

# **WPP**

## **Policy Book**

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# **1 Introduction**

## **1.1 The Policy Book**

The policies contained herein (“the Policy Book”) have been prepared for the managers of all companies in which WPP plc (“WPP”) has a significant interest (“Operating Companies”). The policies may be varied or changed at any time and confer no rights on employees or third parties.

WPP also issues Controls Bulletins for policy guidance deemed necessary before a subsequent revision of the Policy Book. These have the same importance as the Policy Book and are also to be regarded as mandatory.

This edition of the Policy Book supersedes all previous versions. A copy of this version is on WPP’s intranet, [www.insidewpp.com](http://www.insidewpp.com). The intranet will be maintained to ensure that the latest policies, Control Bulletins and guidelines are available to all users.

All senior management must be made aware of the existence of the contents of the Policy Book and they must communicate the need for adherence to the policies by all employees where applicable. “Senior Management” includes all members of the local Board or Management team, any Chairpersons, COOs, CEOs, CFOs, CIOs, Creative Directors, etc, and the heads of all significant departments, whether in operating companies, regional or global offices or the parent company. Signing the annual certificate of compliance with the Code of Business conduct, which is a requirement of Senior Management, also signifies confirmation that the staff member has read, understood and accepted the terms of the Policy Book and undertaken the on-line WPP training modules. (See 2.4).

These policies are mandatory for all staff and any breach may result in disciplinary procedures. Prior written approval must be obtained from WPP’s Group Finance Director (or delegate) if any exemptions are required from any of these policies.

All communication with WPP directors or staff can be made by telephone to +353 1 669 0333 (Dublin) or +44 20 7408 2204 (London) or +1 212 632 2200 (New York). Appendix A sets out the names and locations of those contacts referred to in the Policy Book.

## **1.2 Business principles**

The Policy Book reaffirms the general business principles of WPP and how each WPP Operating Company should conduct its business.

The Group is decentralised with diversified activities in marketing and communications. Each Operating Company has a common approach to ensure the reputation of their respective brand names and WPP's are maintained. The reputation of the businesses will be upheld if we act with honesty and integrity in all of our business dealings.

WPP and its Operating Companies have as their core values honesty, integrity and respect for people. These values are epitomised in our Code of Business Conduct.

These core values determine the way in which we approach business and they define the principles upon which we expect our people to behave in the conduct of their business.

**Senior Management have the task of ensuring adherence to these principles by all staff: behaviour must match intentions.**

## 2 Code of Business Conduct

### 2.1 Code

The following Code of Business Conduct (“the Code”) has been approved by the Board of Directors of WPP:

WPP and its companies operate in many markets and countries throughout the world. In all instances, we respect national laws and any other laws with an international reach, such as the UK Bribery Act and the US Foreign Corrupt Practices Act, where relevant, and industry codes of conduct. We are committed to acting ethically in all aspects of our business and to maintaining the highest standards of honesty and integrity.

- We, the officers and staff of all companies in the WPP group (“the Group”), recognise our obligations to all who have a stake in our success including share owners, clients, staff and suppliers;
- Information about our business shall be communicated clearly and accurately in a non-discriminatory manner and in accordance with local regulations;
- We select and promote our people on the basis of their qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability;
- We believe that a workplace should be safe and civilised; we will not tolerate sexual harassment, discrimination or offensive behaviour of any kind, which includes the persistent demeaning of individuals through words or actions, the display or distribution of offensive material, or the use or possession of weapons on WPP or client premises;
- We will not tolerate the use, possession or distribution of illegal drugs, or our people reporting for work under the influence of drugs or alcohol;
- We will treat all information relating to the Group’s business, or to its clients, as confidential. In particular, “insider trading” is expressly prohibited and confidential information must not be used for personal gain;
- We are committed to protecting consumer, client and employee data in accordance with national laws and industry codes;
- We will not knowingly create work which contains statements, suggestions or images offensive to general public decency and will give appropriate consideration to the impact of our work on minority segments of the population, whether that minority be by race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability;
- We will not undertake work which is intended or designed to mislead, including in relation to social, environmental and human rights issues;

- We will consider the potential for clients or work to damage the Group's reputation prior to taking them on. This includes reputational damage from association with clients that participate in activities that contribute to the abuse of human rights;
- We will not for personal or family gain directly or indirectly engage in any activity which competes with companies within the Group or with our obligations to any such company;
- We will not give, offer or accept bribes, whether in cash or otherwise, to or from any third party, including but not restricted to government officials, clients and brokers or their representatives. We will collectively ensure that all staff understand this policy through training, communication and by example;
- We will not offer any items of personal inducement to secure business. This is not intended to prohibit appropriate entertainment or the making of occasional gifts of minor value unless the client has a policy which restricts this;
- We will not accept for our personal benefit goods or services of more than nominal value from suppliers, potential suppliers or other third parties;
- We will not have any personal or family conflicts of interest within our businesses or with our suppliers or other third parties with whom we do business;
- No corporate contributions of any kind, including the provision of services or materials for less than the market value, may be made to politicians, political parties or action committees, without the prior written approval of the WPP board; and
- We will continue to strive to make a positive contribution to society and the environment by: maintaining high standards of marketing ethics; respecting human rights; respecting the environment; supporting community organisations; supporting employee development; and managing significant corporate responsibility risks in our supply chain. Our Corporate Responsibility Policy provides more detail about our commitments in these areas.

**Actual or potential conflicts with this Code should be reported promptly to the WPP Company Secretary.**

## **2.2 Complaint procedure**

Any violation of this Code should be reported immediately to the local human resource director or, where this position does not exist, the chief executive officer or other Senior Manager of the Operating Company. The staff member is also encouraged to raise the matter with the WPP Company Secretary. It is especially important that this complaint procedure is properly communicated to all staff.

In the event that a staff member feels unable to speak to any of these people, he or she may call the “Right to Speak” helpline that each operating group has in place. Each operating company is responsible for communicating this helpline to their employees. WPP’s Director of Internal Audit or the WPP Company Secretary can also supply the information.

All situations will be treated confidentially and will be promptly investigated and no retaliatory behaviour against staff making bona fide reports will be tolerated. If the result of the investigation indicates that corrective action is called for, such action may include disciplinary measures up to and including termination of the employment of the offender.

## **2.3 Display of the Code of Business Conduct and complaint procedure**

The Code and the complaint procedures should be communicated to all staff and should be posted prominently in each operating company office.

## **2.4 Annual confirmation of compliance**

The Senior Management (as defined earlier in section 1.1 and including, if appropriate, the heads of departments for account handling, creative, production, traffic, media, research, new business, human resources (HR) and any other significant department) at each Operating Company are required to sign an Annual Certificate of Compliance with the Code of Business Conduct and to confirm that they have completed the WPP on-line training modules and ensured that their staff have completed the training, and that their businesses are being operated on a day to day basis in compliance with the Code of Business Conduct.

The WPP Company Secretary must receive a list of all those individuals at the Operating Company who are required to sign the annual certificate of compliance with the Code of Business Conduct by no later than the end of April of each year.

The finance director of the Operating Company is required to collect and forward the signed forms together with details of any exceptions including any outstanding certificates to the Company Secretary’s department at WPP by no later than the end of **June** of each year.

Where circumstances change, which alter the responses given on the certificate, the WPP Company Secretary must be notified without delay.

### 3 Stock trading

#### 3.1 Insider trading

WPP ordinary shares are listed on the London Stock Exchange. WPP ADRs are listed on NASDAQ.

Insider dealing legislation establishes a specific restricted period that is known as the “Close Period” during which you should not engage in any transactions involving WPP stock (including ADRs).

WPP has adopted the Model Code, which applies to directors and staff of WPP and its subsidiaries and should be followed before any dealing in WPP shares. The Model Code can be found on the WPP intranet or a copy obtained from the WPP Company Secretary.

These restrictions apply not only to you but also to any “connected person” as defined in the Model Code and which includes for example your husband, wife, partner and dependent children. The restrictions apply to the purchase, sale or transfer of WPP shares/ADRs as well as the exercise of WPP stock options or sale of restricted shares/ADRs.

Close Periods immediately precede the announcement of WPP’s financial results. The Close Periods are not shorter than the period between the end of the relevant quarter and the date of the announcement.

In the normal course of events, the date of the announcement is likely to be:

<b>Quarter</b>	<b>Approximate date of announcement</b>
First quarter (31 March)	End - April
Half year results (30 June)	Mid - August
Third quarter (30 September)	End - October
Year end	Mid - February

In addition, you must not engage in a WPP stock transaction when you are aware of unpublished information about WPP which is, or might be, “price sensitive”.

Before exercising any options or buying or selling any WPP stock you must obtain the appropriate clearance by a designated director of WPP, through the WPP Company Secretary. A form of application for obtaining clearance can be obtained from the WPP Worldwide Compensation and Benefits Manager in London. If you are a “restricted person” within the meaning of the Model Code and are given clearance to deal, you must deal within 2 business days of clearance being received.

#### 3.2 Investments in clients

If you (including members of your family, your trustees and investment managers, when acting on behalf of you and your family) hold any shares in a client of your Operating Company, you must not deal in those shares if you are, or may be, in receipt of information which is, or may be, price sensitive in relation to that client.



**3.3 Investment in potential acquisition or any companies in which WPP has a stake**

If you have knowledge of a potential acquisition by a WPP company, you must not acquire or otherwise trade in any stake holding (being equity or debt) of the target company. You should inform the WPP Group Chief Counsel of any such investments if appropriate.

You should also not acquire a stake holding in any entity or group in which a WPP company holds more than a 3% stake.

## 4 Employment and remuneration practices

### 4.1 Recruitment

Prior to entering into a commitment with any recruitment consultant – retained or contingency – where the company may pay a fee in excess of US\$50,000 (per position), specific permission must be obtained from the WPP Group Chief Talent Officer. This approval is to assess whether the position cannot be more effectively filled with an internal Group candidate, or through WPP's talent sourcing group.

#### Employment terms

Prior to extending a formal and unconditional employment offer:

- at least two references should be obtained for all prospective employees which confirm the suitability of the person for the position being offered and where possible their previous compensation;
- additional background checks conducted by a specialist company should also be undertaken for all Senior Management appointments (WPP HR can advise on an appropriate supplier);
- global assignment and relocation terms, if applicable, must be pre-approved by WPP's Director of Global Mobility, and
- all non-standard terms, including awards of WPP stock, notice periods of six months or greater, and bridging payments of six or more months' salary, or in excess of US\$100,000, must be specifically approved by the Worldwide Compensation and Benefits Director.

All offer letters should include wording to the effect that:

- the offer letter is not a binding agreement until superseded by commencement of employment, local employment law and/or a signed contract where appropriate.
- employment is contingent on showing proper work authorisation (visas, work permit, passport etc)

All employment offers in excess of US\$200,000 must be approved by the Worldwide Compensation and Benefits Director in advance of extending either a verbal or written offer.

#### Relocation and Global (Expatriate) Assignments

All employee relocations, whether they are an internal transfer, or an external hire, must follow the following procedures:

- the WPP Global Mobility Department must be consulted;
- a cost projection covering all components of the international assignment and relocation is required to be produced;
- the cost projection must be signed off by the Operating Company Finance and Human Resources Directors;
- the employee must receive an offer letter, contract and/or assignment letter detailing the terms of their assignment including all relocation and international assignment benefits (language for all relocation and assignment benefits can be obtained from Global Mobility);

- the employee must sign a reimbursement agreement whereby they are obligated to reimburse the company the cost of relocation if they leave of their own volition or are terminated for cause. No services will be initiated for the employee until this agreement is signed and returned, and contracted vendors should be used, wherever possible, for all relocation services.

#### **4.2 Remuneration of senior executives**

Salaries, other contractual remuneration and employment terms (including notice periods, restrictive covenants and benefits) for employees earning annual guaranteed cash remuneration of US\$200,000 or more, as well as any director or officer of an Operating Company, must be reviewed and approved by the Worldwide Compensation and Benefits Director

Individual severance arrangements where payments exceed either local statutory requirements or the employee's contractual entitlements by more than US\$25,000 must be reviewed and approved by the Worldwide Compensation and Benefits Director

Any changes to compensation for employees earning over US\$150,000 (including terminations, new hires and salary adjustments) must be reported to WPP's Worldwide Compensation and Benefits Director on a monthly basis.

#### **4.3 Incentive compensation arrangements**

The terms of all annual and long-term incentive plans must be in writing and approved by the Worldwide Compensation and Benefits Director prior to implementation.

The funding of all annual and long term incentive plans must be within the parameters agreed with WPP each year.

The Worldwide Compensation and Benefits Director must always approve any new individual bonus or incentive arrangements, which vary from the approved terms of the Operating Company incentive plans.

Prior to payment, the Worldwide Compensation and Benefits Director must approve all incentive compensation. The form and timing of payments must also conform to the Group's tax effective remuneration guidelines, which should be obtained from the WPP Tax Department.

#### **4.4 Salary review dates**

All salary reviews and any resulting salary changes (irrespective of salary level) must be carried out in the WPP review cycle, normally May and November. However, there may be exceptions permitted in the following circumstances:

- local statutory requirements decree a different date;
- new employees are offered an increase in salary after a trial period; or
- key employees resign and an approved counter-offer is approved.

In all cases, prior approval must be obtained from the Worldwide Compensation and Benefits Director.

Under normal circumstances, the review cycle will depend on base salaries as follows:

<u>Base salary (US\$)</u>	<u>Review cycle</u>
▪ less than \$150,000	every 12 months
▪ between \$150,000 and \$250,000	every 18 months
▪ over \$250,000	every 24 months

#### **4.5 Loans to employees**

Loans to employees are not permitted without prior WPP approval, other than subsistence advances. Loans will only be approved in exceptional circumstances.

#### **4.6 Retirement plans, pension schemes and other employee benefits**

Prior written approval is required from the Worldwide Compensation and Benefits Director before an Operating Company enters into any commitment (funded or unfunded) to establish, increase or change benefits in the form of deferred compensation, retirement programmes, profit sharing plans, life assurance, long term disability or health care plans. Any changes to actuarial methods or assumptions used to determine the level of funding under a retirement plan must also receive prior approval from the Worldwide Compensation and Benefits Director. This includes changes to individual employee entitlements as well as company-sponsored plans.

Except where expressly agreed with WPP Worldwide Compensation and Benefits Director, retirement benefits must be provided on a defined contribution basis.

#### **4.7 Other compensation arrangements**

Residential property must not be purchased, or leased, on behalf of, or from an employee, without prior approval by the WPP Worldwide Compensation and Benefits Director, unless it is a short-term temporary residence as part of an approved relocation.

- Net-of-tax pay remuneration arrangements, where the Operating Company assumes the employee's tax and social insurance liabilities must not be entered into except where an employee is transferred between countries on a time-limited expatriate agreement; which has been approved by WPP Director of Global Mobility.

Expatriate remuneration should not be in the form of a net-to-net calculation based on the employee's net income in the home location, grossed up for host liabilities. This process creates an adverse affect on the Company as it may increase salary-related entitlements and other statutory obligations, such as benefits, pensions, provident funds, etc. Such a structure may also adversely impact the Company's ability to move the employee at a future date. Please refer to the Global Assignment Policy on the [insidewpp.com](http://insidewpp.com) policy and procedure site, or ask Global Mobility for a copy of the policy, for all terms and conditions in relation to the appropriate way of compensating employees moving cross-border.

#### 4.8 Tax-effective remuneration

All employees must be paid from and fulfil their personal tax obligations in their principle place of employment and residence.

No employee should be paid from a location where he/she has no business responsibilities, unless the payment location is the employee's home country and the employee is on a defined expatriate assignment and prior approval has been obtained from WPP Global Mobility. Where any remuneration is paid in a jurisdiction other than the employee's principal place of employment, this must be supported by written documentation describing the employment responsibilities in each jurisdiction from which they will be paid. WPP's tax advisers should confirm the legitimacy of such arrangements.

All remuneration practices must be compliant with local tax and other regulatory laws in the relevant jurisdictions. No payments (including payment for expenses) should be made without all proper payroll withholding taxes and social security deductions, unless it is acceptable under local laws. If in doubt, the treatment of these payments should be cleared with the WPP Tax Department.

The net-after-tax (Corporate Tax) cost to the Operating Company must not be increased as a result of changing the form, location or timing of employee remuneration. This assessment should also take social taxes and benefit costs into account.

Alternative tax effective methods of delivering remuneration in either a home or host location should not in any way restrict the Operating Company's ability to relocate an employee or vary future payments under incentive, bonus or profit sharing plans and should not increase potential future severance costs.

Where the above conditions are met, and employees are provided with remuneration in any form which is not reported to all the proper taxing authorities, or, where such remuneration is provided by an entity other than the employing company, a written agreement must be obtained from WPP's external tax advisers that there will be no tax or other exposure to the group arising from the total remuneration package, wherever contracted or paid, except in the following circumstances:

- where non-cash remuneration is provided as part of the standard remuneration package for employees of that Operating Company, for example, company cars or healthcare. However, for this purpose, bonuses are not considered part of the standard remuneration package and must be separately approved by the WPP Worldwide Compensation & Benefits Director, or
- in the case of expatriate employees where specific advice has been separately received from PwC, KPMG or Deloitte on the individual circumstances of an expatriate's remuneration package, and the advice and tax treatment have been approved by the WPP Director of Global Mobility or the Worldwide Compensation & Benefits Director.

Written agreement must be obtained from WPP's auditors (subject to independence rules) or tax advisers if the location, form or timing of any payments change in any significant way.

Any known exceptions or problems that arise, including problems arising out of existing obligations, must be brought to the attention of WPP.

#### **4.9 Global Assignment (Expatriate) compensation**

Expatriate compensation is designed to assist the employee in paying for those costs that will be higher in the host location than they were in the home location. It is not designed for, nor should it be used as, additional total compensation for employees if it is not needed. Expatriate compensation requests that are submitted for approval, and are deemed to be not needed, will be denied. Please refer to the Global Assignment Policy on the [insidewpp.com](http://insidewpp.com) policy and procedure site, or ask Global Mobility for a copy of the policy, for all terms and conditions in relation to the use of, and calculation of, expatriate benefits and terms.

All new Global Assignment remuneration arrangements should be consistent with written guidelines established by WPP and each Operating Group, and must be approved by the WPP Chief Talent Officer, Worldwide Compensation and Benefits Director and Director of Global Mobility.

All new expatriate remuneration arrangements (COLA, Housing, Tax Equalization, Education, Home Leave etc) should be clearly defined in the offer / assignment letter and have a clearly defined date by which the employee is to be phased into local terms and conditions. These should be communicated to the employee in writing before the assignment begins. All employees must sign his/her letter prior to the commencement of employment.

Under normal circumstances, there should be a phasing out of expatriate remuneration arrangements for any employee who has remained at the same location for over three years. The reduction of expatriate remuneration should start after the employee concludes his / her third year in the host location. The expatriate assignment remuneration will then be reduced by 1/3 per year and be fully eliminated after the sixth year.

Employee should not be offered any overseas assignment until Global Mobility can verify that that employee can obtain, within the required timeframe, the legal right to work (a work visa, and/or working permit) in the country where they are expected to be employed.

No employee will be allowed to work in the new location unless all immigration and work documentation is presented to the hiring manager and can be verified.

Under no circumstances, will an employee be allowed to “start” in their new position on a Business Visitor Visa until the Operating Company can obtain the proper visa and work documentation.

WPP will not take responsibility for any employee’s tax liabilities on any tax return that is filed that does not follow the advice of our tax consultants on expatriate compensation.

#### **4.10 Director appointments**

Any appointment to the role of chairman, chief executive, finance or human resources director or VP of a Worldwide Operating Group must be notified to the WPP Chief Talent Officer in advance. The WPP Group Chief Executive must approve the appointment.

All appointments and resignations of statutory directors or VPs must be notified to the Group Chief Counsel immediately.

No changes to notice period and / or restrictive covenants in relation to statutory directors, Client Service or Creative Directors or earn-out participants may be made or discussed with the individual concerned without the prior approval of the Group Chief Counsel.

#### **4.11 Outside appointments**

Details of non-WPP related directorships held by directors of Operating Companies must be provided in the annual year-end reporting pack. Prior approval must be obtained from the WPP Group Finance Director before accepting any such appointments and, when, in the reasonable opinion of the WPP Group Finance Director, an existing appointment gives rise to a conflict of interest, such appointment or office will be resigned.

#### **4.12 Employee manual**

Each Operating Company should have a separate employee manual containing appropriate terms applicable to its business and its jurisdiction of formation. Nothing in this should be inconsistent with the Policy Book.

#### **4.13 Use of consultants and temporary staff**

External consulting arrangements, excluding freelance costs relating to client service, in excess of US\$50,000 must be notified to the relevant WPP Director or VP prior to the project commencing. This is to ensure that duplication of consulting work around the Group is avoided and opportunities to improve terms can be identified if the consultant has already been used elsewhere in the Group. This would include, but is not limited to, consulting such as: management consulting (McKinsey, Bain, etc), information systems consultants (Accenture, PwC, etc) and human resources consulting (Deloitte, Towers Watson, Aon Hewitt, etc).

This notification must include at a minimum the following:

- nature of consulting work;
- consultants to be used; and
- amount of expenditure.

No payments must be made to consultants and temporary staff without deduction of payroll withholding taxes unless this is permitted under the local legislation or clearance has been obtained from the taxation authorities. If in doubt, written clearance must be obtained from the WPP tax department or the Group's auditors.

#### **4.14 Employee poaching**

##### **For all operating companies and associates**

- A manager with responsibility for recruitment should not interview an employee of another WPP operating company unless the candidate has already spoken to their line manager and that manager has agreed in principle. The hiring manager should confirm that this is the case with the candidate's line manager and ascertain with him/her (or the HR Director) the candidate's performance to date.

- If a candidate initiates contact with an operating company with a view to future employment, the potential employer should instruct them that they must make their current employer aware of their wish to move, before discussions proceed.
- Hiring managers should instruct their external recruitment suppliers and search partners that they should not forward candidates currently working for a WPP company.
- Should an operating company ignore the above for any reason, they may be responsible for the recruitment fee involved in replacing that individual in their previous company.
- In the case of any employee moving from one company to another, the current employer will be asked to supply frank and objective references for the candidate and full remuneration details if necessary.
- No salary offer should be made that is more than 10% above the individual's current salary. There may be exceptions to this and they should be discussed with WPP HR.

**For all WPP employees**

- A member of staff who wishes to seek employment in another WPP company must first seek the agreement of their line manager. If this is not possible in the circumstances, then an employee should contact WPP HR to explore alternatives.
- Employees should not approach another company until that agreement has been reached.
- Under no circumstances should members of staff seek to approach another operating company via an external recruitment company.

Each case should be judged on its own merits, but there are some actions that are never appropriate:

- Offering a position to anyone who you know has already accepted an offer from another WPP company but has not begun their employment;
- Authorising a recruitment company to approach an employee of a WPP company on your behalf; and
- Counselling anyone against working for, or communicating negative information about, another WPP company, either to a Group employee or an external candidate.

**4.15 Abuse of Drugs and Alcohol**

WPP does not permit the possession, use or distribution of any illegal drugs, or use of any legal or controlled drugs other than in the manner for which they were properly approved and prescribed, while on WPP Group or client premises or conducting WPP Group business or at any event organised by or on behalf of a WPP Group Company, client or supplier. It is against policy to report for work under the influence of drugs, as above, or alcohol.

Any employee who has a drug or alcohol problem should seek medical help / counselling and should also inform an appropriate senior manager, possibly within Human Resources.



#### 4.16 Conflicts of Interest

Staff must seek to avoid situations in which there is, or there may be a perception of, a conflict between the best interests of the Operating Company and the self-interests of the staff member. Examples include, but are not limited to, the following:

- competing against or acting for any third party that competes against any Operating Company in the Group;
- encouraging clients to do business with a third party in which the employee, or family member or close associate, has a financial interest;
- using, or encouraging the use of, a vendor in which the employee, or family member or a close associate, has a financial interest; and
- the operating company leasing property owned by an employee or family member or close associate.

If such a situation arises, the employee must immediately disclose the facts to their direct manager, to determine what course of action, if any, is necessary.

If it is deemed that it is commercially sensible for the situation to continue (for example the related party supplier is the best, by an appropriate measure), then the employee must have no involvement with signing contracts or developing terms and conditions, including pricing, and must not be responsible for monies passing to or from the related party.

The nature of the relationship must be disclosed to the board or management committee of the operating company and to the regional office and on the certificate of compliance with the Code of Business Conduct, if the individual is required to complete it.

#### 4.17 Travel policy

All Operating Companies must adhere to WPP's travel policy. The details are on WPP's intranet. ([insidew.wpp.com/travel](https://insidew.wpp.com/travel))

#### 4.18 Corporate Credit Cards

All staff must comply with relevant policies applicable to the use of corporate credit cards. In particular staff must not use corporate credit cards for personal expenditure or for cash advances. Where business expenses have been incurred on a corporate credit card the relevant employee must immediately apply any reimbursement of that expense against the credit card account.

#### 4.19 Leavers subject to non-compete clauses

WPP Group Legal must be notified in advance of all members of staff who leave and are subject to a non-compete clause and no waiver or reduction of such obligations should be discussed or agreed without the prior approval of WPP Group Legal.

## 5 Clients

These policies relate to all client engagements across the Group with particular emphasis on large clients, defined as those requiring separate reporting within the Group Reporting systems.

### 5.1 Client Contracts

Contractual agreements made by Operating Companies can create major financial obligations spanning long periods of time and may impact other Operating Companies. Before any commitment is made, WPP (via the Deputy Group Finance Director) must be made aware of negotiations with any new or existing clients who are likely to generate revenues greater than US\$10 million annually.

Changes to terms with clients who are served in the same service sector by other group companies should not be proposed without reference to the other operating companies or the WPP Deputy Group Finance Director. Operating Companies may not bind another Operating Company or WPP without reference to the other Operating Company or the WPP Deputy Group Finance Director.

Work for clients must not commence without a signed contract, letter of agreement, purchase order or other documentation by which the client authorises the Operating Company to start the work and establishes the basis upon which revenue is to be recognized and payment is to be received.

All contracts or other documentation which authorises the Operating Company to start work must state that the client shall fully indemnify and hold the Operating Company harmless from and against any loss or claim on the Operating Company arising from the client's products, samples or other materials and from all information regarding the product or service supplied by the client. If in doubt regarding the wording to be used, you should consult the Group's legal representatives.

All contracts should state that any fees or commissions earned for the provision of services and any rechargeable costs are exclusive of any sales, VAT or other taxes.

The names of employees of Operating Companies must not be written into contractual agreements with clients. If, in exceptional circumstances, this is necessary, prior approval must be obtained from the WPP Group Chief Executive.

## 5.2 Client Contract Compliance

Compliance with client contracts is of paramount importance to our reputation and to our financial performance. The ramifications of a breach in one company can spread to other group operating companies.

The following policies apply:

- Full compliance with client contracts is mandatory.
- Operating companies must ensure that they have access to the relevant terms of all contracts for their clients, including those contracts primarily held regionally or globally.
- If an Operating Company retains rebates received on production or media - ie such rebates are not passed to clients - the basis on which these rebates are retained must be documented with reference to the contract. You must consult with your regional office or WPP if there is any doubt as to your interpretation.
- There will be no exceptions for 'accepted practice', local agreements or unworkable terms unless officially and formally incorporated into the contract by the client.
- Transparency is essential. All documentation and relevant calculations must be readily available and supplied, whether during the billing cycle or during an audit.
- You must co-operate fully with client audits in accordance with their contractual rights and WPP policy on client audits, included in this section.
- Timesheets, where required, must be completed accurately and on a timely basis. Staff should be given training if necessary.
- If alterations to timesheets are required (for example for the correction of genuine mistakes) a full audit trail with appropriate authorisation must be kept.

## 5.3 Client Credit Policy

Every Operating Company must conduct a credit review for each prospective client prior to the signing of any letter of terms or letter of intent.

The review must include a review of balance sheets and profit and loss statements of the prospective client and, if possible, a credit check with independent credit research organisations, banking institutions and other major creditors of the prospective client.

This review must be widened to include other related companies when the client is part of a jointly owned or associated group of companies.

If the credit review of the client indicates a limited ability to pay, sufficient safeguards should be included in the letter of terms to ensure that the Operating Company does not undertake any risk in expenditure incurred on behalf of the client. Such safeguards might include payments in advance of the work, payments being made directly by the client to third party suppliers or restrictive credit terms.

Credit terms must not exceed 10% of the total available working capital of a newly established company.

Where credit terms of greater than US\$50,000 are proposed for either newly established companies, or for clients where the credit review has indicated a limited ability to pay, the letter of terms and, in particular, the billing arrangements of the Operating Company should be reviewed either by regional management or the WPP Director of Treasury.

This consultation should also take place when an Operating Company wishes to extend credit terms in excess of US\$50,000 to an existing client, which is known to be in financial difficulty.

Operating companies should also perform periodic credit reviews of existing clients, in line with the terms above.

#### **5.4 Client Billing & Payment Terms**

Payment terms with our clients for media, production and fees are critical to ensuring proper cash flow for the business and to manage the risk of disputes and write offs.

- WPP's policy for payment terms requires that for all third-party expenses, the clients funds must be in our accounts in time for payment to be made to third party vendors. For clients that have normal payment terms that will not achieve this goal for third party expenses, billing should be accelerated such that funds are still available when payments to suppliers are due.
- For agency fees, WPP policy is that all agreed fees, in the form of retainer or fixed amounts are to be billed at the beginning of the month of service, in advance of service being rendered. Under normal payment terms, this provides for appropriate alignment of client's cash against expenses incurred by the agency.
- Services can only be provided against cash payment (i.e. settlement in cash). Shares or other payment in kind, or other forms of settlement are not allowed without specific approval from WPP.
- Where allowed by law, WPP group companies must ensure that client contracts include the ability to charge interest to clients on overdue accounts.
- No discount for early payment can be made to the client beyond what WPP has achieved with third parties or the actual cost saved by early payment, based on the prevailing rate of interest earned in the relevant market. Early payment discounts earned on third party costs may only be passed to the client providing there is no outstanding indebtedness with the client's accounts.
- For markets where the principle of sequential liability is followed for the management of risk, no payments to 3<sup>rd</sup> parties can be made before funds have been received by the client for those specific costs.

## 5.5 Minimum Thresholds for Client Compensation

The goal of this policy is to set industry acceptable standards such that a WPP company does not take actions that inadvertently undermine the terms and conditions of other companies in the WPP group.

- Standard Working Hours used to calculate hourly rates or FTEs must not be more than the hours available based on a standard work week, less average holiday allowances and allowance for public holidays.
- Standard Client Hours used to calculate hourly rates or FTEs must not be more than the hours available based on a standard work week, less: i) average holiday allowances, ii) allowance for public holidays, and iii) allowance for average non-billable hours
- Overhead Recovery Rate is to be calculated on the basis of direct staff costs (which includes social taxes, bonuses and benefits) and not on direct salary. As more and more of employee compensation is variable, this is the only correct way to accurately evaluate the direct costs.
- Overhead Recovery Rates will vary around the world, but as a matter of policy no office is to agree to rates below that rate calculated based on the office's average of the office's prior three year actual financials. No discounting of actual Overhead Recovery Rates is permitted.
- Operating Profit margin must be assessed in terms of base margin plus incentive consistent with the WPP target of 20 percent for all operating companies. The minimum base profit target before incentive compensation is 15 percent.
- Hour rates and/or Overhead Recovery Rate calculations must include an allocation of WPP overhead at 1.5 percent of operating company revenue. The allocation covers i) services that have been centralized to save costs such as property, treasury, internal audit, legal, benefits, and risk management, ii) related group staff costs, iii) purchasing, training, HR and WPP fellowships.

## 5.6 Information Disclosure to Clients

The goal of this policy is to set industry acceptable standards of information sharing practices with clients.

- The following limited components of the Overhead Recovery Rate may be shared with clients, their consultants or other external entities when negotiating a "cost plus" agreement: i) indirect staff costs and ii) all other indirect operating expenses. These components are to be stated as a percentage of direct staff costs and not in absolute values.
- No other details that would divulge line item information of operating costs may be shared. Typical requests that are to be denied include incentive compensation, pension costs, new business, bad debts. WPP views these items as confidential and proprietary business information and must not be released to clients or third parties.
- Staff costs details by employee are not to be shared. Weighted average staff costs by role or department for the team assigned to the client's business may be shared, providing such disclosure would not reveal the staff costs for an individual.

- Financial statements in summary or detail form may not be shared with any clients or client representatives, other than those available from public filings.
- Internal client profitability reports may not be disclosed to clients unless the client has agreed terms that provide for a guaranteed profit margin to the agency.
- If a third party has been engaged by the client to assist with collection or analysis of any of the above information, the third party must sign a non-disclosure agreement with the WPP group company before any information can be disclosed.

## **5.7 Audit Provisions in Client Contracts**

Client audits are a normal course of our business and we respect a client's right to review the transactions managed on their behalf. All WPP offices have the responsibility to demonstrate good financial stewardship of our client's investments. Clients should have the right, with reasonable prior notice, to review the records that relate to such reimbursable expenses or "pass through" costs that are managed by a WPP group company. However, we must ensure that our business position and proprietary information are protected while allowing the client the assurance that the data we provide is correct and consistent with the terms of our contract.

WPP's policy with regard to client audits is as follows:

- Clients have the right to audit reimbursable pass-through costs such as third party media, production and other miscellaneous costs managed by our offices. Clients should be able to review these records as often as is commercially reasonable.
- If the compensation agreement is a fee, with the basis of that fee being dependent on time reporting and not as a fixed-price agreement, then clients have the right to review time reports of the personnel that perform services to the client. The scope of the review of time records is limited to the time spent on the specific client, and in certain instances the total time spent on all clients. Records that relate to assignments for different clients, and including agency time such as administration, new business and training shall not be made available to the client's auditors. If necessary, the group company can provide an extract of the time records, the accuracy of which will be attested to by the agency CFO or by WPP's internal auditors.
- Clients' auditors are not permitted to review payroll records, standard costing or any data that would allow the client to view the compensation to an individual.
- Clients' auditors are not permitted to review agency operating expense items, in detail or in summary format.
- In the event that a client agreement allows for the validation of direct costs, or Overhead Recovery Rates, then this may be done, but only by a nationally recognized certified public accounting firm, whose remit is not to provide data to the client but to provide confirmation of the accuracy of the calculations done by the WPP group company. In all cases, the firm must be certified by a national authority and our preference is that the certified public accounting firm is one of the "big 4".

- If the client elects to have an independent auditor perform the audit then: a) the independent auditor and the client will be required to sign a non-disclosure agreement with the WPP company prior to beginning the audit; b) a scope of work is to be agreed with the independent auditor before work commences; c) the independent auditor is required to provide evidence that they carry professional liability insurance with a minimum of \$1million coverage, per occurrence; and d) the Agency shall be permitted to review and comment upon a draft audit report prior to the report being presented to the client.
- WPP offices are not to permit consulting firms to perform the services allowed by the audit terms of an agreement. A firm that consults on contractual and compensation matters may not gain access to financial records by use of the audit terms of an agreement. Similarly, audit firms that we allow to perform compliance audits will not also be permitted to work as consultants on behalf of client agreements.
- Provisions for records retention in client contracts must be consistent with WPP's policy for records retention. In no event may a client contract require that WPP destroy documents sooner than provided by WPP policy.
- Internal client profitability reports shall not be made available to clients, or their representatives unless the client has agreed terms that provide for a guaranteed profit margin to the agency.
- Language is to be inserted in all contracts that the agency shall have the right to approve the Independent Audit, with such approval not unreasonably withheld. An Independent Auditor should be a certified public accounting firm.

## **5.8 Central Billing, VAT, Sales Tax and Treasury**

WPP companies are often asked by global clients to assist in the financial management of the client's budget through centralized billing.

The tax and currency issues with central billing for any aspect of client service are complex and can create a substantial financial risk if not managed correctly. Before an operating company can reach agreement with a client for central billing of services or reimbursable expenses, they must get agreement from the WPP tax and Treasury departments.

For central billing, WPP's Policy now requires:

- All costs relating to local media and local production, or local adaptation of existing materials, are to be billed by WPP local companies to the local affiliate of the client in order to minimize VAT exposure. In the event that no local affiliate has a place of business in the country where the services are provided, then invoicing to a foreign headquarters should take place in accordance with local billing regulations. However, in many cases, this does not eliminate the need to pay VAT and the operating company should seek advice from WPP tax and treasury personnel to limit any potential risk.,
- For fees related to global and regional creative development and business management, central fees may be charged to the client's headquarters at their request, subject to WPP approval as work in certain jurisdictions will have associated tax issues.

- For the production of global advertising, production expenses that are incurred should be invoiced in accordance with the regulations in the country that has produced the work. In most cases, where allowed by law, this should eliminate the need for the application of VAT to the client's invoice, but advice and approval from WPP tax and treasury is required before agreeing to these cross-border transactions.

## **5.9 Client Contracts & Insurance Provisions**

WPP's business practice is to have appropriate levels of insurance to protect the company's assets, our employees, and our client's assets. Clients will often require contract terms whereby the agency is required to maintain a minimum level of insurance in the areas of

1. Workers compensation
2. General liability
3. Automobile insurance
4. Advertisers liability / error & omissions liability

WPP's insurance coverage provides that our clients can be named as additional insured parties for items 1 through 3. Clients cannot be named as additional insured parties on the advertiser liability or on the errors and omissions policy.

The existing insurance policies cover all majority-owned WPP operating companies that have a minimum of 50.1% direct or indirect ownership by WPP plc. Separate insurance coverage will be required for all other affiliated companies, at their own expense.

When negotiating global contracts that cross divisions where multiple operating company agreements will be executed with a client, a limit to the total advertisers liability insurance should be capped at the equivalent of \$US 10million.

For all other insurance provisions, the limit for insurance levels and suggested contract wording that complies with WPP's policies is available from WPP's Group Risk Officer or WPP's Global Client Operations team.

## **5.10 Agency & Client Confidentiality**

WPP's policy on confidentiality is to ensure both the agency and client remain vigilant in protecting confidential information arising in connection with the agency's relationship with its clients. The competitive nature of an advertiser's marketing activities necessitates that this information be kept in confidence.

The definition of confidential information will vary depending upon the nature of the relationship between the parties. This will likely include strategic and development plans, business plans, co-developer identities, sales, cost and rate data, business records, client lists, spending amounts, project records, market reports, employee lists, business manuals, policies and procedures, information related to processes, technologies or theory and other information which may be disclosed as a result of or in connection with a client engagement.



WPP's principles on client confidentiality are as follows:

- Confidentiality agreements between client and agency should be mutually binding to both parties
- Confidential information should not be disclosed to third parties, directly or indirectly, without obtaining the prior consent of all parties having a potential interest
- Dissemination of confidential information should be restricted to those firms and individuals that need to know the information
- The use of confidential information should be limited to services or business applications that solely relate to a specific client supplier scope of engagement
- Access to and use of confidential information should be structured in order to adhere to all confidentiality arrangements and needs that have been established by the parties.
- Teams working on conflicting assignments must be physically separated
- Client data must be segregated by physical or logical measures
- Highly sensitive client information is restricted to authorized staff as agreed between client and agency
- Physical security including building access, a clear desk policy and locked storage (and segregated office areas where necessary) are required at all locations
- All staff members should receive training on security and confidentiality and are required to execute confidentiality agreements.
- Agency management will manage reassignment of staff, including a reasonable "cooling off" period if moving between conflicting assignments within the Group.

## 6 Procurement & contracting

### Introduction – Procurement & Contracting Activities in WPP

Procurement activities - the sourcing, negotiating, contracting, order placement and supplier management for goods and services provided by a supplier - are either carried out locally within WPP's operating companies, or, by the WPP Commercial & Procurement Services team, on behalf of WPP's operating companies.

Commercial & Procurement Services operates across all of WPP's major markets and has a primary remit which covers sourcing, negotiating, contracting and supplier management (usually excluding order placement) for Indirect spend - including Travel, IT, Telecomms, Facilities and Professional Services. WPP supply contracts are negotiated at either a global, regional or local level.

Procurement of Client Re-chargeable and Direct spend (typically production or project related spend) is usually carried out by individual operating companies, with assistance and support provided by Commercial & Procurement Services.

Full details of all Commercial & Procurement Services activities, including contacts, can be found on the WPP intranet: [inside.wpp.com/procurement](http://inside.wpp.com/procurement)

### Purpose of the Policy

This policy addresses three areas relating to procurement in WPP:

#### 6.1 Use of Preferred Suppliers

#### 6.2 Purchase Orders, Supply Contracts, Spend Authority & Commitments

#### 6.3 Guidelines for Supplier Selection

Questions related to this policy should be addressed either directly to WPP's global (also UK) Head of Commercial & Procurement Services, Tom Kinnaird, [tkinnaird@wpp.com](mailto:tkinnaird@wpp.com), or to the appropriate regional head of procurement:

North America, [interim contact is Tom Kinnaird, [tkinnaird@wpp.com](mailto:tkinnaird@wpp.com)]

EMEA, Philippe Permanne, [ppermanne@wpp.com](mailto:ppermanne@wpp.com)

Asia Pacific, Johnny Yao, [jyao@wpp.com](mailto:jyao@wpp.com)

Latin America, Martin Vargas, at [mvargas@wpp.com](mailto:mvargas@wpp.com)

#### 6.1 Use of Preferred Suppliers

All WPP operating companies are expected to create and maintain a list of Preferred Suppliers for all areas of spend, and have a list of persons who are responsible for approving additions or deletions.

For the purpose of this policy, a Preferred Supplier is defined as one which has been evaluated against a defined set of Business Requirements (see Selection of Preferred Suppliers).

Before committing to a purchase, all staff should:

- 1 Check whether a **WPP Preferred Supplier** exists by checking [inside.wpp.com/procurement](http://inside.wpp.com/procurement)
- 2 If “Yes”, then go directly to Step 4.
- 3 If “No”, then check the Operating Company preferred supplier list. If no preferred supplier exists for a category of spend either at the WPP level or within the Operating Company, then such a purchase needs to be formally authorised prior to the commitment being made by the Operating Company CFO or a designated deputy prior to the spend commitment being made.
- 4 Check whether the WPP contract is flagged as “Mandatory” or “Advisory”.

**Mandatory** – typically categories of high spend or importance, where a procurement led sourcing team has established a strategy for the category.

**Advisory** – typically categories of lower spend or importance, where either a supplier has offered a simple discount to Group companies, or only a small number of operating businesses have contributed to a limited sourcing strategy. In such cases, full Group wide implementation is either not necessary or not possible.

“Mandatory” and “Advisory” flags can apply to all types of spend categories and definitions of which categories are Mandatory / Advisory may vary from country to country. Mandatory / Advisory contracts may have several preferred suppliers from which operating companies can chose.

- 5 Where WPP Preferred Suppliers exist for Mandatory Contracts, these must be used in all cases, unless a written exemption has been provided by the regional/category procurement leader. Exemptions will only be provided in exceptional circumstances.
- 6 In the case of Advisory Contracts, staff are free to place orders with an alternative supplier, provided that this supplier is “preferred” at the Operating Company level, ie has satisfied the supplier selection criteria normally applied by the Operating Company.

## 6.2 Purchase Orders, Supply Contracts, Spend Authority & Commitments

Each operating company must have a formal list of persons authorised to sign purchase orders, contracts and/or make commitments on behalf of the operating company. Such list should include the financial signing authority limit applicable to each person. Financial limits should be agreed and approved by each Operating Company.

Raising of purchase orders for incurred spend is not mandatory within WPP. However, it is recommended that each operating company should determine financial limits above which a formal purchase order is required.

Where purchase orders are produced, such purchase orders should clearly state the requirements – including the agreed price, payment terms, delivery or completion dates and any other commercial terms as appropriate. Purchase orders should be linked to a standard set of terms and conditions of business, which are consistent with WPP best practice.

Where purchase orders are not deemed to be required, consistent with operating company policy, it is still necessary to communicate the requirements - the agreed price, payment terms, delivery or completion dates and any specific commercial terms, including the standard terms and conditions of business - to the supplier, in a way which is transparent and auditable.

Where spend is above specified limits (these limits to be determined by operating companies), or a planned contract is for a duration of greater than one year, two approved signatures on a purchase order or contract are required. It is not permissible to split spend contract commitments into parts to avoid the requirement for approval.

The operating company must not, under any circumstances, commit to expenditure on behalf of a client without one of the following being in place (see also the WPP Revenue Recognition Policy):

- A client contract
- Other written confirmation from the client
- Confirmation that the costs will not be capitalised (posted to the WPP balance sheet) until such client contract /confirmation is received

In the event of an unnecessary and preventable loss being incurred as a result of a contract signed, or commitment entered into, without having followed these procedures, the person signing the contract, and any line manager, may be subject to disciplinary procedures.

All WPP Preferred Suppliers in Mandatory categories have contracts where terms and conditions are pre-negotiated by Commercial & Procurement Services. For Operating Companies to sign up to Group contracts, it is normally a simple matter of completing an enrolment agreement (see [inside.wpp.com/procurement](https://inside.wpp.com/procurement)). If in doubt, check with the appropriate Regional Head of Procurement.

### **6.3 Selection of Preferred Suppliers**

Price is rarely the only factor in selecting suppliers. To ensure fitness for purpose and to minimise business risk, suppliers designated as Preferred should be evaluated against an appropriate set of Business Requirements. Such evaluation should take place prior to any purchase order or commitment being placed.

A typical Business Requirements set may include some or all of the following criteria (**AQSCI**)

### **Assurance of Supply**

- supplier has available capacity to meet demand
- supplier's premises and equipment are in good condition and fit for purpose
- supplier can deliver the goods or services to the required WPP office locations
- supplier invests sufficient time and money in training their own staff
- an evaluation of the supplier's record with regard health and safety
- supplier meets all current and future legislation and other applicable requirements to trade, including (where appropriate to local countries):
  - diversity status
  - is in possession of a business licence to trade and is trading within the service scope defined by the licence
- an evaluation of the supplier's approach to Corporate Responsibility (CR) and Environmental issues
- an evaluation of the supplier's past financial performance, current solvency and likelihood of successfully continuing to trade for the duration of the foreseen supply contract
- willingness of the suppliers to work within WPP's or its operating companies' standard terms and conditions of purchase and/or specific commercial requirements which are required to comply with client/operating company contracts (such as copyright, intellectual ownership rights etc)
- evidence of appropriate insurances held by suppliers

### **Quality**

- supplier can meet the minimum quality specification for the goods or services
- "quality" and "chemistry fit" of the supplier's staff
- Evidence of quality accreditation held by suppliers (eg ISO9001 or equivalent)

### **Service**

- ability of the supplier to meet agreed or planned key performance indicators with regards supply of the goods or services
- assessment of the supplier's ability to deal with problems when they occur
- ability of the supplier to provide accurate billing and management information reports

### **Cost**

- meets current (and future if appropriate) price and cost requirements
- can achieve cost reduction targets (if appropriate)
- operating company will not incur inappropriate financial risk through dealing with the supplier

## **Innovation**

- supplier's track record of continuous improvement for the customer's benefit
- supplier's willingness to bring new ideas and challenge existing ways of working

## **Use of Business Requirements For Supplier Selection**

It is recognised that the extent and formality of supplier evaluation and retained documentation will vary considerably depending on the type and value of purchase.

As a guide, formal and documented supplier evaluation should exist for all but the most insignificant purchases, and specifically where:

- goods or services are being purchased for future re-charge to a client
- disruption to supply of the goods or services would result in a potentially serious business issue for either an operating company or a client
- spend is considered to be significant, where "significant" is consistent with local operating company guidelines
- the supplier is based outside of the country in which the local operating company is based
- it is considered that the supplier carries a significant degree of business risk

## **6.4 Supplier Selection & Corporate Responsibility**

WPP's CR policy states our commitment to high standards of social, ethical and environmental behaviour. We expect our suppliers to share these standards and partner with us in addressing any areas of concern.

Staff should consider whether the supplier represents a significant risk due to poor human rights, employment, ethical or environmental performance.

This includes performing reasonable due diligence to assess whether a supplier has engaged in bribery or corruption. Suppliers should be asked to sign up to our Code of Conduct – a version for use by third parties is included in the WPP ABC Booklet. Where necessary, the Advisor Payment Policy must also be implemented.

In order to assist our local operating companies in assessing and managing CR risks in our supply chains, the following questionnaire should be incorporated into the supplier evaluation process.

Specific concerns relating to supplier CR issues should be directed in the first instance to the appropriate Regional Head of Procurement.

## Corporate Responsibility Questionnaire for WPP Suppliers

### Sample CR Questionnaire

WPP's CR policy states our commitment to high standards of social ethical and environmental behaviour. We expect our suppliers to share these standards and partner with us in addressing any areas of concern.

The six simple questions below help us to gauge the approach taken by your company. We would be grateful if you could complete them and return the questionnaire together with any supporting material to.....

**Company:** .....

**Contact details:** .....

**Date:** .....

**Questionnaire completed by:** .....

#### 1. Policy

**Does your company have a CR policy? If yes please attach it.** (Note: environmental, health and safety, social and ethical policies are relevant if the company does not have an integrated CR policy)

#### 2. Responsibility

- Is a senior executive (or executives) responsible for CSR performance? If yes, please specify.
- Does your company have a CR manager or equivalent? If yes, please provide contact details.

#### 3. Key issues

- Please identify the environmental issues most relevant to your company.
- Please identify the social issues most relevant to your company (social issues include employment, health and safety and community).

<b>4. Reporting</b>
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- |   |
|---|
| <ul style="list-style-type: none"> <li>- Does your company publish a CR report? If yes please attach it.</li> </ul> |
|   |

<b>5. Supply chain</b>
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- |   |
|---|
| <ul style="list-style-type: none"> <li>- Does your company have a process for implementing CR standards in its supply chain? If yes, please describe it.</li> </ul> |
|   |

<b>6. Anti bribery &amp; corruption</b>
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- |  |
|--|
| <ul style="list-style-type: none"> <li>- Does your company have a policy in respect of bribery &amp; corruption and do you adopt a zero tolerance of bribery &amp; corruption?</li> <li>- Do you have procedures to identify the risk of bribery &amp; corruption, to implement and monitor your policies for all staff and processes to manage incidents? If so, please describe them.</li> </ul> |
|  |



## 7 Real estate

These real estate policies are an extract from the real estate section of the WPP intranet, [inside.wpp.com/real estate](http://inside.wpp.com/real%20estate)

Before embarking on any real estate project, an operating company must consult with a member of the WPP Group Real Estate (GRE) team in New York (for the Americas), London (for EMEA) or Hong Kong (for Asia Pacific). Contact details are listed in *Real Estate @ WPP* on the WPP intranet.

A real estate project includes:

- A relocation
- Requirement for incremental space
- Notification of, and disposal of, excess space
- Lease renewal
- Exercise of a lease break or option
- Rent review and any lease renegotiation, including sharing of space with other Group companies.

It also applies to any project involving expenditure of capex for refurbishment or retro-fitting.

### 7.1 General policy statement

All real estate leases and other related contractual agreements, where the commitment is for a term greater than nine months and/or a total rental commitment exceeding US\$100,000, require prior approval from WPP. This includes the decision to renew, extend or break an existing lease. Any agreement to vary a lease which results in a substantial variation in the length of lease term or rental commitment must also be referred for approval.

Prior to making a lease commitment, operating companies must be able to demonstrate that all alternatives, including the existing lease and other WPP space in the locality, have been taken into account.

The Group Finance Director, Paul Richardson, or Deputy Group Finance Director Worldwide, Chris Sweetland, will approve all lease commitments. *Real Estate @ WPP* includes guidelines on WPP's approval processes for real estate and capex commitments. Prior to commencing a real estate project, a Project Initiation and Execution Template (PIET) needs to be completed by the stakeholders and GRE. The information contained in the PIET will be used by GRE to obtain formal WPP approval of the business case and capex.

In addition to the approval from WPP, any real estate project must also be approved by the network's CFO. It is the operating company's responsibility to obtain such approvals.

## **7.2 Advice & documentation**

WPP has appointed preferred suppliers of real estate services across the regions. These suppliers must be used to negotiate or verify the terms of transactions to ensure that terms are in line with the local market. The operating company proposing to take a lease will be responsible for securing written advice on the terms of the transaction from the local advisor and forwarding it to WPP as part of the approval process. WPP will not accept the advice of a non-approved service provider.

A lawyer who resides in the country where the lease is acquired must approve all documentation relating to real estate transactions, regardless of the length of the lease or consideration. A lawyer must also be appointed to initiate service of Notices where leases are to be terminated or renewed, and options to break or extend exercised. In most countries, WPP has a panel of approved lawyers from which an appointment should be made. Approval for the use of any other local lawyer must first be obtained from WPP's legal Counsel.

GRE has outsourced its real estate data management to a third party supplier. Upon completion of a new lease, a lease abstract and a copy of the lease in English or the local language should be forwarded to both the third party supplier and GRE. All changes during the course of a lease should also be notified to the third party supplier. Periodically, the third party supplier will request verification of data in accordance with SOX compliance. Operating companies and their business units should supply information requested in a timely manner.

## **7.3 Timing**

As part of the Project Initiation Process, a cost/benefit analysis of shortlisted buildings against the existing lease must be submitted along with the local real estate advisor's advice on the terms and conditions and draft Heads of Terms.

A recommendation must be given to WPP for approval "in principle" no later than six months prior to the date on which the lease is to be signed, extended or Notice served to break or extend. The final terms must be presented for approval at least one month before any signatures are necessary.

## **7.4 Related party transactions**

Related party lease transactions are strongly discouraged as they create conflicts, which frequently obstruct reaching optimal real estate solutions.

If such a transaction is to be undertaken, WPP will insist on due diligence being undertaken on behalf of the operating company by lawyers, GRE and the preferred real estate supplier, to ensure the terms are fully at arm's length, and that there are no commercial conflicts of interest. The related party must take separate real estate and legal advice. The principle of signing a lease with a related party will require the express approval of either WPP's Group CEO or Group Finance Director.

## 7.5 WPP guarantee & confidentiality

No guarantee, indemnity, letter of comfort, warranty or other representation may be given to any third party, whether a bank or otherwise, without the prior approval of the WPP Director of Treasury and the WPP Legal department.

WPP's covenant in any form should not be offered as guarantor in any capacity without the express approval of WPP.

Wherever possible, any offer, Heads of Terms, lease contract or terms of engagement between parties relating to a real estate transaction, should contain a confidentiality undertaking whereby the terms of any offer made by WPP will not be made public.

## 7.6 Health & Safety

Operating companies are responsible for ensuring that Health & Safety and other occupational aspects comply with local legislation at a minimum, in addition to any corporate policy directives as may be issued by WPP from time to time.

Health & Safety legislation differs from country to country. If in doubt, expert guidance for the rules that are applicable to your region should be obtained.

## 7.7 Corporate responsibility: energy and the environment

The WPP CR / environmental policy is relevant to all real estate transactions and projects as it affects staff environment, energy consumption, recycling, renewable resources and transport issues. It can be viewed at [inside.wpp/policy book/Corporate Responsibility](http://inside.wpp/policy%20book/Corporate%20Responsibility).

### Targets

In 2009 the WPP Board approved a climate strategy to 2020. The target is to reduce per head CO<sub>2</sub> emissions to 1.2 tonnes by 2020.

It is the operating company's responsibility to consider CR and environmental issues and targets when undertaking a move or a project. Before starting a project, the regional Energy Action Team (EATs), which includes representatives of Group IT, Commercial & Procurement Services and Group Real Estate, should be involved.

### Codes and standards

Where a new building is to be acquired, operating companies should ensure that they comply with the environmental building codes and standards endorsed by the local legislation. Where possible the building should meet advanced standards such as Leadership in Energy and Environmental Design (LEED) and BRE Environment Assessment Method (BREEAM) or equivalent. In the case of buildings exceeding 25,000sq ft (2,300 sq mt), which do not have a LEED or BREEAM assessment, an Environmental Scorecard should be submitted alongside the business case as part of WPP's approval process.

### **Energy conservation and efficiency**

WPP companies will ensure the responsible use of energy throughout their offices, including conserving energy, improving energy efficiency, and preferring renewable over non-renewable energy sources when feasible. Energy metering and monitoring should be considered when undertaking a move or a project.

### **Materials and waste**

WPP companies should operate facilities in a responsible manner, taking into consideration the efficient use of materials. GRE and Commercial & Procurement Services have set up procurement contracts with furniture, carpet and lighting suppliers/vendors to ensure that products purchased come from sustainable sources and can be disposed of in a responsible manner. These suppliers should be used wherever possible.

Materials used in construction and fit out should, where possible, be sourced from renewable or sustainable resources. Materials such as timber, insulation, carpet and access ceiling tiles are particular targets. GRE has negotiated a number of procurement deals for materials that not only ensure products come from renewable sources but on installation can also provide a carbon credit certificate.

Operating companies will minimise the amount of waste they generate and ensure that materials are reused or recycled where practical, or disposed of safely and responsibly.

### **Water conservation**

WPP recognises the importance of water conservation, particularly in water-stressed areas. WPP companies will conserve water in their operations.

## **7.8 Capital Expenditure (Capex) Projects**

A capex request form should be submitted to WPP for approval for any project where the total capex exceeds, or is likely to exceed US \$250,000 even if part of the total cost will be incurred outside the current financial year. GRE will be involved throughout the life of a project to provide advice and support to the operating company and to ensure that best practices in Project Management and implementation are achieved. The approvals process is still required where the expenditure is partly or fully funded by a landlord's capital contribution.

*Real Estate @ WPP* includes information on the capex process and a download of the capex Request Form.

Capex approved for a specific project in a specific year is not transferable and can only be spent on that project in that specific year. Any amount carried over must be applied for again in the following budget year. As long as the project details remain the same, approval will be granted automatically.

Real Estate capex includes the cost of:

- IT infrastructure and cabling, audio visual equipment and furniture, but other IT related items are excluded e.g. computers, computer hardware and telephone equipment.

- Project fees. Project related fees e.g. design and project management fees can be capitalised. Brokerage and legal fees can only be capitalised if they were incurred in the acquisition of new space. Fees for lease renewals and renegotiations cannot normally be capitalised.

All projects over US\$500,000 must have a Project Manager appointed. The cost of these appointments is to be borne by the operating company and should be included in the capex application. GRE must be contacted before making any appointments in this area.

Formal framework agreements for Project Management services are in place in most locations. These will specify the scope and cost of the services. If no such agreement is in place, GRE will advise on the basis of engagement. All agreements should be confirmed in writing.

GRE will normally undertake a Post Project Review to ensure that the targets set in the Project Execution Plan are met and that the project has been completed within Budget. The scope and detail of the review will depend on the complexity of the project and be agreed with GRE.

GRE and WPP Commercial & Procurement Services have, in some locations, put in place purchasing agreements with suppliers/vendors for furniture, fittings and equipment. These agreements should be utilised. Whether or not such agreements exist, competitive quotations must be obtained for construction works, furniture, fittings and equipment. GRE will advise on appropriate methods of procurement.

All contractors and suppliers must be pre-qualified and have attained certain quality, environmental and Health & Safety requirements. Under no circumstances should monies be paid before works are commenced and it is preferable to hold retention monies until the project is complete. GRE or your Project Manager can advise on the most appropriate course of action.

## **7.9 Co-location**

WPP encourages co-location of business units for a number of reasons, including creation of business synergy and advantage, leveraging expertise and operational efficiency and improvement in real estate efficiency and cost base.

GRE will co-ordinate the development of the brief, agreement of targets and objectives and manage the search and development of the Project Execution Plan and Business Case.

A single capex request will be submitted by the lead occupier in the normal manner clearly identifying breakdown of capex by business units. The Business Case will identify specific costs of co-location and identify the financial and other benefits.

The lead tenant will normally contract with the landlord. The relationship between co-locating companies must be documented in writing using an inter-company sharing agreement. This will ensure full transparency, allocation and recovery of set up and operating costs and the building operating regime. In the event of a dispute and where changes are made in the future to space allocation, WPP will arbitrate between the parties and its opinion will be deemed final and binding on the parties.

#### **7.10 Excess space: audit compliance**

As part of reporting requirements, GRE is required to track excess space within the real estate portfolio. Operating units are obliged to inform their regional GRE team of excess space, and to respond in a timely manner to the annual questionnaire on headcount and other information to establish excess space to comply with WPP's obligations to record all liabilities in its balance sheet.

#### **7.11 Group Real Estate Mandate**

GRE is mandated to manage and support WPP's Global Real Estate processes. It is organised into three regional teams, each headed by a Director of Real Estate. The team in the Americas reports to the Group Finance Director. The teams in APAC and EMEA report to the Deputy Group Finance Director Worldwide.

The teams have the following mandate:

- Management of WPP's real estate policies, project initiation and approval processes.
- Management of the relationship between stakeholders in business units, WPP and suppliers/vendors.
- Management of capex approval and post project review process.
- Management of the real estate database, reporting and audit compliance for excess space reporting.
- Professional support and promotion of best practice across all areas of real estate activity within WPP, including workplace design, sustainability and co-location.
- Ensure all major projects are delivered on time within budget.
- Responsibility for continuous improvement in efficiency of occupation and cost across the Group's real estate portfolio and for procuring buildings and space which provide good quality support for WPP businesses.
- Providing support for Group M&A activity.
- Supporting the Group's commitments to corporate responsibility – environmental and climate change through more efficient use of real estate.

## **8 Accounting policies and procedures**

### **8.1 Statement of principles of WPP financial reporting**

#### **Purpose**

Summarise the policies and principles of financial reporting for all WPP companies.

### **8.2 Scope & applicability**

This statement of principles of WPP financial reporting is applicable to all reporting units.

### **8.3 Responsibility**

The general supervision and administration of this policy is the responsibility of the Local, Regional, and Worldwide CFOs/Finance Directors/Controllers. Any deviation or exception from this policy must be approved in advance by WPP Group Reporting ("Group Reporting"). Noncompliance with this policy may be deemed cause for disciplinary action and may have adverse Sarbanes Oxley consequences.

If local reporting requirements deviate from International Financial Reporting Standards ("IFRS") or this policy, it is the responsibility of the unit to adjust the financial data to reflect the requirements of this policy before submission to the management reporting system, SAP BFC (formerly Cartesis). It is also the responsibility of the unit to maintain a reconciliation from their statutory accounts to BFC, identifying the nature of any differences resulting from local reporting requirements. These reconciliations must be reviewed by regional offices as specified in the Group's Sarbanes Oxley policy.

### **8.4 Policy**

All Group companies must comply with the basic principles of financial reporting contained in this policy.

### **8.5 Group accounting policies**

WPP's accounting policies are set out in the Annual Report and Accounts and are in accordance with IFRS ("International Financial Reporting Standards and International Accounting Standards"). All operating companies are expected to report to WPP in accordance with the Group's accounting policies and, therefore, under IFRS.

WPP does not report under US GAAP. IFRS must be followed in reporting to WPP.

From time to time, the Group issues detailed Accounting Policies and Procedures to ensure clear guidance is available to operating companies and consistent reporting is achieved throughout the Group. These are available on the Group's intranet website [inside.wpp.com](http://inside.wpp.com), within the Financial Reporting section of the Business Centre.

The Group periodically produces Internal Controls Bulletins, which are a further useful source of reference on internal controls and related policy.

Operating Groups are permitted to issue more specific accounting policies for their own operating units, although this is only allowed if such policies are consistent with the broader policies issued by WPP.

#### **8.6 Accuracy of reporting**

It is the responsibility of management to ensure that financial information reported to WPP is consistent with the Group's Accounting Policies and is accurate, through the implementation of adequate controls, the maintenance of appropriate and timely records and appropriate levels of staff supervision.

The budget and forecast financial information provides the basis on which WPP's strategic decisions are taken and is the basis for WPP's briefings to bankers, analysts and investors. It is essential that management's most realistic estimates, not excessively optimistic or pessimistic, be used in compiling this financial information.

#### **8.7 Reporting timetables**

Operating companies must have in place local accounting systems which enable timetables for the reporting of financial information to WPP (and the operating company's reporting HQ) to be met and which provide the information required. The WPP reporting calendar is issued annually and must be adhered to. Operating groups will issue their own internal timetables to their reporting units to ensure WPP's deadlines can be met.

#### **8.8 Group Reporting system: SAP BFC**

The Group's reporting system is SAP BFC (formerly known as 'Cartesis'). All subsidiary and associate/joint venture companies of the Group must report their results and balance sheet in BFC in accordance with the reporting timetable and the Group's accounting policies and principles. New BFC units may only be created with the approval of the WPP Group Financial Controller. There is a set approval process when applying for a new unit to be created, the template for which is available on the shared drive in BFC.

#### **8.9 Legal v BFC reporting system structure**

Every legal entity owned by the Group must report in BFC. The reporting structure is sufficiently flexible to accommodate a variety of reporting structures but, in broad terms, the Group requires any new legal entity to report in a new, separate, BFC reporting unit.

It is not acceptable to aggregate the results of a legal entity in one country with the results of a branch in another country, even though, from a statutory perspective, they will be consolidated in one set of statutory accounts.



## 8.10 Local statutory reporting requirements

Many operating companies in the Group are required by their local legislation to prepare audited statutory accounts, in accordance with their local GAAP. These accounts – and any associated tax computations – must be prepared and submitted to the relevant regulatory authority on a timely basis. They should not be qualified. If the auditors indicate that they will qualify your statutory accounts, you must communicate this to WPP Group Reporting beforehand.

The Group's year end is 31 December. The year end for local statutory accounts must therefore also be 31 December. This applies to all subsidiaries and also to associates.

## 8.11 Reconciliation from BFC to statutory accounts

All operating companies preparing statutory accounts must maintain a reconciliation between the numbers reported to WPP and their statutory accounts, for both the income statement and the balance sheet. This reconciliation forms a critical link to give assurance to WPP and the auditors that the Group's reported figures are derived from, and consistent with, operating companies' local ledgers and filed statutory accounts. In principle, other than GAAP differences, there should be no difference between what a unit reports to WPP and its statutory accounts.

## 8.12 Letters of support

If a reporting entity requires a Letter of Support to avoid qualification of its statutory accounts, the unit must follow the procedure of the Group's Letter of Support process, which is available to units with the Group's accounting policies, in the financial reporting section of the WPP intranet site.

## 8.13 The reporting cycle

### Flash reporting

Reporting units are required to provide a 'flash' report in BFC of their results for the month, typically due to WPP four working days after a month end. Flash comprises a number of key P&L figures, including revenue, gross margin, operating profit and PBIT, together with figures for incentives, severance and external and intercompany interest. Flash is management P&L reporting only and must not include MPLB entries.

Reporting units operating under Public Relations & Public Affairs are required to submit a mid-month flash package, usually due within the third week of the relevant reporting month, giving a current estimate of their results for that month.

### Actuals reporting

Nine working days after a month end, operating units are required to report their actual results for the month, including a full, line by line income statement (both management P&L and MPLB) and balance sheet, together with a range of supporting analysis including revenue by client, ageing of receivables by client, headcount and certain cash flow information. Validation controls in BFC help ensure internal consistency and accuracy of reporting.

As part of actuals reporting, units must supply a revised revenue forecast for the following three months and remainder of the year. This is a critical management tool and must be completed accurately and realistically.

**Quarterly reforecasting**

Twelve working days after a quarter end, reporting units are required to submit an updated, month by month reforecast of their results for the current year, including management P&L (and supporting data), headcount, MPLB and a capex forecast.

**Budget**

Operating units submit a budget in BFC to WPP in early November in respect of the following financial year. This will include a month by month P&L budget, including MPLB and supporting analysis, as well additional data, including capex and detailed real estate information. At the same time a current year pro forma will be required, based off the Q3 reforecast, reflecting the full year results of acquisitions made in the current year. In preparing budgets our operating groups should have regard to the Groups financial objectives:

- 10 - 15% operating profit growth;
- Improvement in operating margins of up to 1%;
- Improvement in staff costs/revenue of up to 0.6%;
- Revenue conversion of between 25% and one-third;
- Salary growth at no more than 100% of the growth in revenue.

WPP will set objectives for each operating group that addresses these overall targets.

**Commentary**

Within each reporting submission, commentary is required to explain major variances on key P&L headings. This is an important aspect of effective and efficient reporting for WPP. Commentary must comprise a sufficient summary for WPP and HQs to understand the key drivers of major variances.

**Year end reporting**

Reporting units are required to submit a year end reporting pack in BFC, together with the usual month end reporting for December. The year end pack is primarily geared to obtaining information for disclosure in the Group's Annual Report and Accounts and is usually due three working days after December actuals reporting.

**CR (Corporate Responsibility) reporting**

Reporting units are required to provide a separate CR reporting pack in BFC within 30 days of a quarter end. This quarterly submission requires a variety of data in relation to corporate and social responsibility issues, including energy usage, ethnic diversity, employment, compliance with marketing standards, and other matters. There is a separate CR reporting guide available under the Financial Reporting area of the WPP intranet site.

### **Client Profitability**

A quarterly analysis of client profitability is also required within 30 days of each quarter end, unless WPP specifically exempts a unit from supplying this information.

### **Pro forma reporting**

The Group primarily assesses the performance of our operating companies on the basis of like-for-like (or pro forma) results. Additionally, the key metrics on which the Group is assessed externally are based on like-for-like performance measures, both functionally and geographically, as well as for the Group as a whole. This means comparing current year, constant currency actual results (including the results of acquisitions from the relevant date of completion) against a prior year pro forma comparative. This comparative represents prior year actual results, translated at current year constant currency exchange rates, and adjusted to include the results of acquisitions for the commensurate period in the prior year. In this way, the objective is to achieve a genuine like-for-like view of the Group's performance year on year.

Pro forma submissions comprise the management P&L (including headcount and client data) and capex; not MPLB, nor the balance sheet.

Valid pro forma adjustments are relatively few in number, including adjusting for the prior year comparative of an acquisition, changes in unit structure (e.g. a reporting unit moving from one operating group to another) and changes in the master list of designated clients (e.g. one client being taken over by another). Note that pro forma must not be adjusted for a client loss nor for the closure of an office – both are treated as a normal business event.

No unit should make any pro forma adjustment without pre-approval from the WPP Group Financial Controller.

The Group announces a trading update each quarter that includes like-for-like revenue growth for that quarter and year-to-date. Once an announcement has been made, it is not possible to later restate that period's revenue growth. This means that both current year actuals and the pro forma figures for the corresponding prior year period must not change after the announcement date.

This is relatively easy to manage for the current year as each month's actuals are reported in a separate BFC package. The Group locks these packages once actuals reporting is complete. The pro forma reporting is, however, more difficult because the entire pro forma year is reported in one, single BFC package. If a pro forma package is opened, units have the capacity to adjust any month. WPP therefore insists that in this situation no unit changes any month that has already been used as the basis of a trading update. For example, if a pro forma package is opened in May, we will not permit any changes to be made to January, February or March as the Group will already have reported for the first quarter.

#### 8.14 Overhead

As part of the budgeting process, an operating group will set its overhead allocations for the coming year. There are a number of different types of overhead, including worldwide HQ, regional, country and client overhead. However the overall approach is the same; once the overhead allocation is determined, based on the constant currency exchange rates for the coming year, it remains fixed throughout the year (and in all actuals and reforecast submissions). This is irrespective of whether the actual underlying costs differ from what was budgeted. Overhead allocations are pre-incentives and pre-severance costs. The double entry for recording overhead is outlined in the Group's MPLB accounting policy and must be followed.

#### 8.15 Income statement – management vs external reporting

It is a fundamental principle of WPP's reporting that there is only 'one version of the numbers' i.e. the chart of accounts is flexible enough to accommodate both management and external/statutory reporting.

One way in which this is achieved is by using MPLB accounts to include income/costs that are not relevant for the assessment of bonussable performance, but are necessary for local statutory reporting. The Group has issued an accounting policy on the use of MPLB accounts and this must always be followed. No new MPLB transactions may be entered into without the approval of WPP Group Reporting.

#### 8.16 Use of retained earnings accounts

Like MPLB, the use of the adjustment accounts within retained earnings requires WPP pre-approval.

In the event an item comes to light (e.g. as a result of a statutory audit) that should have been recorded in the income statement of a prior period, this should be booked as a catch-up in the appropriate line in the income statement of the current reporting period. Such items should not be shown in retained earnings unless pre-approved by WPP. In addition, it must be booked to the correct line in the current period and not be shown as an MPLB nor below management operating profit unless pre-approved by WPP.

#### 8.17 Intercompany

The Group has a long-standing policy in relation to intercompany transactions which is available on the Group's intranet site. This policy covers a range of topics including initial recording of transaction, settlement, reconciliation and resolution of disputes. This policy must be followed.

#### 8.18 Acquisitions

On completion of an acquisition, including step ups in ownership, a variety of information will be requested by WPP Group Reporting e.g. fair value adjustments and an opening balance sheet. This must be compiled in accordance with the Group's accounting policy on M&A and provided to Group Reporting on a timely basis.

**8.19 Fair value reserves**

On completion of an acquisition, the Group will conduct a 'fair value' review of the entity being acquired. Any reserves arising from such a review are booked at WPP top level, not locally. These reserves cannot be utilised by operating units unless expressly authorised by the WPP Group Financial Controller. If no 'relief' is available, such items must go through the appropriate income statement line in the management P&L.

**8.20 Goodwill**

Goodwill arising on acquisitions is held at a consolidated Group level and is assessed for impairment on an annual basis by WPP New York Group Reporting. Requests for assistance in assessing future recoverability of goodwill must be responded to in a timely manner, using realistic assumptions.

If a local impairment of an investment in a subsidiary or goodwill is required for statutory accounting purposes, this will usually be an MPLB entry in the local books. A standard template for assessing recoverability of a local investment is available from Group Reporting in London or New York.

**8.21 Defined benefit pension schemes**

Accounting for defined benefit pension schemes is managed on a global basis by WPP New York Group Reporting who work closely with Mercer, the Group's pensions advisers. The Group Reporting team will instruct operating units what entries to record and when, especially with regard to actuarial valuations of plan assets and liabilities. It is important that these instructions are followed to ensure the income statement and balance sheet of our companies are correctly reported. The Group has issued an accounting policy for pension plan accounting.

**8.22 Obtaining accounting advice from local advisors**

For advice on technical or judgemental accounting issues, an operating unit must seek guidance from WPP Group Reporting in either London or New York. Although it may be appropriate to consult local advisers/auditors, the resulting advice may not necessarily comply with Group policy because it may be given in isolation, without proper regard to Group-wide precedent or policy. Operating units must not use local advice from an external adviser to try to justify an accounting treatment that WPP will not allow.

**8.23 Local re-organisations**

From time to time re-organisations of legal or reporting structures may occur. If this happens, the resulting accounting entries must be approved by WPP Group Reporting before the relevant transactions are completed. Where a statutory entity is merged with, acquires or disposes of another Group company, pre-approval must be obtained from the legal, tax, treasury and Group reporting teams at WPP. Changes to the SAP BFC structure, including merging existing reporting units, must be pre-approved by the WPP Group Financial Controller.

**8.24 Dormant companies**

If a reporting unit ceases to trade or becomes dormant, it must continue to be reported in the Group's reporting system (BFC) if it has a balance sheet. The absence of an income statement does not mean its reporting obligations diminish in any way.

**8.25 Rollforward and MPLB analysis**

WPP has a large and complex organisational and legal structure. The consolidation of the Group's income statement and balance sheet is therefore a significant undertaking, performed by the WPP Group Reporting team in London and New York. Its prompt completion is dependent on analysis from each operating group HQ of movements in the current year in 'controllable' accounts (i.e. those accounts we expect to eliminate in the consolidation of the Group's figures); for example, investments, goodwill, retained earnings and other reserve/capital accounts, as well as MPLB.

It is therefore critical that reporting units provide their HQ and WPP with sufficient detail in their rollforward/MPLB analysis to allow WPP to perform their work accurately and effectively. A timetable is distributed at each quarter close for this analysis and this must be complied with. Additionally, monthly rollforward analysis is typically due one or two days after monthly actuals are submitted.

**8.26 Balance sheet analysis**

At each quarter-end WPP Group Reporting perform an analytical review of other balance sheet captions i.e. 'non-controllable' accounts. The quality and timeliness of explanations from our companies are critical to this process, which is also a key audit tool.

## **9 Acquisitions, disposals and affiliations**

### **9.1 Proposal to WPP**

WPP actively encourages the management of Operating Companies to consider acquisition opportunities on an ongoing basis. WPP's role is to ensure the effective allocation of capital; to approve any potential transactions; and to advise on the most effective manner of completing the projects successfully. Consequently, no commitments or offers may be made without prior approval from WPP.

Proposals relating to acquisitions should be made to WPP's Director of Corporate Development in London, except in the case of transactions in the Americas where proposals can be sent to the Senior VP, Corporate Development in New York. The proposal should be in writing and should, as a minimum, contain the following details:

- strategic rationale for the transaction
- target background, three year financial history and budget for next year
- background information on management
- analysis of revenues by client
- financial structure of the transaction
- proposed timetable

For further advice on the contents of this proposal, please contact the WPP Director of Corporate Development in London.

No employee of the Group is authorised to discuss the disposal of an Operating Company without prior written approval from WPP.

### **9.2 Acquisition process**

The typical steps in the acquisitions process are as follows:

- negotiation of key terms and "in principle" approval by WPP of the acquisition proposal;
- heads of terms/letter of intent reflecting the agreed terms should be signed by both parties (the terms should be reviewed by the Corporate Development team and WPP Legal in London or Davis & Gilbert in New York prior to signing);
- as stated in 9.3 below, legal advisers must be appointed by WPP Legal.
- it is advisable that an exclusivity letter be obtained from the vendors such that they are prevented from discussing or completing a similar transaction with another party. A draft of such a letter is available from the Group's legal representatives;
- due diligence (financial, tax, human resources) must be commissioned. A decision not to undertake due diligence must be authorised in writing by the WPP Director of Corporate Development in London. Pro-forma templates relating to financial information typically required from a target and the required structure of a financial due diligence report are available from the WPP Transaction Services team. WPP Legal will consider the need for and scope of any legal due diligence;
- Financial due diligence will be performed by the WPP Transaction Services team who should also review the scope and findings of the other areas of due diligence performed.

- legal advisers will be instructed by the WPP in-house legal adviser to prepare acquisition documentation and shareholders' agreements (see below);
- it is essential that WPP's specialists in the areas of tax, real estate and information technology are consulted during the due diligence process;
- where completion payments are involved, it is important that adequate notice is given to WPP Treasury to arrange the transfer of funds;
- prior to the completion of a transaction, a draft press release should be prepared in conjunction with the WPP Communications Director;
- all contractual agreements relating to an acquisition should be reviewed by WPP's Corporate Development, Legal and Transaction Services teams prior to signature; and
- Before completion, the finance director of the Operating Company making the acquisition should ensure that a plan is put in place to integrate the acquired company within WPP's financial reporting, tax and treasury structures. This plan should be agreed by the WPP Transaction Services Director and the WPP Transaction Services team will follow up with the Operating Company to check the status of execution of the integration plan.
- In many cases where Operating Companies receive information in connection with a potential transaction it is often requested that the recipient of this information sign a confidentiality undertaking in respect of this information. In all cases, a WPP in-house legal adviser should review this letter prior to signature. In situations where an Operating Company is similarly providing confidential information to a third party an undertaking from the recipient should be sought. A draft of such a letter is available from the Group's legal representatives.
- Any correspondence with third parties relating to a proposed transaction should be marked as 'subject to contract' and should refer to the fact that any proposal is subject to agreement of final documentation, satisfactory due diligence, WPP board approval, foreign exchange regulatory authority approval (if applicable) and the approval of any other regulatory authority that may be applicable.

### **9.3 Advisers/support**

Legal advisers will be appointed by WPP Legal in London – legal advisers should not be instructed directly by operating companies

Requests for assistance in performing financial due diligence should be directed to the WPP Director of Corporate Development or the Transactions Services Team. Under no circumstances should external financial advisers be retained without prior approval from WPP.

In certain situations the Group will contemplate the payment of introduction fees to investment banks, corporate finance brokers, etc. These fees must be agreed in writing with WPP's Corporate Development Director in advance and will be payable no earlier than on completion of the transaction.



**9.4 Independence**

As stated in section 3.3 of the Policy Book, Group staff should not acquire or trade in the equity or debt of an acquisition target. Any involvement in a target should be disclosed to WPP, whether it is personal or by a related party.

**9.5 Anti-bribery and corruption**

Through enquiry and due diligence, you must be certain that the target has not engaged in bribery or corruption. If there are any concerns, they must be raised to WPP Group Legal in London.

## 10 Legal

### 10.1 Litigation

WPP has in-house legal advisers located in London, New York and Singapore, who should be the first contact in relation to legal matters. A list of approved legal advisers is available on the WPP intranet site ([inside.wpp.com/legal](http://inside.wpp.com/legal)) and these lawyers should be used in connection with all corporate, employment, litigation and property matters and in relation to global client agreements, save with the prior approval of WPP legal department. Operating Companies should not recruit in house legal staff without prior approval of the WPP legal department. No litigation, arbitration or any similar proceedings may be commenced by any Operating Company prior to discussions with WPP, except where the expected liability of such action including any legal costs is less than US\$150,000. If it is decided that a lawsuit or similar proceeding should be commenced, counsel to represent the group company shall be determined after discussion with WPP's in-house legal department. If a lawsuit, arbitration, investigation by a competition authority, government action or similar proceeding is brought against any Operating Company or if any officer becomes aware of facts or circumstances that may give rise to such actions, the WPP legal department must be informed immediately of the following:

- name of the person, company or government body commencing the action;
- name of the person responsible for handling the claim;
- claims alleged against the Operating Company or facts and circumstances that are likely to give rise to such a claim; and
- estimated amount of such claim.

No action or position shall be taken prior to discussions with WPP. Counsel to represent the Operating Company shall be determined after discussions with WPP.

All documentation must be marked "Confidential: Attorney-Client Privileged Communication" and should be sent to the appropriate legal representative of WPP.

### 10.2 Legal structure

The legal structure of the WPP Group is complex - decisions regarding the structure to be adopted in a given country or its modification must be made in agreement with and under the supervision of WPP's tax and legal departments. **No new entities, companies, partnerships, joint ventures, affiliation or licence structures or branches can be created without the prior written consent of the WPP tax and legal departments and after a detailed business plan has been submitted to and approved by the WPP Group Finance Director.** No joint venture or shareholder agreements or affiliate agreements can be negotiated or entered into without the prior review and approval of the WPP legal department. Details of any changes in structure must be notified to the WPP legal department at least one month prior to the intended date of change and no change should be implemented until consent from the WPP legal and tax departments has been obtained.

Changes include:

- changes of name or ownership;
- formation of new units (whether joint venture, branch, partnership or company);
- liquidations of companies/cessation of other business forms;
- any affiliation, partnership, revenue sharing or alliance agreements or similar;
- changes to legal structures; and
- proposed acquisitions or disposals of business units of either a discrete part or the whole (whether by way of shares or business assets).

### **10.3 Trademarks and trade names**

No application to register or licence the use of a trademark may be made except through the WPP legal department in London, which maintains a trademark database. The WPP legal department has the responsibility of liaising with the WPP Tax Department to ensure that the ownership of all trademarks is properly structured.

Bristows law firm in London, and their worldwide associates and Davis & Gilbert in New York (for US registrations only but not renewals which are handled by Bristows) are the Group's preferred trademark advisers.

### **10.4 Proxies / Powers of attorney**

All requests for proxies from the WPP holding companies should be sent to the WPP legal department at least 2 weeks prior to the date on which they are required, with supporting documentation and full details of the reasons for requesting the proxy.

All proxies need to state the list of actions / resolutions to which they relate and should attach any documents referred to in the proxy. The period of appointment under the proxy should be no longer than 3 months. General proxies permitting the proxy holder to take "such action as the proxy sees fit" will not be approved under any circumstances.

### **10.5 Dating documents**

In no circumstances should agreements, powers of attorney, resolutions or other legal documentation be backdated. Any requests for proxies or powers of attorney to support meetings that have already taken place will be refused.

### **10.6 Guarantees**

No commitments should be made to provide any form of holding company guarantee (including WPP plc) without the prior written consent of the WPP legal department.

## 11 Antitrust policy

It is WPP's policy to comply with the antitrust laws of all jurisdictions in which the Group carries on business, and all WPP people are required to obey those laws in carrying out their duties.

Antitrust laws affect almost every area of WPP's business and severe consequences – including civil and criminal penalties – may result from antitrust violations, both for WPP and the individuals involved. Questions about whether conduct is permissible under antitrust laws must always be referred to WPP's Legal Department.

WPP does not expect you to become experts in antitrust law. However, each WPP person is expected to be familiar with the most important antitrust restrictions relevant to their duties and to undertake on-line competition training on the WPP intranet. Below is a brief summary of some of the restrictions in the EU and the US (equivalent restrictions will apply in many other jurisdictions and you should make yourself aware of them.) You should always consider applicable restrictions according to the jurisdiction applicable to your clients.

### 11.1 EU

Article 81 of the EC Treaty renders illegal any **agreement** or **concerted practice** that significantly **restricts** competition and that affects **trade between EU countries**.

The aim of Article 81 is to ensure that each company doing business in Europe **independently** decides how, when and where to carry out its business on any given market. Companies must independently decide which prices to charge or whether to provide services in one or more countries. Agreements that interfere with the competitive structure of a given market by restricting two or more companies' commercial options violate Article 81.

An agreement or concerted practice can exist where there is some form of **mutual understanding** or **consensus** that leads to coordination of commercial activities. The agreement does not have to be in writing. Understandings may be unspoken and often do not require verbal communication. It does not matter if one party was forced or coerced into going along with the other's demands. If the facts indicate that it was highly unlikely the parties were acting independently, a competition authority might conclude that an unlawful agreement exists.

If an agreement violates Article 81(1), it, or at least any restrictive clause in the agreement, may be **legally void** and **unenforceable**. This can have serious consequences in a commercial relationship if, for example, an important contract with a client that forms the basis of our core business is void and unenforceable.

Article 81 applies both between companies that are on the same level of the supply chain (for example, between different advertising agencies - the relationship is considered horizontal) and companies at different levels of the supply chain (for example, between an advertising agency and a supplier such as a media company - the relationship is considered vertical).

## 11.2 US

Sections 1 and 3 of the Sherman Act prohibit agreements that unreasonably restrain trade. The most familiar example is an agreement between competitors that fixes the prices the parties charge for goods and services and, as above, the “agreement” need not be a formal written document.

Section 3 of the Clayton Act declares unlawful various types of agreements which have the effect of preventing a purchaser of a product from using or dealing in the product of a competitor. Section 5 of the Federal Trade Commission Act, a catch-all Act, forbids unfair methods of competition and unfair and deceptive acts or practices

## 11.3 Examples of forbidden activities (global)

The following practices should be regarded as forbidden, either because they clearly violate antitrust laws or because they pose a substantial risk of a violation:

- Agreements with one or more competitors that establish prices at which services will be provided or goods sold and agreements that establish other terms of sale, such as credit agreements or discounts.
- Bid rigging, or collusive tendering as it is sometimes known, whereby competing companies agree amongst themselves to co-ordinate their response to invitations to pitch for a particular contract, for example from a government agency or a large company asking competing agencies to pitch. The cooperating agencies agree which agency shall win a given tender and arrange for the others to, for example, bid above or not in line with the conditions of the tender. Next time there is a tender, another agency will win and so on.
- Agreements with competitors that determine which of the parties will serve particular geographic areas, product markets, or clients.
- Attempts, undertaken alone or in concert with other parties, to drive a competitor out of business, to exclude a competitor from a geographic area or product market, or to prevent new competition.

### Example

A minister for education in a European country decides to run an advertising campaign to foster tolerance between different ethnic groups and to accept bids from several advertising agencies for an exclusive contract to run the campaign for a given district's schools for a period of three years. The minimum media spend is significant. The senior management of several competing agencies get together and decide that the agency, Global Ideas, will submit the winning bid at a commission of 12%, and that they will each take turns submitting winning bids for other school districts in the future. In accordance with their agreement, Universal Creativity withdraws its bid at the last possible moment, The Advertising

Agency submits a bid that is too high, and Worldwide Solutions submits a bid with terms that the school district could never accept. Global Ideas wins the contract. Without the agencies' bid-rigging agreement, there would have been competition for the contract, and the minister for education may have achieved a lower commission. The agencies have entered into an illegal or 'bid-rigging' agreement.

#### **11.4 Intragroup exemption: significance of client confidentiality**

Although antitrust provisions do not generally apply to agreements between different subsidiary agencies **within the same group, i.e. WPP** - even if they compete against each other on a day-to-day basis - this does not mean that group companies can necessarily exchange client information of any sort (including but not limited to information regarding prices, for example) or co-ordinate bids, etc. Such exchanges may violate existing confidentiality obligations or a client's pitch procedures. Client confidentiality is of paramount importance, and must be respected at all times. To the extent you have any questions about what type of coordination is permissible with respect to client pitches and/or existing client relationships, you should contact WPP's Legal Department and/or Rick Brook, WPP's VP, Global Client Coordination.

#### **11.5 Trade association activities**

WPP companies should remain mindful of antitrust concerns during their participation in groups/committees of various trade associations, such as the AAAAs in the US. For example, in 1956, the AAAAs became subject to a federal court's consent order, which remains in effect, forbidding fixing of agency commissions in the media buying area. That order also covers the activities of agencies which are AAAAs members, but only to the extent that they are acting on committees or groups of the AAAAs.

Moreover, trade associations from time to time collect data from the industry. You should be mindful of such surveys of information. They are least likely to be anti-competitive if participation is voluntary and if they are undertaken by a neutral third party, such as an accounting firm, so that the participants' data remains truly confidential. Additionally, wide dissemination of the results of the data collected, without accompanied recommended courses of action, is less likely to have antitrust implications. When in doubt, please contact WPP's Legal Department for further advice.

## 12 Anti-bribery and Foreign Corrupt Practices policy

It is WPP's policy to comply with the local anti-bribery laws and regulations (and any other laws with an international reach, such as the Foreign Corrupt Practices Act of 1977 or the FCPA and the UK Bribery Act 2010) of all jurisdictions in which the Group carries on business, and all WPP people are required to obey those laws in carrying out their duties. Facilitation payments may not be made by or on behalf of any WPP Group companies.

The FCPA makes it a criminal offence to pay, offer, or give anything of value to a foreign official/employee of a foreign government with the intent to improperly influence business decisions of those officials. The Act prohibits such payments made directly by a company, its officials, directors or employees, as well as payments made through a third party agent such as a consultant or business partner of a company, where the company knows or has reason to know, such payments will be made. In addition to its anti-bribery provisions, the FCPA also contains certain accounting provisions, requiring companies to maintain accurate books and records and proper systems of internal controls regarding all transactions.

The UK Bribery Act also makes it a criminal offence to give, offer, promise or receive **any** bribe, not just in relation to government officials. It also includes a strict liability corporate offence of failing to prevent bribes. Like the FCPA, it reaches and applies to all our operations and people.

Violations of the FCPA and UK Bribery Act carry severe consequences - civil and criminal - both for the company and the individual employee involved. This policy does not address every situation or deal with the specific laws or regulations that may govern each and every jurisdiction in which WPP does business. You should therefore contact WPP's Legal Department or WPP's Chief Compliance Officer to seek guidance about specific situations and jurisdictions. You should also make sure you complete the WPP on-line training modules on the WPP intranet on an annual basis to ensure you have a good understanding of the impact on our businesses of the FCPA and UK Bribery Act.

### 12.1 Applicability to all companies

Because WPP's ADRs are traded on a US exchange, WPP and its subsidiaries (regardless of where they are located) must comply with the FCPA. WPP's business operations in the UK give rise to potential liability under the UK Bribery Act to all of its subsidiaries. It also applies to other parties carrying out a service on our behalf (such as associates). No WPP company, employee or agent may give, or promise to give, money or anything of value to an executive, official, or employee of any (a) government or its agency, (b) political party (including candidates for political office), (c) customer, (d) other organisation (in some cases charitable organisations), or (e) any other company or person if it could reasonably be construed as being intended to influence the company's business relationship with them. This may also include meals, gifts, gratuities, entertainment and other business courtesies.

Moreover, WPP companies should be mindful of the FCPA and Bribery Act in all dealings with third parties or business partners, as well as in the context of doing due diligence for a new acquisition or joint venture. Specific areas of focus should be the percentage of the third party's business derived from government contracts, types and identities of agents and consultants it uses and their compensation arrangements, countries of operation, involvement of government officials in its business (either as owners or directors/employees) and the state of its internal controls and books and records. WPP companies should obtain written assurances from such third parties that they have not and will not violate the FCPA or Bribery Act during their dealings with the WPP company.

WPP companies must use the adviser payment policy in all relationships with advisers as defined therein.



## **13 Treasury**

### **13.1 Borrowings and borrowing and other banking facilities**

#### **New/existing borrowing facilities**

All companies in countries where a WPP cash “pooling” system operates must not borrow from third party banks.

For companies that are not part of a cash “pooling” system, any new borrowing facilities (or increase in existing facilities) over US\$1million must be discussed with the WPP Treasury department prior to any approval or commitment by the Operating Company.

Any intention to reduce the amount of existing facilities or indication of forthcoming cancellation by providers of currently available facilities exceeding US\$500,000 must be immediately notified to the WPP Treasury department.

#### **Pledging of security and other restrictions**

Under no circumstances must any security (whether in the form of pledges over receivables, other assets or shares) be given in support of any new or existing facilities without the prior approval of the WPP Treasury department.

No guarantees (including bank guarantees), indemnities, letters of comfort, warranties or other representations or covenants may be given to any third party whether a bank a client or otherwise without the prior approval of the WPP Treasury department.

#### **Drawings under facilities**

All borrowings should be in local currency, unless otherwise agreed with the WPP Treasury department in advance.

Borrowings under any facility should not be for a period greater than three months, without the prior agreement of the WPP Treasury department.

#### **Default**

Any incidence of non-payment of either principal or interest on a due date or intention not to make payment on a due date or any other event which could give rise to a default must be notified immediately to the WPP Director of Treasury.

### **13.2 Deposits**

Safeguarding 100% of principal, in addition to achieving sensible commercial rates of interest must be the key objectives when depositing surplus monies.

All short-term (ie less than three months) surplus monies should be held in interest earning accounts where appropriate.

All long-term surplus monies should be dividended or loaned to WPP after consultation with the WPP Treasury and tax departments.

All companies in countries where a WPP cash “pooling” system operates must place all surplus funds in the system. All deposits must be made with government issued securities or a WPP approved bank. Deposits should

not be made with non-WPP approved banks without the prior agreement of the WPP Treasury department.

No deposits should be made that exceed three months without the prior approval of the WPP Treasury department.

All deposits must be in local currency, unless previously agreed with regional management or the WPP Treasury department. If funds are received in foreign currency, this must be converted to local currency immediately unless there is an offsetting payable in the same currency.

Conversion of any monies into other currencies for speculative reasons must not be undertaken in any circumstances.

No Operating Company's monies should be placed under management by "third parties" in a trust fund or other investment product. This does not prohibit employees' monies under group company management being placed with third party managers.

Monies can only be placed with a bank as collateral for any bonds, guarantees, and letters of credit etc, with the prior agreement of the WPP Treasury department.

### **13.3 Daily Cash Report**

With the exception of companies in the UK, USA and Canada, every operating company is required to submit through SAP BFC on a weekly basis a daily cash report showing all its cash and borrowings to WPP Treasury at the close of business each day.

Instructions for the completion and transmission of this report can be obtained from WPP Treasury in London or from [inside.wpp.com/treasury](http://inside.wpp.com/treasury).

### **13.4 Foreign exchange**

#### **Third party transactions**

Companies should not take on a foreign currency exposure in respect of business with a third party. An "exposure" generally occurs when a formal commitment arises to bill for services or make certain payments in a currency other than the company's local currency. If you are in doubt as to whether a transaction might give rise to an exchange exposure, advice should be sought from the WPP Treasury department.

In certain circumstances foreign exchange exposures may be unavoidable - in which case:

- the aggregate amount involved for all foreign exchange exposures outstanding at any one time should not exceed the equivalent of US\$100,000. Exposures of more than US\$25,000 to a single currency should be covered. This should be by forward purchase or sale of the relevant currency into your local currency. These foreign currency contracts should not exceed 12 months in duration; or
- specific prior approval has been obtained from the WPP Treasury department.

#### **Intercompany transactions**

Foreign currency exposures resulting from intercompany trading should be dealt with in the same way as third party transactions noted above.

Foreign currency exposures resulting from other types of intercompany activities (service fees, loans and interest, dividends etc) should not be hedged unless approved by the WPP Treasury department.

### **13.5 Financial Market/Derivative transactions**

No interest rate hedging and no speculative foreign currency transactions of any form may be entered under any circumstances.

No Operating Company shall buy, sell or transact any of the following without prior approval from the WPP Treasury department:

- interest rate swaps;
- forward interest rate agreements;
- options contracts (interest or currency); or
- any other complex interest or currency hedging instruments.

If in any doubt Operating Companies must contact the WPP Treasury department for further guidance.

### **13.6 Banking Arrangements**

Operating companies should consult with their regional Treasurer or Group Treasury in WPP London prior to entering into any new banking arrangements or agreements with a bank of any nature. Similarly, WPP Treasury should be advised prior to the termination of any banking relationship.

## **14 Taxation**

### **14.1 Use of tax advisers**

The preferred suppliers of tax advice to the Group are Deloitte or EY depending upon the country concerned although for historic reasons other advisers may be used in particular countries. If you are unsure of our tax advisers in your country please contact the WPP tax department.

If an Operating Company utilises another tax adviser, it must provide an instruction to that adviser to co-operate with and provide all requested information to the local Deloitte/EY office to facilitate international and territorial (as opposed to company only) tax planning.

All new appointments of tax advisers must be cleared in advance with the WPP tax department.

### **14.2 Notification of tax audit**

The commencement of all tax audits or claims for unpaid withholding taxes, whether relating to corporate income taxes, personal income taxes or other taxes (eg payroll or sales) should be notified immediately to the WPP tax department.

No tax audit or other claim of over US\$100,000 may be settled or agreed without the agreement of the WPP tax department.

### **14.3 Dividends**

All dividends without exception must be approved in advance by WPP Tax.

As a general rule, subject to local law, all post tax profits, after allowance has been made for approved budgeted capital expenditure plans for the following year, should be made available to the Operating Company's shareholders within four weeks of the Annual General Meeting being held or by no later than 30 June of the following year, whichever is the earlier. However, there are notable exceptions to this and prior approval must be sought from the WPP tax department.

The exact manner and amount of this distribution must be discussed with the WPP tax and treasury departments prior to any agreed remittance being made.

For investments where WPP does not have a direct or indirect controlling interest, the objective is to obtain a dividend of our share of 100% of the distributable profits no later than six months after the Operating Company's year end. Interim dividends should be sought wherever possible. However, as for subsidiary companies, there are notable exceptions and prior approval must be obtained from WPP Tax before any dividends are declared.

### **14.4 Legal Structure/Corporate Transactions**

As set out in Section 10.2 Legal Structure, prior agreement must be obtained from the WPP tax department for any changes to the corporate structure. For the avoidance of doubt, changes include all the items set out in 10.2, plus any merger, hive off, or divisionalisation.

#### 14.5 Cross-border loans

Under no circumstances can group companies in one country enter into documented loan agreements with group companies in another country without WPP Tax approval.

#### 14.6 Cross-border transfer of shares

Under no circumstances can group companies transfer shares to other group companies resident in a different country without WPP Tax approval.

#### 14.7 External disposals

Disposals of any asset or business to an external third party cannot take place without prior approval from WPP Tax as there are likely to be tax consequences of the disposal. Please contact your relevant WPP Tax contact to request approval.

#### 14.8 Use of freelancers/consultants

Operating companies should perform an annual review of all individuals who are being treated as freelancers, consultants or self-employed individuals to ensure that they are bona-fide independent contractors and are not performing the same role as that of an employee. Payments should not be made without the deduction of the appropriate payroll taxes to any individuals who should be treated as employees.

The analysis as to whether an individual is a self-employed independent contractor or an employee of the company is complicated and subjective. The presence of a service contract is usually an important indicator of an individual's status. However, it is not the only one. The overall substance of the terms of the engagement will also be taken into account. In this respect, independent contractors must not be treated and given the same benefits as an employee of the company.

In particular, it is advised that Operating Companies are **able to demonstrate** the following in respect of independent contractors (amongst others).

- They must have the freedom to organize their work in whatever way they find suitable.
- They should not have company business cards, but must have their own business cards. Where relevant, they should represent their own management company (if any) and the cards should mention nothing more than a cell phone number, their title within the management company and the management company's address.
- They should provide their own equipment and should not be given company mobile phones, blackberry, laptop or other equipment that an employee might be provided with.
- Freelancers should not receive holiday or sick pay.
- All freelancers under the terms of their service contract must be permitted to work for other companies.

If an independent contractor works exclusively for a WPP entity, the tax office concerned is likely to review this in detail and where practical the following are helpful in defending the independent status of a freelancer.

The freelancer:

- should carry a visitor's badge when entering the company's buildings;
- should not have a privileged or reserved parking spot;
- should not have a fixed personal office at company premises;
- should not be on the company's internal phone directory, except where explicitly indicated as 'contractor';
- should not have a fixed computer, telephone line etc at the company premises; and
- should not have a company cell phone or blackberry.

WPP Tax can provide advice on whether certain individuals should be treated as an employee.

#### **14.9 PAYE Settlement Agreements (PSA) – UK Only**

Concluding a PSA for every tax year is the responsibility of each company or division that operates a payroll in the UK. The following items of expenditure should be covered by a PSA (where relevant):

- staff meals, food, drink and corporate hospitality consumed at or near the place of employment
- staff taxis home or to private events before the 9pm limit for the Inland Revenue statutory concession
- Christmas parties and other staff functions falling outside the Inland Revenue statutory concession
- staff gifts (apart from 25 year service awards)
- other benefits not reported on individual P11Ds.

The PSA for the preceding tax year must be agreed by 14 July with the Inland Revenue and a copy forwarded to WPP Internal Audit. Any tax liability due under the PSA must be settled by 14 October following the tax year in question.

A copy of the PSA and supporting calculations should be sent to [WPP\\_PSAs@wpp.com](mailto:WPP_PSAs@wpp.com).

#### **14.10 Termination payments– UK Only**

Where Payments in Lieu of Notice ('PILONs') of up to £30,000 are intended to be paid tax-free in the UK, the individual concerned must enter into a compromise agreement and an individual record of assessment must be completed.

Please contact WPP Tax in London if further information is required.

#### **14.11 Statutory financial statements**

All companies should file their statutory accounts in advance of any local deadlines, and in any case by no later than **31 July** in order to ensure timely submissions of accounts and other associated filings such as corporation tax returns.

## 15 Communication

### 15.1 General

In considering “Communications” we are referring to all means and mechanisms of communicating information both within the Group and externally to existing and potential customers, regulators, share owners, government and non-governmental organisations, the media and to the public at large.

Each Operating Company and affiliate is responsible for establishing internal and external Communications policies and practices in order to foster consistent and favourable recognition of their own (and the Group’s) identity, structure and capabilities among its internal and external audiences.

### 15.2 Public relations

Each Operating Company is responsible for its own Communications with journalists. However, whenever there is to be an announcement of any decision made involving WPP, it should be cleared *before release* with the WPP Communications Director. This includes news of top-line appointments, acquisitions (buildings, offices and companies), strategic alliances, joint ventures, any information concerning the current or future financial performance of your company, or anything that may cause a reputational risk.

News of wins, losses, hirings, defections, lawsuits and acts of God can all have an effect on WPP and its market. Ask yourself “*what effect could this news have on WPP?*” Whenever in doubt, please alert the WPP Communications Director.

The WPP Communications team is responsible for the preparation, approval and dissemination of all WPP press releases. It develops public relations policies with senior management and actively promotes the strategy and business of WPP.

### 15.3 Advertising

All Operating Companies advertising their own services should ensure that all local legal and regulatory requirements are met. They should also consider:

- ethical standards and sensitivities to gender, race, religion, cultural, political or corporate identity issues; and
- social issues.

### 15.4 Corporate identity

Each Operating Company is responsible for the management of its own branding and corporate identity in order to ensure the maximum public recognition and awareness by consistent presentation worldwide.

It is optional whether any Operating Company refers to its membership of WPP. If any Operating Company chooses to refer to its association with WPP, the preferred wording is “a WPP company”. A full description of WPP is available from the WPP Communications Director in London.

### **15.5 Direct approaches from investors**

In order to ensure that the Group is correctly understood and valued in the marketplace and that publicly available information is communicated consistently and clearly to the investing public, all Operating Companies and principal offices receiving direct approaches from investors in WPP must refer to the Director of Investor Relations, WPP's Group Finance Director or WPP's Deputy Group Finance Director for assistance.

Communications with investors include the Annual Report and Accounts and Interim Report, announcements of Quarterly Trading Updates, Interim and Preliminary Results and responses to shareholders' enquiries.

There are strict guidelines relating to the external communication of financial or business information on the Group and its Operating Companies. There are strict legal consequences for the individual if a breach of those procedures should lead to the disclosure of inside information.

### **15.6 Political contributions**

Operating Companies or staff must not use Group funds or property to provide support to or to contribute to any political party or political candidate.

Group policy on political neutrality prohibits partisan support. Any such support would have to be approved in advance by the WPP main Board and by WPP's share owners, and disclosed in the WPP Annual Report and Accounts.

Section 16 sets out more detail ("Political donations").

WPP maintains a position of political neutrality in all countries and territories in which it operates. As a result, it does not sanction the use of Group funds for political contributions. Due to the nature of some of our businesses, instances may arise, however, where the definition of what constitutes political support is unclear and on these occasions, reference should be made to the Group Chief Executive for Board approval.

Failure to do this will render the directors personally liable for any contribution, including services or goods provided at less than market value.

Employees acting on their own or through independent employee organisations are free to use their own funds and property for political contributions and support.



## **15.7 Disclosure of confidential information**

It will be a disciplinary offence for any employee to disclose confidential information relating to any Operating Company, or client, whether on the internet, or otherwise, unless required to do so in the proper execution of their duties.

You must also follow the rules and guidelines of the internal control bulletin “Public release of financial information by Group companies” and the accompanying release “Q&As on public release of information”. These prohibit the release of financial information including revenue, financial trends and headcount to the press or similar organisations. The principle is that this information must not enter the public domain. This policy does not, however, prohibit the filing of information required by applicable laws.

## **16 Political Donations**

### **16.1 European Union**

In order to comply with European legislation, WPP's policy is that no operating company in the European Union is permitted to make any political donation.

In this context, donations include cash, cash equivalents, loans, gifts, entertaining, free or below market value work etc, and anything else that constitutes a transfer of value.

Political donations are donations to the following groups:

- a UK registered political party or a party that intends to participate in an election(s) to a public office in the EU; and
- an organisation whose activities may be regarded as intending to affect public support for any political party (as above) or any independent candidate(s) at an election for public office.

### **16.2 Outside the European Union**

Political donations are permitted under WPP policy for operating companies outside the European Union (subject to the next paragraph), but operating companies must always adhere to local laws or any other applicable laws that may prohibit or otherwise restrict such donations.

Prior to making any political donation, operating companies must obtain the prior written approval of a WPP plc director.

### **16.3 Disclosure and penalties**

Where political donations are permitted and have been made, the amounts must be disclosed in WPP's annual report. WPP will use the requests for pre-approval as above as an initial basis for this disclosure.

If any operating company is in any doubt as to whether a donation is political or is permitted, you must contact WPP.

Penalties for illegal political donations or non-disclosure of permitted donations range from potential custodial sentences to the requirement for full reimbursement of donations by the company's directors. WPP will recover any monies reimbursed by the directors from those responsible for making the unapproved donations.

## 17 Intercompany

The full accounting policy is available at [inside.wpp.com](http://inside.wpp.com) and must be referred to.

### 17.1 Intercompany account transactions & recording

All intercompany transactions should be consistently accounted for and reported in Group Balances as specified below. Intercompany dividends and MPLB transactions are covered by separate accounting policies which all units must comply with.

### 17.2 Transaction Processing

Any transaction affecting intercompany must have an accompanying intercompany invoice or similar documentation. Adequate supporting documentation, including the BFC shortcode for both the “seller” & “buyer” and the relevant job or P.O. numbers where appropriate, should accompany all intercompany invoices. In exceptional circumstances where job or P.O. numbers may not be available, reference to an appropriate contact at the payable office will help to expedite acceptance and recognition of the invoice. Intercompany invoices should always be copied to an accounting contact in the payable office, in addition to the executive in charge of the project, as a means to facilitate timely accounting by the payable party.

The invoicing party should make every effort to ensure that invoices are raised in a timely manner to other Group companies, as with third party invoices. It is expected that invoices will be raised within 90 days of the relevant work being carried out, unless there are specific documented mitigating circumstances. Invoices for any given month should be sent by the 20th (calendar day, not working day) of the month to minimize the occurrence of timing differences. The MIBA account should be used to capture those intercompany transactions which have been accrued, but not invoiced, at month end.

For intercompany transactions with a value of less than US\$1,000 there should be no charge between the units. This should alleviate time consuming efforts on reconciling and confirming low value items. It is acceptable to batch related individually immaterial charges into one invoice and important to note that the policy is not intended to prohibit collection of any billable amounts from clients or parent company recharges.

A written contract or similar written agreement is generally required for all intercompany transactions, especially intercompany loans, intercompany real estate leases and intercompany agreements involving service fees, management fees or cost sharing. For these purposes, the written contract should stipulate, at a minimum, the services being provided, an estimate of the costs or charges to be incurred, and the performance requirements. No intercompany agreements involving service fees, management fees or cross-border cost sharing may be entered into without the prior approval of WPP's Treasury, Legal and Tax departments. A written contract is required for all intercompany agreements involving service fees, management fees or cross-border cost sharing.

Notwithstanding the preceding paragraph, a written contract is not required for a limited number of intercompany transactions such as cash management, payroll, benefits, facility services, international expatriate transfer costs, Group audit fee recharges, captive insurance premiums and other similar arrangements. In these circumstances an intercompany invoice is sufficient.

The contract will provide the foundation of all subsequent intercompany charges. As work done across WPP Group companies increases, the issue of contemporaneous documentation of work arrangements is becoming increasingly important. The involvement of management with the authority to bind the company in these arrangements is critical. Intercompany charges not pursuant to a valid agreement may not be enforceable in arbitration and may be required to be written off by the unit with the receivable if not reconciled within 90 days. Primary responsibility for ensuring a contract is in place resides with the unit providing the service.

### **17.3 Accounting and Reporting**

All intercompany transactions, except for intercompany dividends transactions, are to be recorded in the Group Balance account (including invoiced and loan related intercompany charges in the MIB and MIBL schedules, respectively, and accrued intercompany trading and accrued loan interest charges in the MIBA and MIBI schedules, respectively). They may not be recorded in any trade accounts, even if the charges or the amounts invoiced are being disputed, unless explicit approval or instruction has been given by Group Reporting. Intercompany trading balances should be included in schedule MIB within BFC account 29000 - Group Balances – Trading; while accrued intercompany trading transactions should be included in the MIBA schedule within BFC account 29010 – Intercompany recharges - accrued. Intercompany loans receivable/payable should be included in the MIBL schedule within BFC account 29002 - Group Balances – Loans; while, accrued intercompany interest receivable/payable should be included in the MIBI schedule within BFC account 29004 - Group Balances – Interest.

All parties should consider the appropriate time to record an item in intercompany. In the situation where an invoice has not yet been issued, but a specific amount has been agreed and the underlying services provided, it would normally be appropriate for each party to accrue the amounts in intercompany. This may be the case, for example, where services are provided on a continuous basis, but settlements are done annually, perhaps in a shared services environment or with respect to services provided by WPP or an HQ. Where specific amounts have not been agreed, however the underlying services provided, an accrual should be made to the MIBA account. Every effort must be made to confirm the reasonableness of the accrual with the counterparty at least quarterly.

Each unit must reconcile, confirm and agree all intercompany balances at each month end. Trading transactions must be confirmed and reconciled on a monthly basis, utilising the SAP Intercompany system introduced in 2010 (see later section). It is expected that each local office will send a written statement/confirmation, including detail at the specific invoice level, to every Group unit with which they have a balance. Disputed items should always be included in the intercompany balance by both parties but may be listed separately or otherwise documented as disputed.

We expect all undisputed intercompany invoices, including recharges, to be settled within 30 days of invoice date, except for identified long-term funding or loan relationships. While long-term funding arrangements and other balances which cannot be paid due to tax, treasury, or legal considerations are acceptable, each office must maintain the necessary documentation that supports the need for non-payment for an extended period of time.

Intercompany invoices are to be considered denominated in the functional currency of the seller, unless otherwise specified in writing. When the currency of the invoice is different than the unit's functional currency, the unit must retranslate the balance each month end and on the settlement date, and record movements in BFC account 19930-Intergroup exchange gains/(losses) in the management P&L. Please refer to the foreign exchange policy for further guidance.

We expect all disputed items to be resolved within 60 days of invoice date. Any disputed items not cleared in 60 days shall be forwarded to Group Reporting along with the actions taken to resolve the differences. In the event of a dispute, the decision of Group Reporting is final. Unreconciled balances reaching the 90-day point will be subject to mandatory write-off, if such action is determined to be appropriate by Group Reporting.

All intercompany invoices relating to authorized work arrangements must be recorded by the receiver upon receipt regardless of the receiver's ability to bill the client immediately due to any contractual agreements with the client. The receiver cannot delay recording the transaction until it can bill the client for the related service. All charges should be recorded immediately even if further detailed reconciliation and approval of charges is being pursued to facilitate the reconciliation and clearance process. Any requests for exceptions to this policy due to disputed items must be submitted in writing to Group Reporting with all relevant supporting documentation and correspondence. It is expected that the good faith best efforts of both parties will have been fully expended prior to submitting a dispute to Group Reporting.

#### **17.4 Dispute Resolution and reserve policy**

Details are contained in the detailed accounting policy guidance at [inside.wpp.com](http://inside.wpp.com).

#### **17.5 Intercompany system: SAP Intercompany**

In 2010 the Group implemented SAP Intercompany, a critical tool to help our companies record, reconcile and track intercompany trading transactions. Intercompany loans and interest are not reported on SAP Intercompany.

It is the responsibility of the Worldwide Controllers of our companies to ensure SAP Intercompany is being used by each reporting unit within that network on a timely basis and in a comprehensive manner.

An SAP Intercompany User Guide is available on the shared BFC drive <https://gr.wpp.com> under s:/templates/Intercompany.

#### **17.6 Intercompany loans**

No loans may be made to other Operating Companies or affiliates without the prior approval of the WPP's Treasury, Legal and Tax departments. A written contract or similar written agreement is required for all intercompany loans.

#### **17.7 Intercompany trading**

WPP encourages Operating Companies to maximise the extent of commercial trading between each other. Where the purchase of goods and services is being considered and where an Operating Company is capable of providing such goods and services then a proposal from that Company should be obtained. This proposal should be evaluated alongside other proposals obtained in the marketplace and, if it represents the best value for money, then the order should be placed with the Operating Company.

#### **17.8 Intercompany real estate leases**

All Intercompany real estate leases must be agreed in writing. Any disputes must be resolved in accordance with the procedure set out in 17.1.

#### **17.9 Pledging of security and other restrictions**

The provisions of paragraph 17.1 above must be complied with.

#### **17.10 Drawings under facilities**

All borrowings should be in local currency, unless otherwise agreed with the WPP treasury department in advance.

Borrowings under any facility should not be for a period greater than three months, without the prior agreement of the WPP treasury department.

#### **17.11 Intercompany agreements involving service fees, management fees or cost sharing**

No intercompany agreements involving service fees, management fees or cross-border cost sharing may be entered into without the prior approval of WPP's Treasury, Legal and Tax departments. A written contract is required for all intercompany agreements involving service fees, management fees or cross-border cost sharing.

## **18 Information technology**

### **18.1 Policy exemption**

Any exemptions from the policies below must be agreed in writing by the WPP Internal Audit Director or the WPP Chief Information Officer.

### **18.2 Communication**

The policy is separated into two sections: one relevant to all staff (s18.3) and the other directed at the technology function (s18.4 onwards).

As the effectiveness of many of these policies depends on their understanding by all staff, companies should consider the use of all-staff briefing sessions and the new-starter induction process for staff at all levels (including local offices) in order to explain the nature and content of these policies and demonstrably to confirm Operating Company management support for their implementation.

### **18.3 IT policies applicable and relevant to all staff**

#### **18.3.1 Internet and e-mail abuse**

All companies must have written policies that are distributed to all staff, at least once a year, to prevent the misuse or abuse of Internet, E-mail, Instant Messaging services and Social Media sites when using corporate computers, inside or outside the office.

In using e-mail and other electronic media, employees are reminded that such communications may have the same legal standing as any other written communications.

An example policy is available for download on the WPP Intranet site [inside.wpp.com/IT](http://inside.wpp.com/IT). It should be tailored as required.

#### **18.3.2 Use of personal equipment**

In no case are employees allowed to use personal computers in the office to carry out their work. Freelancers may use personal equipment with proper authorisation and security checks in place.

From time to time employees and freelancers may bring personally-owned storage devices (USB sticks, Personal Hard Drives etc) into the office. Such devices must not be used as routine storage for company information and, in the event that company information has ever been stored on these personal devices then Operating Companies should make clear to those bringing them in that the Operating Company reserves the right to inspect that equipment at any time to ensure that any company-owned and/or client data has been removed.

**18.3.3 E-mail forwarding**

Automated processes to forward corporate emails to non-WPP email accounts or domains must not be used. Exceptions to this policy are to be agreed either by the WPP Group Chief Counsel or by the WPP Director of internal Audit

**18.3.4 Use of public file-sharing systems**

There are a variety of publicly available, and often free, facilities to transfer large files without using email and to store data “in the cloud”. These facilities must not be used for the transmission or storage of company and/or client data.

**18.3.5 Recommendations on LinkedIn and similar**

LinkedIn has a facility to allow subscribers to post “recommendations” for colleagues, ex-colleagues and other contacts. Where an individual makes this type of recommendation, making this posting can have a similar legal effect as that individual’s employer giving a written reference for all to see and rely on.

This exposes the employer to unnecessary risks and so should be avoided.

This policy only applies to individuals “recommending” a fellow employee or external contact related to their employment – not to purely personal contacts.

**18.3.6 Social Media and Blogs**

Section 24 of this policy book comprises detailed guidelines regarding social media (such as facebook, myspace etc) and blogs.

**18.4 Data/computer security**

Operating Companies must implement and monitor policies covering the following points:

**18.4.1 General policy**

- Servers and other networking equipment should be stored and operated in a physically secure environment.
- No computers may be connected to a WPP network unless owned by or leased to a WPP operating company. The only exception to this is for statutory (not client) auditors such as Deloitte.
- Where visitors (this does not apply to employees of other WPP Operating Companies) are provided with Internet access or other computer facilities, this should only be done via an approved (by GTS or by the Operating Group’s CIO) WiFi system or via a separate VLAN where the configuration of that VLAN has been approved by GTS.
- Operating Systems and firmware etc running on servers, personal computers and network infrastructure should be patched as recommended by the relevant software/hardware vendor to minimise risk of system loss or malfunction.



- PCs, laptops and servers should be protected by anti-virus software, and the associated programs and virus signature files must be updated as recommended by the supplier (Sophos is the Group standard for laptops and desktop computers including Apple MACs);

#### **18.4.2 Passwords**

- All access to company networks should be password protected
- Password change procedures should be implemented whereby all passwords should be changed at least every 60 days.
- Password-protected screensavers should be used on all company machines in the Finance function and on any machines containing sensitive client information, with a maximum “wait” time of 30 minutes.

#### **18.4.3 Internet security**

- Effective “firewall” protection must be implemented for all connections to the internet and any other third parties.
- Operating Groups should develop and enforce security standards for any servers connected to the Public Internet or to any third parties to ensure that they cannot be used as mail relays and that other common vulnerabilities are addressed.

#### **18.4.4 Data security and backups**

- Data backup procedures should be implemented, and tested by regular tests of restoration, for all servers storing financial, client and other business-critical data.
- Copies of backups should be taken off-site from time to time and stored by a professional data storage firm.
- All data and information created, stored, acquired or transmitted on company computing systems should be exclusively owned by the Operating Company (or client, in certain circumstances);

#### **18.4.5 Portable computers**

- A review of desktop and laptop “whole disk” encryption products is being carried out and when a product decision has been taken, and after a deployment schedule agreed with Operating Group CIOs, it will be mandatory for all laptop computers (PC and MAC).
- Operating Groups should develop and implement standards to ensure that any wireless-enabled desktops and laptops are configured with suitable software firewalls or other appropriate facilities to minimise the risk of unauthorised access to company networks or computers.

### **18.5 IT Procurement**

#### **18.5.1 Purchase of computer software**

The Group has worldwide agreements with Microsoft, IBM, HP, Symantec, Sophos, VMWare, Adobe, Citrix, Quark and Oracle under their respective corporate contracts. All acquisitions of this software from these suppliers must be made under these programmes through HP’s Software Licensing business (see WPP Intranet).

A number of these contracts are at the WPP Corporate level so any local purchase of such software will result in duplicate cost being incurred by any Operating Company purchasing outside the global contract.

Any exceptions to this policy must be approved in writing by the WPP CIO or WPP's Group Software Manager. Please refer to the group intranet for details of suppliers that can be used for such purchases.

#### **18.5.2 Purchase of computer hardware**

The only approved manufacturers of PCs and "Wintel" servers are: IBM, HP, Dell and Lenovo. Purchases of IBM, HP and Lenovo should be made through the Globalserve e-procurement portal except where an exemption has been agreed with the WPP Head of Technology Procurement. Such exemption would be based on operational difficulties with using Globalserve in specific markets.

Purchases of Dell equipment should be through the WPP Corporate Dell portal.

Details of these arrangements can be found, and will be updated from time to time, on the procurement section of the WPP Intranet at [inside.wpp.com](http://inside.wpp.com).

#### **18.5.3 Leasing – general IT**

Leasing (whether Operating or Finance) should not be used to acquire IT Hardware or software or to fund any technology projects without the written approval of the WPP CIO and the WPP Group Chief Accountant.

#### **18.5.4 Leasing – printers and copiers**

The group has standard contracts with HP, Xerox and Canon that can be used to acquire printers and copiers as part of a managed print service. These contracts have been designed to ensure that such contracts meet WPP Finance's requirements re treatment as Operating Leases. There are certain procedures required to be followed when taking out these leases – designed to ensure that operating lease criteria are met – which are set out in the relevant section of the WPP intranet at [inside.wpp.com](http://inside.wpp.com).

#### **18.6 Business systems**

No new business systems should be developed, purchased or implemented without approval from the WPP Chief Information Officer. For this purpose "business systems" includes accounting, production, timesheet, payroll and HR systems.

Media systems project should be approved by the GroupM Chief Information Officer.

#### **18.7 Legality of computer software**

Operating Companies must ensure that valid licenses are owned by the company for all computer software operated in company premises or on company computers. Operating Companies should implement a process of regular checks to ensure that this is the case.

The JamF inventory tool must be installed and maintained by all WPP companies to ensure that accurate deployment figures for all software packages is available on a monthly basis.

### **18.8 Internet sites**

All World Wide Web home pages registered or developed involving the WPP name or for “WPP” corporate clients should be approved by the WPP Chief Information Officer.

When any internet domains are registered in connection with company business, then the internet site should be registered in the name of the company using company contact details, not in the name of an individual giving personal details or using personal email accounts.

### **18.9 Software developed for client use**

The intellectual property rights in any software developed for client use by an Operating Company and provided as a service or product to a client should be protected. Appropriate legally binding terms and conditions must accompany all software provided to clients such that the Operating Company's risks are mitigated.

The provision of any IT hardware, software or services to clients should be covered by a written agreement, which has been reviewed by lawyers and signed by both parties. Risks covered by such an agreement would include, but not be limited to:

- maintenance of internal intellectual property and other copyright issues;
- fitness for purpose (Operating Companies should avoid giving warranties); and
- support and maintenance procedures.

## 19 Insurance arrangements

Each Operating Company must purchase adequate insurance policies to cover their local risks, taking into account the worldwide policies negotiated centrally through the WPP Risk Manager. Where possible, Operating Companies should use Marsh as their insurance broker to put in place these policies.

Any local regulations requiring specific insurances must be complied with.

The following is a list of the global insurance policies that must be complied with.

- professional indemnity (also known as advertisers' errors and omissions) for all Operating Companies. A per claim retention applies in this programme based on the size of the Operating Company;
- directors' and officers' liability insurance for any director or officer of any direct or indirect (more than 50%) owned Operating Company;
- fidelity/crime insurance for all Operating Companies of WPP of which the first US\$1 million is borne by the company;
- umbrella liability insurance provides additional limits against certain exposures faced by WPP. This programme is in addition to existing automobile and general (public) liability programmes;
- fiduciary liability; and
- international terrorism.

If further information is required on the extent of insurance cover that these worldwide policies provide, this should be obtained from the WPP Risk Manager or from [inside.wpp.com/riskmanagement](http://inside.wpp.com/riskmanagement).

WPP is under an obligation to report all losses and potential claims arising under any of these insurances. All losses and potential claims are to be reported as soon as they are known to the WPP Risk Manager. Additionally, UK companies are to inform Marsh, the local insurance brokers.

WPP and its professional insurance advisers will decide whether the loss can be pursued under the terms of the policies.

## **20 Internal controls and audit**

### **20.1 Key internal controls**

Operating Companies must maintain a system of controls sufficient to ensure all reporting requirements are met (WPP and local regulatory), to safeguard the group's assets and to ensure compliance with applicable local and international laws that affect all operating companies, including the UK Bribery Act and the FCPA. This system of controls must be sufficiently robust to ensure the recognition of all financial transactions in the books and records with proper authorisations and approvals. All assets should be identifiable, properly valued and have valid ownership rights. They must be appropriately assessed for recoverability. All liabilities must be recorded in the books and records with other obligations being properly disclosed. All nominal ledger reconciliations must be performed and reviewed each month.

Operating companies must adhere to the relevant guidance and policies and training issued by WPP, such as the advisor payment policy, the gifts and entertaining guidance and the detailed guidance in the "ABC Booklet". ("ABC" is short for Anti Bribery and Corruption.)

Operating Companies must additionally comply with the WPP "Controls Bulletins", which are issued in response to issues arising. They are all available on [inside.wpp.com/controlbulletins](https://inside.wpp.com/controlbulletins).

### **20.2 Notification of fraud, wrongdoing or other significant liabilities**

Operating Companies must notify the WPP Director of Internal Audit of any fraud or attempted fraud or other wrongdoing or other significant liability arising from a misdemeanour that has taken place immediately on discovery, regardless of whether this has resulted in a financial loss.

### **20.3 Internal audit**

Internal audit must be given full access to all of the Operating Company's records, properties and personnel. All audit recommendations must be implemented within the agreed time frame.

### **20.4 External audit**

In most territories the preferred supplier of external audit services is Deloitte. Operating Companies cannot change this arrangement without first notifying the WPP Director of Internal Audit. All relationship issues with the external auditors must be discussed with the WPP Director of Internal Audit.

## 20.5 Security

Each Operating Company must have in place its own security policy. This security policy must ensure at a minimum that:

- assets of the business, regardless of whether they are owned or leased or belong to third parties, are physically safeguarded;
- information relating to the business of an Operating Company or to its clients must be treated as confidential and be physically safeguarded;
- furthermore, client teams, work and information must be kept fully segregated wherever necessary to prevent a conflict of interest between assignments for clients in the same sector or who otherwise consider themselves to be competitors - a further more detailed policy document for use in potential conflict situations is available from the WPP Director of Internal Audit;
- an individual at each Operating Company is nominated to be responsible for all security matters; and
- procedures should be put in place for reporting security breaches.

Any known breaches in security or loss of data must be immediately reported to the WPP CTSO in IT Audit New York (Peter Johnston). All breaches must be investigated and actions must be promptly taken to address any weakness identified.

## 20.6 Controls documentation

All companies must document their processes and controls in place to provide assurance over the reliability of financial reporting. WPP or the SOX controller teams in networks will regularly assess the design and operation of the system of controls in place. This is a requirement of section 404 of the Sarbanes Oxley Act. Such a document is also best practice and aids training and proper performance. The document must include consideration of the following areas, which together represent the main components of the COSO framework (a report from the The Committee of Sponsoring Organisations of the Treadway Commission, which comprised 5 professional associations in the USA and sets out guidance over internal controls):

- Control environment - This is the tone set by and the attitude adopted by senior management. It incorporates integrity and ethics, management's control consciousness, their commitment to competence, the organisational structure and allocation of responsibilities and human resources policies.
- Risk assessment – Management must identify, analyse and manage the risks that impact on their business. This is an ongoing process, not just an annual snapshot.
- Information and communication – This is the system of capturing and exchanging information in order that management can make appropriate decisions.
- Control activities – These are the detailed measures to ensure that things happen as they should. Examples include segregation of duties, reconciliations etc.
- Monitoring – This involves reviewing controls to ensure that they are operating effectively and efficiently and whether or not they need to be updated.

For “Full scope” companies (as defined by the Director of internal audit), the best practice documentation requirements include flow charts and narrative of the relevant processes.

The minimum documentation requirements for all companies are the completion of the procedure field information on the SOX templates and a risk map. In all cases this information must be maintained so that it is up to date and truly reflects the controls and processes. The documentation must be sufficient to allow an independent person to “walk through” all transactions, identifying each step of a process, the control performed, the evidence retained, information used and the person performing the control.

For shared service centres, there must be a chart or other document setting out clearly the respective roles and control responsibilities of the shared service centre and the agencies served by it.

In addition, it is essential that Operating Companies maintain evidence of the operation of the controls – such as an organisation chart, evidence of review on reconciliations etc. The internal and external auditors will need to see this evidence when assessing the sufficiency of the documentation and the design and operation of the controls.

It is the responsibility of the operating company to update their controls and the documentation in the event of a significant change to procedures.

Depending on scope, internal audit (or its outsourced supplier) or network SOX teams will review the documentation and controls and issue Action Plans where improvements to the documentation or the controls are needed. It is mandatory for Operating Companies to put these Action Plans into practice.

Inaccurate sign off of the s404 controls documentation or other certification of controls may be considered a disciplinary offence. Wherever necessary, the CFO and CEO must consult with appropriate personnel to ensure that the document is completed accurately.

More information regarding Sarbanes Oxley is available on the Group intranet.

## **20.7 Self certification of controls**

Certain companies or controls may be self-certified as directed by internal audit. The CFO and the CEO of the reporting operating company must sign such certification. Inaccurate completion may be considered a disciplinary matter.

## 20.8 Non-audit work

The Sarbanes Oxley Act prohibits WPP's external auditors, currently Deloitte, from performing certain categories of work. Therefore, you must not request the WPP auditors to, and they must not, act for any WPP Operating Company in respect of the following:

- Book keeping or other related services;
- Design and implementation of financial information systems;
- Appraisal or valuation services;
- Actuarial services;
- Internal audit outsourcing;
- Management functions or human resources;
- Broker or dealer services, or investment banking; and
- Legal services and expert services unrelated to the audit.

If you wish to use advisors to perform any of the above categories of work, you must first obtain approval from either the WPP Group Finance Director or WPP's Director of Internal Audit.

The Sarbanes Oxley Act also requires that all non-audit work and the associated fees are pre-approved by the WPP audit committee. Therefore, before appointing Deloitte for any work other than the Group year end audit work for which fees are determined by WPP, you must request authorisation via WPP's Director of Internal Audit.



## 21 Business continuity

All Operating Companies must have, or be part of a larger group's, business continuity plan. This will incorporate elements of other sections of this policy book and additional actions / plans developed to enable the business to continue in the event of "disasters", such as earthquakes, fires or other events that render the business premises and facilities unavailable and / or destroy IT systems or documents.

Matters likely to be included are set out below. The list is not exhaustive and should be adapted for local circumstances.

- Provision for operating an alternative IT infrastructure, including e-mail, production and accounting software etc;
- Off-site back-up storage and identification of copies of essential business documentation and accounting records;
- Use of fire and water-proof safes for on-site storage of critical business documentation, including client media, and accounting records;
- Provision for off-site working for employees;
- Communication plan: Who is responsible for communicating actions to employees? (Do they stay at home? Do they go to alternative premises?), list of staff, client and supplier contact numbers, who is responsible for liaising with clients and suppliers? What message does the Operating Company send out? etc; and
- Appropriate insurance cover should be in place. (See section 18 of this policy book.)

Some of these actions are very inexpensive to implement (for example the communication plan). Others may be solved with a cross-agreement with another group company (such as off-site back-ups) or an alternative IT infrastructure. Others may require greater expenditure and hence the cost: benefit of potential actions must be considered.

Once in place, the plan should be tested annually to ensure that it functions as intended and that staff remain familiar with the procedures and that it may be revised in the light of changing conditions.

Further guidance is contained on [www.insidewpp.com](http://www.insidewpp.com), including general guidelines, a risk map template and an extract of the business continuity plan adopted by WPP's parent company in London.

Additional guidance will be added from time to time as necessary, including, for example, in respect of enhancing your business continuity plans to take into account the threat of pandemics, such as avian flu.

The risk map should help you document the key risks specific to your business and hence to develop response plans to mitigate the risks. These may include client or personnel issues as well as loss of IT or building facilities, for whatever reason.

## 22 WPP's approach to Corporate Responsibility

Managing social, ethical and environmental risks helps us achieve our business goals and enhances our reputation with clients, employees, regulators and investors. Serving the CR communications needs of our clients is a growing business opportunity for WPP companies and we aim to be a centre of excellence for environmental and social communication.

We focus our efforts on the issues that are most important to WPP. These are:

- The social and environmental impact of our work for clients.
- Risks to WPP's reputation from undertaking controversial client work
- Marketing ethics and compliance with marketing standards
- Privacy and data protection
- Employment, including diversity and equal opportunities, business ethics, employee development, remuneration, communication and health and safety.
- Social investment, including pro bono work, donations to charity and employee volunteering.
- Climate change, including the emissions from energy used in our offices and during business travel.
- CR in our supply chain and other environmental impacts

### 22.1 How we manage CR

The Group finance director is the Board director responsible for CR. He provides an annual assessment of corporate responsibility risks and performance to the Audit Committee and chairs a CR Committee made up of senior representatives from the agencies.

WPP divides responsibility for CR between two committees, which report to the WPP board. The audit committee is responsible for social, ethical and environmental issues. The compensation committee is responsible for employment issues including equal opportunities, diversity and harassment.

The Group CR function determines CR policy, monitors risks and opportunities and coordinates data collection. It helps raise awareness within our companies and provides advice and guidance on CR issues.

### 22.2 WPP CR policy

We believe our business can make a positive contribution to society and the environment by managing our activities with care and by working with responsible organisations that promote social and environmental causes.

Operating companies are required to comply with this CR Policy and report performance to the parent company quarterly.

#### **Social investment**

WPP companies are encouraged to:

- Undertake pro bono work for not-for-profit organisations involved in tackling social and environmental issues.
- Make appropriate financial and other donations to social and environmental organisations.

### **Managing relationships**

- In all our relationships we will be open, honest and transparent and will not pay or receive bribes or inducements of any kind.

### **Employee development**

WPP companies:

- Will select and promote our people on the basis of qualifications and merit, without discrimination or concern for race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.
- Will support training and career development for our people.
- Will provide a safe and civilised workplace free from sexual harassment or offensive behaviour.

### **Marketing ethics**

WPP companies:

- Will comply with applicable regulations and self-regulatory codes of practice in the countries in which they operate.
- Will not knowingly create work which contains statements, suggestions or images offensive to general public decency and will give appropriate consideration to the impact of our work on minority segments of the population, whether that minority be by race, religion, national origin, colour, sex, sexual orientation, gender identity or expression, age or disability.
- Will not undertake work designed to mislead in any respect, including social, environmental and human rights issues.

### **Environment**

WPP companies will respect the environment by minimising their impact from:

- Energy use.
- Transport.
- Consumption of paper and other resources.
- Water use.
- Managing any significant CR risks in our supply chains.

WPP sets quantitative targets for reducing our key environmental impacts. We aim to minimise the environmental impacts associated with the advertising and communications campaigns we create for clients. Our operating companies are encouraged to help achieve these goals.

### **Human rights**

- WPP companies will uphold the principles contained in the United Nations Universal Declaration of Human Rights and the International Labour Organisation's fundamental conventions on core labour standards.
- We support the right of our people and their families to basic human rights including the right to organise, the right to fair conditions of work, freedom of opinion and expression and freedom from forced labour and child labour.

### 22.3 Charitable donations

WPP, the parent company, and the Operating Companies are responsible for their own charitable policies, as projects or organisations to which donations are made will vary according to local circumstances and staff preferences.

### 22.4 Environmental strategy

Reducing our impact on the environment is a priority. We aim to make WPP a low-carbon Group. We are also focusing on reducing waste and managing water use in regions of water scarcity.

WPP recognises that the pursuit of economic growth and a healthy environment are inextricably linked. Sound business management must take into account the effects of its business on the environment. WPP supports practical measures and policies, which will help to protect and improve the environment. It endeavours to adopt good environmental practice in respect of premises, equipment and consumption of resources. In accordance with its status as a parent company, WPP upholds the principle of 'subsidiarity', and charges the Operating Companies with adhering to best practice/policy.

#### Climate change

WPP's climate change target is to reduce per head CO2 emissions to 1.2 tonnes by 2020.

Our climate strategy focuses on three areas:

- Improving energy efficiency in our buildings and IT.
- Reducing non-essential flights.
- Purchasing renewable electricity where available.

We offset emissions from flights by investing in renewable energy projects.

Opcos should take ownership of energy management, for example by reviewing the individual carbon footprints distributed to operating company CEOs to monitor their progress.

There are Energy Action Teams in North America, Europe, Asia Pacific and Latin America. These include members of our IT, real estate and procurement functions. They identify energy-saving measures and provide technical guidance to our companies on energy reduction. See [insidewpp.com](http://insidewpp.com) for more information.

## **Waste**

Key commitments include:

### *Paper*

- Use post-consumer recycled office paper.
- Set printers to double sided as default.

### *Electronic waste (e.g. IT and mobile phones)*

- Establish electronic equipment recycling contracts (which also ensure that any corporate or confidential data is cleansed from the equipment).
- Encourage local arrangements for computer re-use.

### *Office consumables (e.g. paper, card, cans, plastic bottles, toner cartridges)*

- Establish recycling contracts at all locations for standard office consumable items.

### *Kitchen waste*

- Phase out disposable crockery and drinking cups.

In addition, we have selected preferred suppliers which our operating companies can use to recycle waste paper and equipment.

## **Water use**

We have a water conservation strategy that targets our largest locations in water-stressed regions.

## **23 Document retention policy**

### **23.1 Introduction and Scope**

This policy sets out the Group's standard for the retention of documents and data used by our companies.

Reference to "documents and data" encompasses electronic data as well as hard copy information. It includes e-mails and letters; client information and company information. The source of information can be internal or external for example an email or invoice sent to a client or the same received from a supplier. The information may relate to our dealings with clients, suppliers or other third parties; to our accounting records; to our staff, etc.

Information generated by our employees or other staff belongs to the company, not to the individual (in so far as this does not conflict with applicable local laws).

### **23.2 The Policy**

The policy is as follows:

- All information relating to accounting records must be maintained for the local legal minimum period and for not less than 7 years. This includes any information that supports the accounting records.
- Data developed, used or received in connection with a client must be maintained as required by the client contract. If such information supports the accounting records, or if no contract exists, the information should be maintained as in point 1 above.
- Any other information regarding the corporate management of the company or decisions made regarding the company must be kept for the local legal minimum period and for not less than 7 years.

The documents and data being maintained do not need to be retrievable instantaneously. It may therefore be archived in bulk off site. A response time for the retrieval of data and information of up to a working week would normally be acceptable.

### **23.3 Action in the event of legal proceedings**

If at any stage a Group company becomes aware of legal action that involves any area for which such company has information or data, the company must take immediate steps to ensure that no such information or data is deleted or destroyed until the later of the final settlement of such action. The company's senior management must communicate this policy to all staff and in the event of potential or actual legal action must secure all relevant such information and data to prevent its destruction. (WPP has an example communication memo available for such an event on request from the legal or compliance departments.) The Sarbanes-Oxley Act has updated this legal requirement.

Under the Sarbanes-Oxley Act, it is a criminal violation to knowingly alter, destroy, mutilate, conceal, cover up, falsify or make a false entry in any record, document, or tangible object with the intent to impede, obstruct, or influence the investigation of any matter within the jurisdiction of any department or agency of the United States, or in relation to or contemplation of any such matter or case. Additionally, there can be adverse consequences to destroying documents that are the subject of legal proceedings. Accordingly, it is critical to retain all documents in the Company's possession – whether in electronic or hard copy form and whether created and/or maintained by current or former employees – related to an actual or contemplated government investigation or legal proceeding. This includes investigations by the Equal Employment Opportunity Commission, Department of Labor, the Federal Trade Commission, the United States General Accounting Office, etc.

Anyone who becomes aware of any investigation or legal proceeding concerning the Company, or contemplated investigation or legal proceeding should contact the Company's senior management immediately.

#### **23.4 Who is responsible?**

Senior management must ensure all staff are aware of the policy and, in particular, the additional ramification of deleting information in the knowledge of potential or actual legal action.

Senior management must ensure that they are aware of local laws, including those specific to government contracts. All staff must enforce the policy for information they use or store, whether on paper or electronically.

## **24 Social networking sites and blogging**

WPP and the operating networks and companies recognise that blogs are powerful tools that are ever more popular and influential, and that employees blog on their own time using their own resources. However, Group computer-related resources are not to be used for personal blogging and personal blogging should not be undertaken during business time.

The following guidelines outline some of the legal implications of blogging and include recommended best practices.

The guidelines also apply to blogs and the use of social media that are part of your job, albeit that they can obviously be written in business time with company resources. As such you must exercise caution and should ensure that your content is reviewed and authorized before it is posted.

The guidelines also relate to similar content that you might post on the various social networking sites.

### **24.1.1 You are personally responsible for the content of your blogs**

Bloggers can be held personally liable for any content deemed to be defamatory, obscene or offensive, proprietary or libellous. For these reasons, bloggers should exercise caution with regard to exaggeration, colourful language, guesswork, obscenity, copyrighted materials, legal conclusions and derogatory remarks or characterizations. In essence, you blog (or post on the blogs of others) at your own risk. Third parties actually can pursue legal action against you, personally, for your postings and blogs.

### **24.1.2 Do not violate company policies**

Know and follow WPP and your network's policies, including the WPP Code of Business Conduct. Up to date copies of your network's policies should be on the network intranet. Even though your blog may be personal in nature, you should be mindful of your obligations as an employee of your company and as part of WPP and make sure that you do not violate them.

### **24.1.3 Do not disclose company information or other confidential information**

You are under an obligation not to reveal any confidential information of your employer or any confidential information pertaining to other companies, such as our clients and vendors. This obligation carries over to blogging online. Never disclose any information – whether words, images or video – that is confidential or proprietary to WPP or your operating company and network, or to any third party that has disclosed information to us (eg clients, suppliers, etc). Talking about your company revenue, profits, future plans, clients or suppliers, could cause legal difficulties, even if it is just your own personal view, and whether or not you directly identify yourself as an employee of a WPP group company.



#### **24.1.4 Be mindful of and respect your audience**

Remember that others, including your colleagues and those you deal with in a work context, may be reading what you write. Think of what you say in your blog in the same way as statements you might make to the media, or emails you might send to people you don't know. If you wouldn't include it in those, think twice about posting it on your blog.

#### **24.1.5 Use a disclaimer**

The posts on your blog are your own and are not necessarily reflective of the company or WPP position or opinion. Therefore, we recommend adding a disclaimer similar to the following on your blog, blog posting, or website: "The opinions expressed on this [blog; website] are my own and do not necessarily reflect the views of my employer. The posts on this blog are provided 'as is' with no warranties and confer no rights".

#### **24.1.6 Secure your blog**

Password protecting your blog ensures your audience is regulated by you.

#### **24.1.7 Get your facts straight**

Be professional, respectful and polite and use good judgment when blogging. Do your research well and check that your facts are accurate and that comments are backed up with evidence. Make sure you have permission to post any copyrighted items (eg text quotes or images) to your blog, and be careful about posting or linking to items that may contain viruses.

### **24.2 Work related blogs**

Whether you are blogging for a client as part of your work for the Group, or blogging for our own public relations purposes, your postings will be treated the same way as any other communication created by or for your employer. Therefore, all postings will be owned by and should be reviewed and approved by your employer prior to being posted online.

Your posting may generate media coverage. Do not take any calls, respond to queries or answer any online comments from the media or other commentators without first consulting with a representative in the [OPGROUP] Public Relations Department; most calls should be referred to the designated public relations contact.

### **24.3 Internal company blogs**

Internal blogs may be created to foster open exchange and communication between employees, as well as to develop and learn about new ideas from each other.

When blogging within company intranets, you should comply with the following basic requirements:

- You should ensure that your blogging activity does not interfere with your work commitments, as agreed with your line manager.

- No postings should include or link to harassing, pornographic, indecent or other offensive content. Though your employer will not actively screen the content of materials prior to their being posted on the blog, and may not actively monitor the content of such blogs on an on-going basis, the Company may prohibit, discontinue or block access at any time and without notice and take other appropriate action.
- Personal information and content, which you voluntarily include and post to the blog, will be viewed and possibly used by others.
- Your employer will own all original content, ideas, writings, artwork, videos and plans submitted by you to the blog, and may use the same for any purpose whatsoever.
- You expressly release your employer from any claim based upon your choice to participate in the corporate blog community.

#### **24.4 Personal Blogs**

If you chose to have your own personal blog, you should update or work on your blog outside of employment hours and with your own resources. Keep in mind that your website will be public and your employer will contact you if you post inappropriate or confidential materials or use its trademarks or copyrighted materials without its consent.

It is important to avoid directly or indirectly identifying yourself as a company employee in your blog. You should not incorporate your company email address or phone number into any posts. If you are blogging anonymously, use of a pseudonym may be helpful to protect both your employer's interests and your own privacy. If writing about the workplace, you should avoid presenting too many details about the company, its associates or its affiliates. This includes location of the offices and employees and affiliated companies, as well as what specific business you do for your employer. Under no circumstance should client names or any aspect of client work be referred to in personal blogs.

#### **24.5 Social Networking**

Social networking sites such as twitter, facebook, myspace, etc are excellent tools for communicating information to a broad audience in real time, but they are not secure, as you do not know who will be receiving your messages or communications you post. If you choose to use social networking sites, you must only do so outside of employment hours unless required as part of your job function or it is a work related / sanctioned site.

The full guidance in this policy also applies to social networking sites. All employees are under an obligation not to reveal any company confidential information pertaining to your company, another network or WPP company or any other company we work with, such as our clients and vendors. All company related information, events, or situations are confidential and internal only until formally announced to the public by management. Even when the information is public, you must consider whether any comment you make is appropriate. A non exhaustive list of examples of such company related information, events or situations includes client pitches, wins and loses, staff movements, potential acquisition targets, etc.

All discussions or communications about such events should be conducted through secure means by authorised or appropriate people to specific, named correspondents only and must remain internal.

## **24.6 Conclusion**

In general, what you do in your own time is your own concern. However, activities in or outside of work that affect your job performance, the performance of others, or your company's or WPP's business interests are a proper focus for company policy. Please remember that to the extent you breach any of these guidelines you may be subject to legal or disciplinary action and depending on the seriousness of the breach, such action may lead to summary dismissal. Moreover, in the event that any third party claims are brought against a WPP group company as a result of your unlawful blogging activity, you will be held responsible for any costs or damages it incurs as a result.

## 25 Gifts and hospitality

Gifts or hospitality (whether received or given) may breach our Code of Conduct or anti-bribery legislation if they are (or can be perceived to be) excessive or influence a person to act improperly (such as in awarding a contract as a result of gifts or hospitality).

Local management are required to regulate levels of hospitality in a manner proportionate to each business and person.

This guidance helps clarify what is and is not acceptable in respect of gifts and hospitality (whether directly corporate or on behalf of a corporate). Inevitably, some issues are clear cut, but some are less obvious. This guidance sets out factors to be considered, a new procedure for recording gifts and hospitality and a process for assessing the acceptability of gifts and hospitality.

The associated control bulletin on [inside.wpp.com/bulletins](https://inside.wpp.com/bulletins) gives more guidance on application of the policy.

The following considerations are relevant:

- Gifts and hospitality must only be of nominal value. This equates to different sums of monetary value in different opcos and countries and from one person to another. Offices should set a local currency limit on the acceptable value of gifts and hospitality. Specific approval will be needed above this limit. Below the limit, subject to adherence to the other criteria below, the gift or hospitality would be deemed acceptable. Further consideration on value should include whether the value of the gift or hospitality is below or above what the individual would do with his or her own money. It is difficult to give examples that 'work' the world over. However, a ticket to a local sporting event would normally be acceptable. More expensive or lavish gifts or hospitality would be subject to authorisation. Tickets for you and a partner overseas with accommodation to see a sporting event would not normally be acceptable for example.
- If a gift or hospitality package is given to substantially all participants in a market – for example, representatives of all principal media competitors to attend a media owner event - it is less likely that the gift or hospitality will influence staff. If the gift or hospitality is available just to our agencies, then the likelihood that influence is sought will be higher and specific authorisation will be needed.
- If gifts or hospitality are given or occur in the run up to a pitch decision, the timing may clearly be seen to be seeking influence and would not normally be permitted.
- This guidance is not intended to preclude normal working meals of a reasonable cost with a third party.
- Consider who is attending. If it is just you and a partner, you must give greater consideration as to whether it is appropriate than if it was you and a person from the client or supplier – ie a legitimate work related event rather than something partly for personal use.

- Is the gift or hospitality legal or contractually permitted? Some clients prohibit all gifts and hospitality: you must comply with those contracts or requirements. Some local and international laws prohibit certain gifts and hospitality. You must comply with these laws.
- Consider what others would think. Would your acceptance of a gift or hospitality be perceived by the average member of the public as unusual or excessive? Would you like to be named in the trade press as accepting (or giving) such a gift or hospitality? If not, it is clearly unacceptable.

## **25.1 New Processes**

### **Authorisation**

Each operating company should have a committee that can authorise gifts/hospitality as appropriate. They can set a de minimis threshold as above so as not to be inundated with requests for normal activity such as breakfast/lunch/dinner/coffee with a supplier or client or other low value amounts that will not influence the other party.

There will be gifts and hospitality that are clearly excessive (it is the opinion of the 'average man in the street' that is relevant). But there will be a band between clearly acceptable and clearly unacceptable that must be adjudicated.

### **Gift register**

A register should be maintained of all gifts and hospitality, given or received, above the de minimis level.

The names of the givers and recipients plus their organisations must be stated, together with the date the gift is given/received or the date of the hospitality and the estimated value. A confirmation should also be given that the timing of the gift or hospitality does not coincide with a pitch or other key decision. Finally, confirmation should show that the third party is not a government agency or employee/representative thereof.

Audit and SOX will review the gift registers from time to time and will assess the reasonableness of the de minimis. The documentation must be kept up to date.

## 26 Privacy Policy

WPP is committed to responsible management, use and protection of data and personal information in our possession. This applies to employees, clients and consumers across all of our businesses.

### What is Personal information?

Personal information is any information or an opinion relating to an identifiable person including name, address, telephone number, email address (including work email address), national identification number or other such identifiers. The sources of personal information vary considerably and include:

- email and attachments;
- databases and/or online systems containing personal information, social media or other mass communication tools, etc;
- websites - online employee directories, online survey data collection, etc;
- CCTV and physical access to sites - data stored on electronic key cards, location tracking, etc;
- paper documents –employee and client contracts, letters, memo's, reports, etc; and
- photographs – office badges, security, employee records, etc.

The definition of personal information varies significantly based on country-specific data protection laws. Also, be aware that some client contracts may include a definition of personal information relating to that client that is broader than the legal definition – we must make sure that this is reflected in our procedures.

### What is Data Privacy?

Data Privacy is:

- protection of personal information – restricted access and security of data;
- the expectation that personal information collected and sent will be protected and used in a way that the local and regional laws allow;
- a system of reasonable processes to prevent release, use of or access to personal information without an individual's consent; and
- a balancing act between sharing information while protecting individual identities.

### Why is it important?

- Legal compliance - We need to be compliant with applicable privacy and data protection laws, regulations and treaties. Companies cannot be compliant in one region, but do business and be non-compliant in another. If we are found not to have complied with the law, this can have serious consequences for WPP, such as harm to our reputation and financial penalties.

- **Clients** – More multi-national clients are including data protection and privacy terms and requirements in the contracts we sign. Our businesses need to understand what these terms mean and how they impact on our existing technology infrastructures. We also need to understand the implications of these terms when proposing new research techniques, marketing or other products to clients that involve personal information.
- **Data Management** – To run our businesses more efficiently, we are consolidating greater amounts of personal information on behalf of our employees (eg centralized HR systems) and our clients (eg access to customer relationship management systems and /or consumer data collected for direct marketing, call centres or market research). This means that data privacy is more relevant than ever to our businesses.
- **Our responsibility** – Our employees and consumers are entitled to have their personal information protected. Companies should take utmost regard for personal identities of the individuals that trust us to protect them – our employees and the clients and consumers with whom we do business.

### **Policy and Awareness**

All group companies must implement fair and reasonable privacy policies and procedures and put them into action.

We must be aware of relevant laws, including those relating to government contracts, and implement the required procedures. Data protection and privacy laws should be considered in contract reviews and internal business processes and systems.

### **Security**

Reasonable, practical steps should be taken to ensure the confidentiality, integrity and availability of personal information.

All group companies must implement a Data Security policy covering the following areas:

- appropriate restriction and protection of personal information stored on mobile computing devices and equipment including but not limited to laptops, blackberries, PDAs, memory sticks, CD-ROMs and mobile phones;
- prevention of unauthorized remote and local access to systems storing personal information, documenting where applicable, use of firewalls, anti-virus software, patching and user account management;
- prevention of unauthorized physical access to systems storing personal information, documenting, where applicable, access controls pertaining to server rooms, HR and finance files, client files and physical site access; and
- prevention of transfer of personal information to unauthorised individuals or groups, including client and intra-company data transfers, and especially covering transfers of personal information across national borders.

These protections should already be in place. If in doubt, or if there is any need to enhance security, contact WPP's Chief Information Officer, David Nicoll - [dnicoll@wpp.com](mailto:dnicoll@wpp.com).

If you encounter any loss of any personal information or any attempt to gain access to your computer systems you must inform WPP immediately – within 24 hours at the very latest. Any loss of information or hacking that is detected must be reported immediately to the WPP Director of Internal Audit (Paul Stanley in London [pstanley@wpp.com](mailto:pstanley@wpp.com)) and the WPP Chief Security and Technology Officer (Peter Johnston in New York, [pjohnston@wpp.com](mailto:pjohnston@wpp.com)).

### **Retention of Personal Data**

All personal information must be retained in accordance with WPP's Document Retention policy (see chapter 23) and the local legal minimum period. Also refer to data retention terms in client contracts (this may be longer than the legal minimum).

### **Transfer of information**

Human resources and client-related personal information is transferred periodically across group companies and to WPP offices in London and New York. Data is also frequently shared with vendors to provide services to clients and employees.

Group companies must ensure that all transfers are necessary for legitimate business purposes, such as the delivery of group wide benefits or in performance of a specified client contract.

Appropriate methods and protocols should be in place to transfer personal data securely. Adequate security helps to reduce breaches, loss, and access by unauthorized parties. See Security section above for a description of appropriate steps to secure data.

### **Questions**

The following WPP representatives are available to field inquiries on data protection and privacy.

Legal Advisory: Teresa Hallam, WPP Legal UK - [thallam@wpp.com](mailto:thallam@wpp.com)

Technology Security: Peter Johnston, Chief Technology & Security Officer - [pjohnston@wpp.com](mailto:pjohnston@wpp.com)



## **Appendix A: List of WPP contacts referenced in policies**

Group Chief Executive	Sir Martin Sorrell, London & New York
Group Finance Director	Paul Richardson, New York
Deputy Group Finance Director	Chris Sweetland, London
Group Chief Counsel	Andrea Harris, London
Deputy Group Chief Counsel	Mark Povey, London
Chief Information Officer	David Nicoll, London
Chief Talent Officer	Mark Linaugh, New York
Director of Commercial Services and Procurement	Tom Kinnaird, London
Communications Manager (Corporate Responsibility)	Vanessa Edwards, London
Company Secretary	Marie Capes, London & Dublin
Compliance Officer	Vicky Brown, London
Director of Corporate Development	Andrew Scott, London
Director of Internal Audit	Paul Stanley, London
Director of Investor Relations	Fran Butera, New York
Director of Tax, EMEA and Asia Pacific	Ric Azoulay, London
Steve Hall	Director of Transaction Services, London
Director of Treasury	Paul Delaney, London
Global Mobility Manager	Stephen McGarry, New York
Group Chief Accountant	Steve Winters, London
Group Financial Controller	David Barker, London & New York
Group Communications Director	Feona McEwan, London
Group Compensation and Benefits Director	Derek Steptoe, London
Real Estate Team	Max Holliday, London
	Eugene Bauchner, New York
Risk Manager	Ron Pearlroth, New York
Senior VP, Corporate Development	Lance Maerov, New York
Senior VP, Tax - Americas	Tom Neuman, New York
VP, Global Client Coordination	Rick Brook, New York

All communication with WPP directors or staff can be made by telephone to:

+353 1 669 0333 (Dublin);

+44 20 7408 2204 (London); or

+1 212 632 2200 (New York).