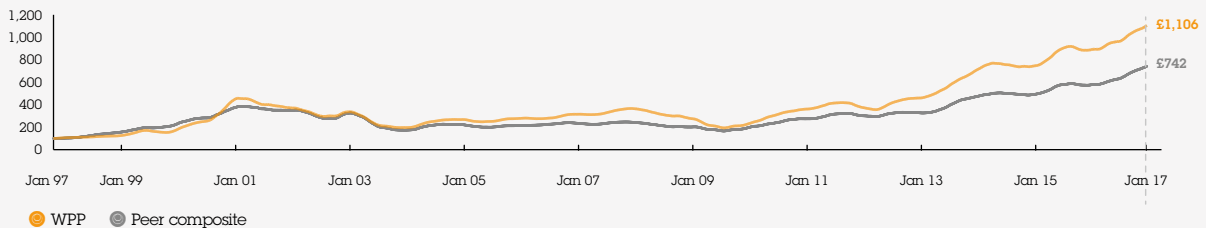
Source: DataStream. TSR calculated up until 31 December 2016.

Change in value of a £100 investment in WPP over time relative to indices



Source: DataStream. TSR calculated up until 31 December 2016.

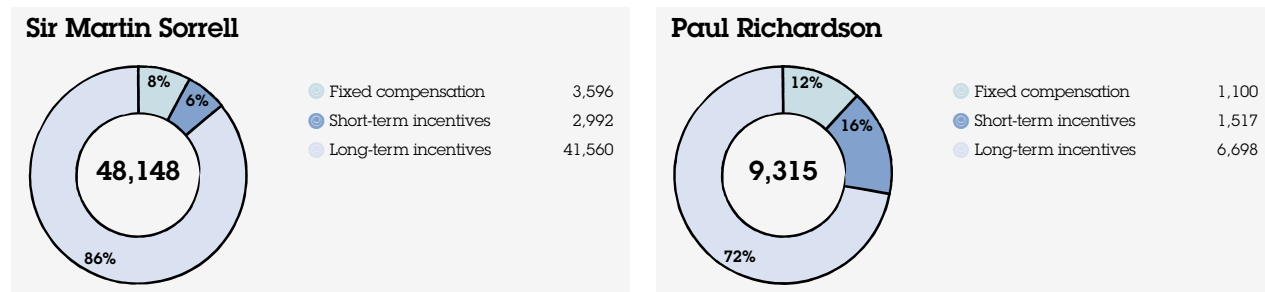
Change in value of a £100 investment in WPP over time relative to a composite index of peers



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)



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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

How we behave and how we're rewarded

Directors' Compensation 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. <table><tr><th></th><th>Threshold of maximum</th><th>Target (as percentage of maximum)</th></tr><tr><td>Sir Martin Sorrell</td><td>0%</td><td>50%</td></tr><tr><td>Other Executive Directors</td><td>0%</td><td>66%</td></tr></table>		Threshold of maximum	Target (as percentage of maximum)	Sir Martin Sorrell	0%	50%	Other Executive Directors	0%	66%	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 of maximum	Target (as percentage of maximum)										
Sir Martin Sorrell	0%	50%										
Other Executive Directors	0%	66%										

How we behave and how we're rewarded

Directors' Compensation Policy

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.

How we behave and how we're rewarded

Directors' Compensation Policy

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.

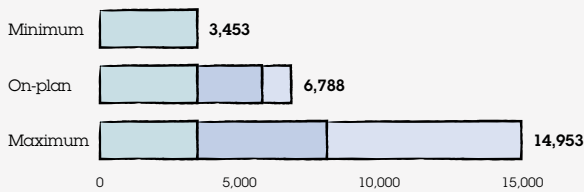
The WPP plc Share Option Plan 2015 has the capability to make grants of executive share options in order to attract or retain key talent. Such awards are made infrequently. There were no grants of executive share options in 2016, or 2015. The Executive Directors do not participate in this plan.

How do these pay policies affect potential compensation packages?

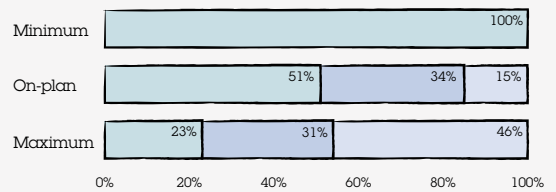
These graphs seek to demonstrate how pay varies with performance. The graphs are reflective of the pay policy that is being presented for approval at the 2017 AGM.

Sir Martin Sorrell (including DEPs¹ which will cease in November 2017)

Value of package (£000s)

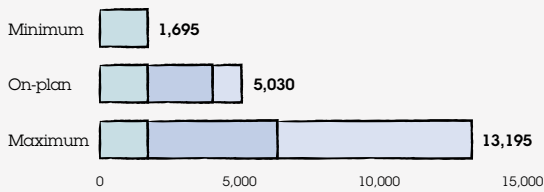


Fixed and variable pay mix

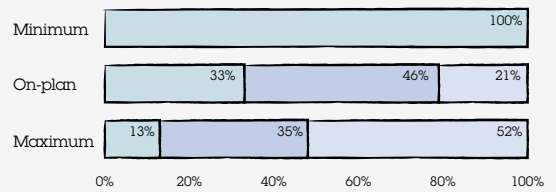


Sir Martin Sorrell (excluding DEPs¹ which will cease in November 2017)

Value of package (£000s)

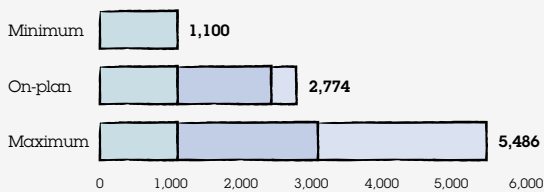


Fixed and variable pay mix

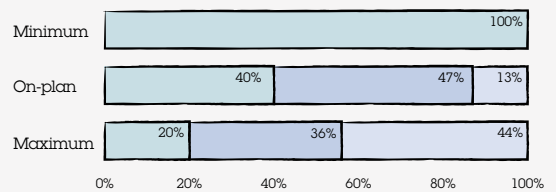


Paul Richardson

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.

How we behave and how we're rewarded

Directors' Compensation Policy

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				
	£000²	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.

How we behave and how we're rewarded

Directors' Compensation Policy

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	<ul style="list-style-type: none">▪ 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: <ul style="list-style-type: none"> ▪ 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.

How we behave and how we're rewarded

Directors' Compensation Policy

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.

How we behave and how we're rewarded

Compensation Committee Report

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.

Resolution	Votes for		Votes against		Votes cast	Votes withheld
	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 Sorrell¹	228	1,758
Paul Richardson¹	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 Sorrell¹	37	68	86	37
Paul Richardson¹	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.

How we behave and how we're rewarded

Compensation Committee Report

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.

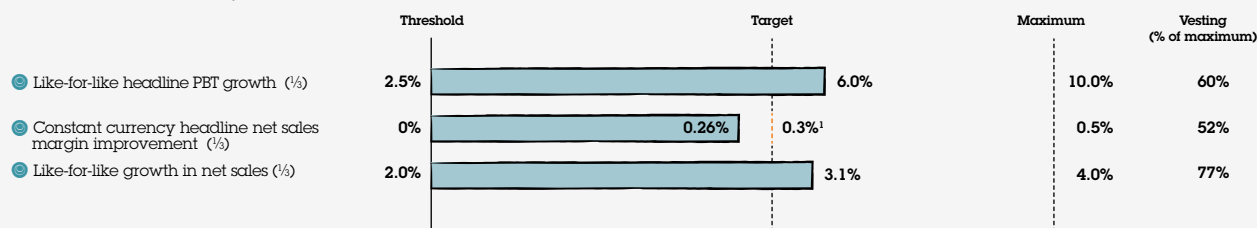
Performance against financial objectives (70% of the award)

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)



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.		
	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.	131%	77%
Paul Richardson	Working capital management	Improving year-on-year rolling average net working capital as a percentage of the annual revenue trend.		
	WPP IT transformation	Implementing a transformational program of outsourcing IT services to produce enhanced service and cost savings in future years.	90%	55%
	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.

How we behave and how we're rewarded

Compensation Committee 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.

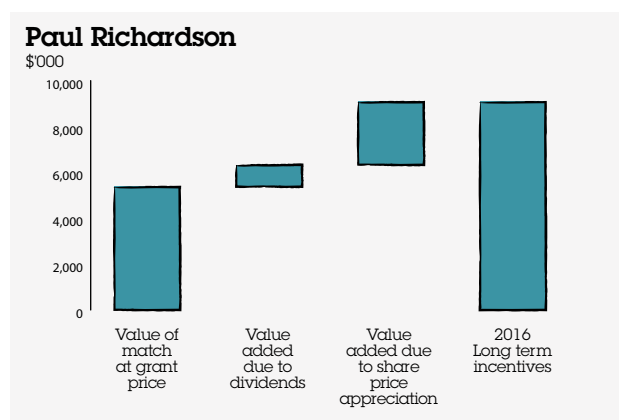
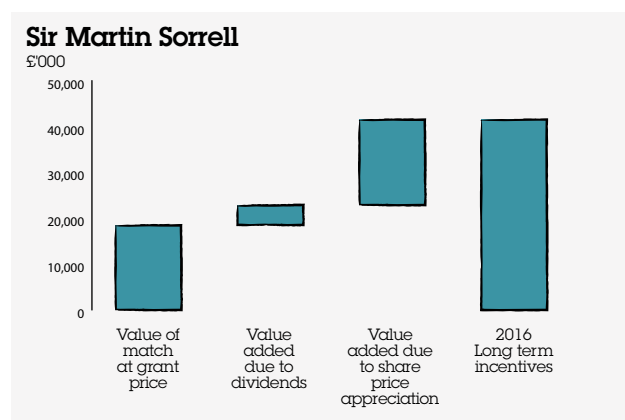
Over the five-year investment and performance period, WPP out-performed 95% of the weighted peer group including both Omnicom and Publicis, WPP's largest and most comparable multi-line competitors. Over the period, WPP delivered TSR of 210% which means that a shareholding of £100 at the start of the 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 Richardson¹	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.

How we behave and how we're rewarded

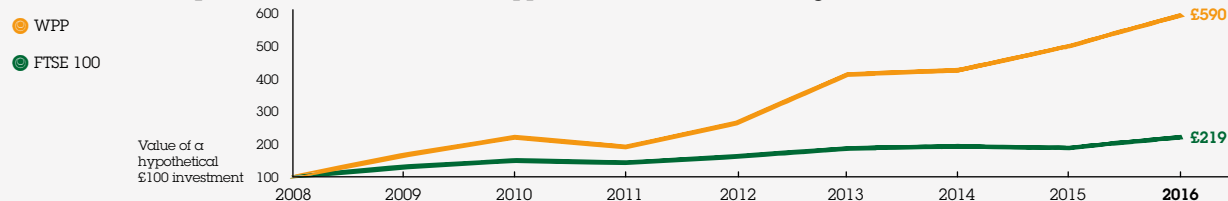
Compensation Committee Report

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 performance¹ 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

How we behave and how we're rewarded

Compensation Committee Report

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).

Director		Total share interests (including charitable foundation)	Total beneficial interests and deferred awards ¹	Outstanding scheme interests			
				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.

How we behave and how we're rewarded

Compensation Committee Report

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	Granted/ (Lapsed) units	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.

								During 2016
	Grant date	Performance period	Maximum number of nil cost options over shares/ADRs awarded ²	Share/ADR price on grant date	Nil cost options vested/ (lapsed)	Additional dividend shares	Nil cost options exercised or deferred	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

