

# **IdealRatings**<sup>®</sup>

Enabling Responsible Investment

## **SRI Performance Report**

# **WPP PLC**

The WPP logo is rendered in a blue, dotted or pixelated font style.

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**September 2019**

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## About this Report

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### Environmental KPIs

## 84/100



### Social KPIs

## 65/100



### Governance KPIs

## 84/100

Industry KPIs

## Business Involvement

No Involvement

## Countries of Concern



Cuba Iran Russia Sudan Zimbabwe

## Company Description



WPP plc (WPP) is a holding company engaged in providing communications services. The Company comprises companies in a range of disciplines, which include advertising, media investment management; data investment management; public relations and public affairs; branding and identity; healthcare communications; direct, digital, promotion and relationship marketing, and specialist communications. The Company operates through four segments: Advertising and Media Investment Management; Data Investment Management; Public Relations & Public Affairs, and Branding & Identity, Healthcare and Specialist Communications. The Company has operations in over 110 countries. The Company offers global, national and specialist advertising services from a range of international and specialist agencies, which include Bates CHI&Partners, Grey, JWT, Ogilvy & Mather Advertising and Y&R. It provides media planning and buying, and specialist sponsorship and branded entertainment services from GroupM companies.

### Nation



United Kingdom

### Primary Exchange



**London**  
Stock Exchange

London Stock Exchange

### Industry



Advertising / Marketing

### ISIN

JE00B8KF9B49

### Website

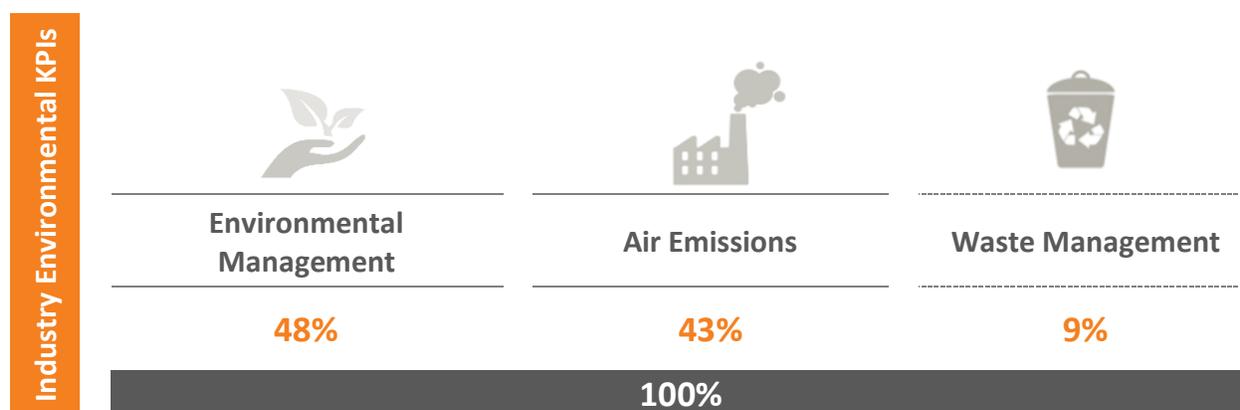
<https://www.wpp.com/>

## ESG Performance Drivers for Advertising/ Marketing Industry

The Key Performance Indicators (KPIs) relevant to the Advertising/ Marketing Industry and their weighted contributions to the E, S and G pillar scores are described and illustrated below. Each pillar has a maximum score of 100, and the sum of the three pillar scores becomes the company's overall ESG Score.

### Environmental Pillar

As consumers' interests in environmental issues are remarkably increasing and affecting how companies advertise their products or services, environmental management should be highly considered by pertinent companies. A solid environmental policy must be developed tackling all relevant issues including air emissions, waste management and other must be embedded in firms' daily activities and operations. Air emissions is another crucial factor for the Advertising/Marketing Industry as it relies heavily on electricity emitting toxic gases therefore, advertising companies must control and monitor their emissions for continuous improvements. Waste management needs to be addressed as well, by pertinent companies that generate large volumes of electronic and office consumable wastes (such as paper, card, cans, plastic bottles and toner cartridges). Effective wastes programs must be implemented with an increase focus on effective disposal methods like recycling and recovery.



### Social Pillar

Human capital is significantly important to this industry; as it deals with large number of customers who share sensitive data, excellent calibers with high level of professionalism and integrity are required. To do so, related companies must regularly train their employees on their job-related responsibilities and survey them ensuring their high level of satisfaction. Companies in this field should work on proper procurement management as they deal with large number of suppliers who either provide essential services for running the business. As consumers are a major success factor for this field, advertising and marketing companies must highly focus on customer satisfaction and loyalty. To ensure so, regular surveys must be conducted receiving customers' feedbacks and measuring their satisfaction level for further improvements in areas

of concerns. A data privacy statement should be developed and maintained clarifying how customers' information are collected, when it is used, and to whom it might be disclosed.



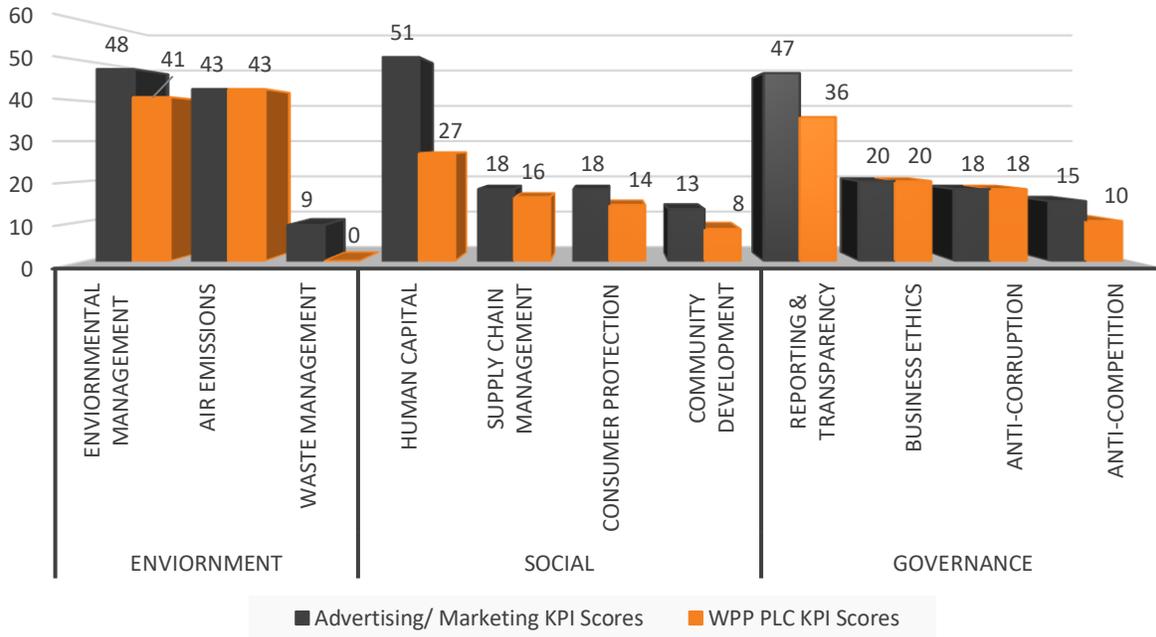
### Governance Pillar

From the governance viewpoint, aside from the essential standards such as reporting & transparency and general business ethics, anti-corruption policies come as an integral KPI in this industry. As the case in many industries, frauds and bribery are strongly present in the advertising and marketing business where pertinent companies resort to devious ways in marketing their product like giving or receiving bribes from government bodies, public relations agencies or others. Thus, solid code of conduct must be set by relevant companies as a guideline for ethical behaviour and training on the code must be conducted. Being a fierce competitive market with many players offering variety of advertising services and techniques, pertinent companies must ensure fair dealing and competition practices and that by setting solid anti-trust policy and communicating it to its employees via training.



## WPP PLC ESG Performance Details

The chart below illustrates the company’s score for each Key Performance Indicator compared to the maximum score achievable by a company in the Advertising/ Marketing Industry. A more detailed breakdown of the individual E, S and G pillars, how the KPI scores are combined to derive the pillar scores, and a description of how WPP PLC performed (and why) follows.

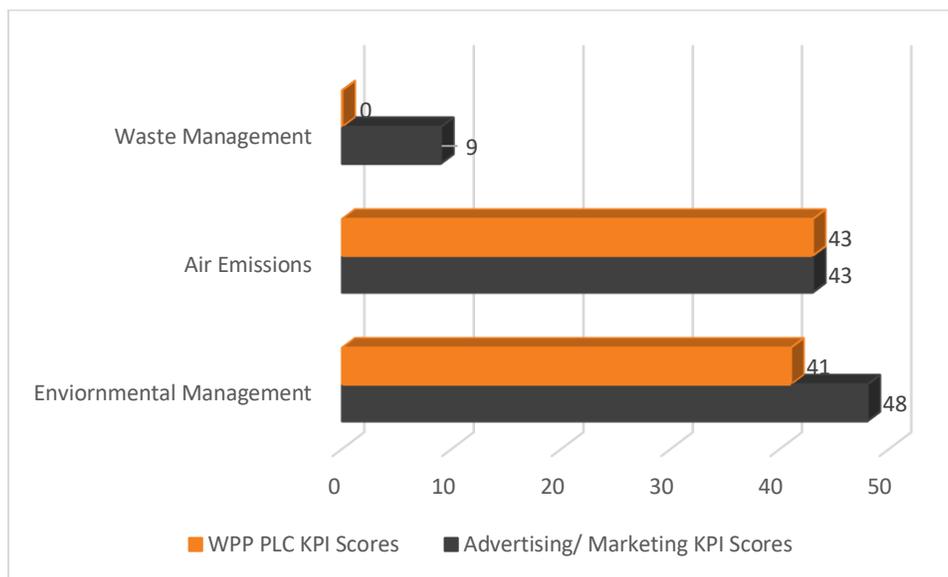


WPP PLC KPI scores compared to the maximum achievable KPI scores for the Advertising/ Marketing Industry

## Environment

WPP PLC Score: 84/100

### Environmental KPI Score



### Environmental Management

WPP PLC received a high score in this KPI; 41/48. The company has effectively integrated environmental sustainability in its daily business operations and activities. As stated in its sustainability policy, WPP PLC aims to positively contribute to the environment and minimize the environmental impacts associated with its campaigns. To do so, the company has developed a solid environmental policy tackling its strategies, targets and performance related to climate change, air emission, renewable energy and many other environmental issues. WPP PLC engages a wide range of stakeholders taking into consideration their valuable feedback and insights into sustainability risks and opportunities. It is worth noting that the company is not involved in any relevant recent legal proceedings. To achieve a perfect score for this KPI, environmental grievance mechanisms need to be set for the occurrence of any negative related incidents.

### Air Emissions

In this KPI, WPP PLC has achieved a perfect score of 43/43. The company has been a Carbon Disclosure Participant (CDP) submitting its climate change report since 2010. All the company's greenhouse gases were transparently disclosed in its sustainability report where it has set a target for further 50 % carbon reduction by 2030 compared to 2017 as a baseline. To tackle such plans, WPP PLC has developed plans to reduce emissions from its company transportation and

buildings. To switch to a low-carbon ,energy efficient buildings, WPP PLC has planned to reduce the overall number of offices it occupies, move to locations that uses spaces more efficiently and to implement green building standards such as the US standard LEED (Leadership in Energy and Environmental Design) and UK standard BREEAM (Building Research Establishment Environmental Assessment Method).

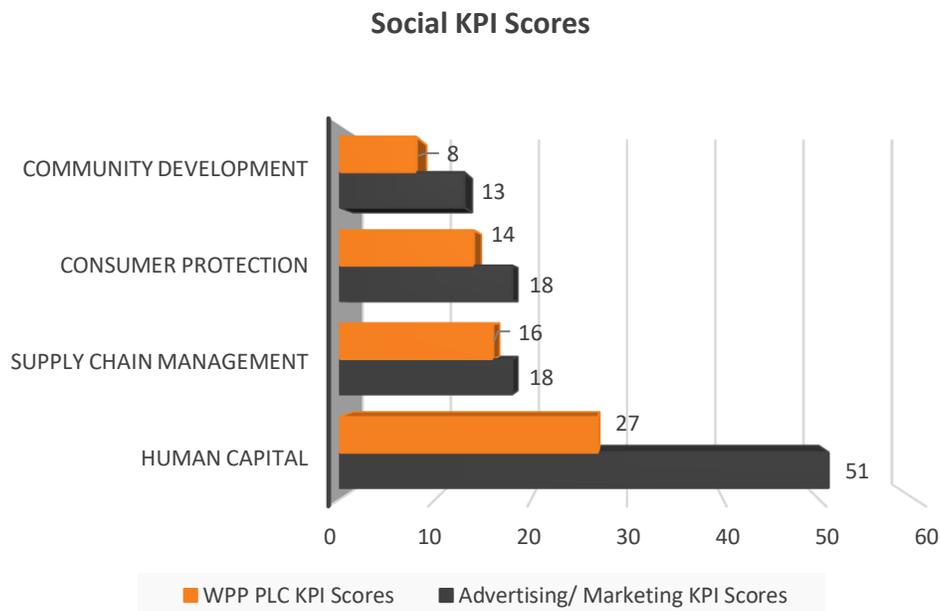
As air travel accounts for around 46% of the company's carbon footprint, WPP PLC aims to reduce unnecessary business travel and replace face -to face meeting with audio and video conferencing. Since WPP PLC can't fully eliminate air travel, the company has purchased what is called " carbon credit" to offset 100% of its air travel emissions. "The carbon credit" is known as a permit issued by a government or other regulatory body that allows its holder to burn a specified amount of hydrocarbon fuel over a specified period. Companies or nations are allowed a certain number of credits and may trade them to help balance total worldwide emissions. The company has also focused on reducing energy use and increasing reliance on renewable energy as in 2017, 30 of the company's electricity were generated from renewable sources

### **Waste management**

WPP PLC has received a zero score for this KPI; 0/9. The has not disclosed information regarding waste management programs. It did not also mention any data regarding wastes' recycling or using recycled or recyclable raw materials.

## Social

WPP PLC Score: 65/100



### Human Capital

The company's score for the Human Capital KPI was low reaching 27/51. WPP PLC is a United Nations Global Compact (UNGC) Signatory and strongly abides by the labor standards of the International Labor Organization (ILO). The company ensures that the principles of such international norms are embedded in its daily activities and operations and provides employees and directors with different types of human rights training such as diversity and unconscious bias. The company, however, hasn't succeeded to monitor proper implementation of its human rights policies as it was found involved in a human rights legal proceeding that has significantly contributed to the company's low score in this KPI. A chief communications officer at the WPP-owned agency 'J. Walter Thompson' was accused by being involved in a pattern of misconduct behaviours including gender discrimination and violations of civil rights. The company has also missed to report results of human rights' inspections and grievance mechanisms procedures which affected this KPI's score negatively.

WPP PLC values its employees and work to ensure their satisfaction and loyalty. This is obvious through various aspects including implementation of diversity and equal opportunity policy in workforce, as it ensures that all employees and directors are fairly and equally treated regardless their gender, age, religion, disability...etc. This is clearly reflected in female representation figures of 56% and 27% in total employees' and in board of directors, respectively.

Aiming to satisfy its employees and maintain their best performance, WPP PLC strongly supports work-life balance and works to ensure flexible working environment such as maternity leave. Currently, 25% of the company's workforce have flexible work arrangement and almost 48% of the WPP PLC'S companies offer parental leave benefits that exceed local legal requirements. All other employees' benefits are clearly disclosed in the company's annual report including salaries, pension & security costs, incentive plans, etc. Health insurance was provided as well as part of the company's employees' package. WPP PLC provides training to help employees enhance their skills and careers. An average of 5.7 hours of training per employee was provided in 2018. Employees' turnover rates is recommended to be disclosed among the rest of workers' related figures. For continuous improvements, regular employees' surveys are conducted ensuring their high level of satisfaction.

### Supply Chain Management

The company's score in this KPI was a high one; **16/18**. WPP PLC has set a code of conduct to be used by suppliers as a benchmark for ethical labor practices. It also provides relevant training to guarantee suppliers clearly understand the code's topics. To ensure adherence to the company's set norms, WPP PLC conducts regular suppliers' inspections. However, results of those inspections weren't published by the company which has negatively affected its performance in this KPI. WPP PLC works with many and diverse suppliers to increase creativity and new ideas. To protect its suppliers' welfare, the company has developed data privacy policy where suppliers are an integral part of it. It is worth noting that the company is not involved in relevant legal proceedings.

### Consumer Protection

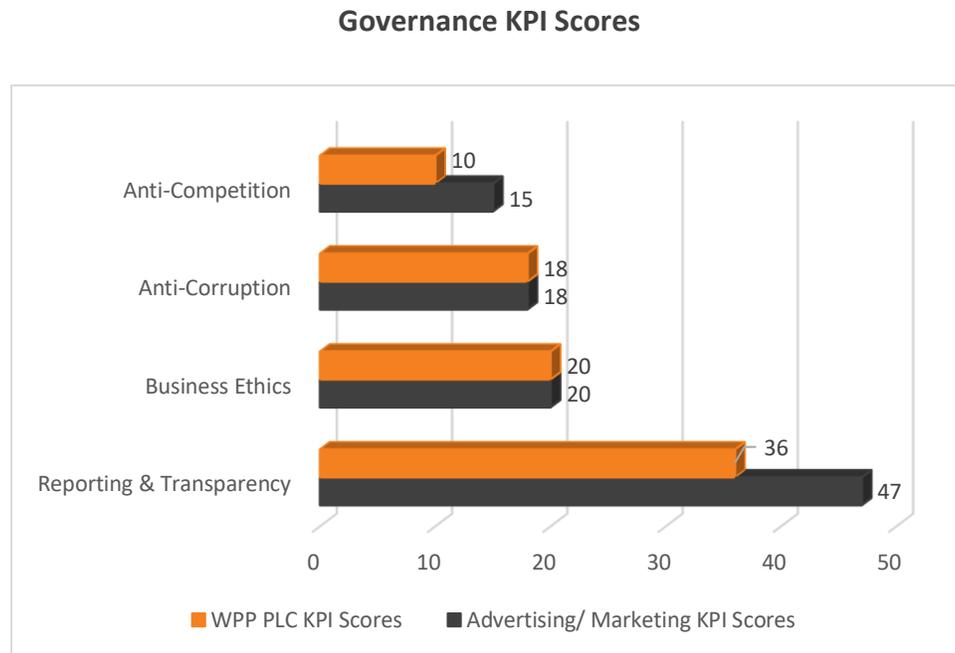
A score of **14/18** was achieved by WPP PLC in this KPI. The company regularly measures its customers' satisfaction and have a clear customer data privacy policy. This, however, did not prevent it from providing third parties some data which affected its score negatively. WPP PLC wasn't found involved in any related legal proceedings.

### Community Involvement

WPP PLC received **8/13** in this KPI. As a mean of giving back to the society the company has created several philanthropic initiatives in education and healthcare, specifically. To oversee its charity programs and achieve community targets, a charity committee was set in addition to a CSR foundation in India. The Group is recommended however, to broaden its scope to include other segments such as food access and to disclose data about employees volunteering hours.

## Governance

WPP PLC Score: 84/100



### Reporting and Transparency

The company scored **36/47** in this KPI. To maintain compliance and transparency, WPP PLC has set an Audit Committee to assist the board to follow up on financial reporting and accounting records compliance, assure efficiency of operations, safeguard bank's assets, and comply with applicable laws. Members of this committee, however, were not all found to have financial background expertise. Moreover, a remuneration and nomination committee were assigned to take responsibility of deciding the board members' compensation structure and nominating new board members. WPP PLC fully disseminates the compensation of its directors and their stock ownership in its annual report.

The Group's chairman and CEO positions are filled by two separate individuals, Roberto Quarta as Chairman while Mark Read acting as CEO, to enhance the overall integrity of the Group.

Additional considerations that helped the company achieve its high score for the Reporting & Transparency KPI include:

- Publishing its sustainability report annually

- Externally verifying its sustainability report. Though it is recommended to expand its scope to be a full assurance instead of a limited one.
- Tying its executives' incentive scheme with achieving ESG related targets.
- Most of directors are independent. The chairman is recommended to be an independent director to enhance the company's transparency.
- Financial Statements are prepared in accordance to the International Financial Reporting Standards (IFRS).

### Business Ethics

The company's performance in this KPI was perfect **20/20**. Corporate governance policy is outlined on the website covering main aspects related to the board of directors from their composition, responsibilities, committees, communication, etc. Moreover, employees are encouraged to report any suspected unethical behavior through its whistle blowing procedures that ensures the anonymity of the reporter. In addition to this, political contributions and insider trading policies are clearly stated in the company's code of conduct and sustainability report.

### Anti-Corruption

WPP PLC has achieved another perfect score of **18/18** in this KPI. It has an anti-bribery and corruption policy, in which it commits to forbidding such illegal actions. It also provides regular compliance trainings to avoid the occurrence of any related incidents. No related legal proceedings were found against the company.

### Anti-Competition

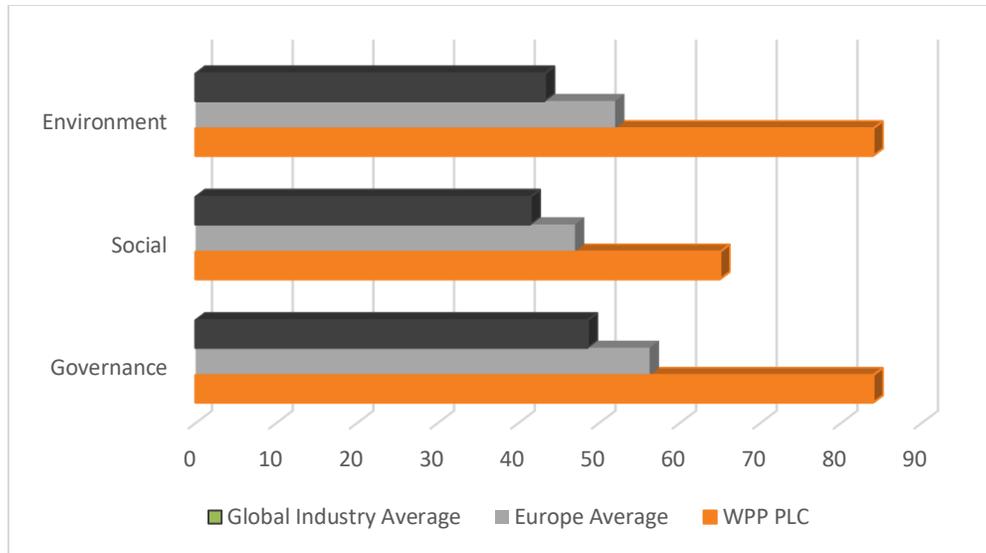
A score of **10/15** was achieved in this KPI. The company hasn't developed any policy regarding fair dealing and competition practices which negatively affected its performance in the anti-competition KPI. Despite that, WPP PLC wasn't involved in any anti-trust legal proceedings.

## Industry comparisons for WPP PLC

### WPP PLC ESG score and rating compared to industry averages

Advertising/ Marketing Industry  Global Average	133.33	B
Advertising/ Marketing Industry  Regional Average	155.26	BB
	233	A

WPP PLC ESG rating of “A” is higher than the Advertising/ Marketing industry’s global and regional averages; B and BB, respectively. Even when breaking down the company’s industry comparison into individual E, S and G pillar scores, it is noted that WPP PLC pillars’ scores are higher than industry averages from both a global view and a regional view. The company especially stands out from its peers when it comes to the environment and governance aspects of the ESG performance evaluation, this was clear in its detailed section above.



WPP PLC E, S and G pillar scores compared to industry averages

### Sample of Industry Peers

Name	Nation	ISIN	Rating
Interpublic Group of Companies Inc	United States	US4606901001	A
Publicis Groupe SA	France	FR0000130577	A
Dentsu Inc	Japan	JP3551520004	BBB
Focus Media Information Technolgy Co Ltd	China	CNE000001KK2	BBB
Omnicom Group Inc.	United States	US6819191064	BB

## WPP PLC Business Involvement, Revenue and Countries of Concern Screening Results

In addition to providing ESG scores and ratings, IdealRatings also screens companies for involvement in controversial certain business activities and/or products as well as for involvement in countries of concern. The business involvement screening includes activities such as tobacco, alcohol, gambling, firearms and defense (a full list can be found in the IdealRatings Responsible Investing and ESG Research Product Guide).

WPP PLC wasn't found involved in any controversial activities as the company is one of the world's largest advertising and public affairs companies. WPP PLC owns many advertising, public relations, media and market research companies.

The company was found involved in several countries of concern: Cuba, Iran, Sudan, Russia and Zimbabwe. In 2015, WPP PLC has taken its first steps to start its trading operation in Cuba and became the first major international communications services group to conduct business there. The company has been in contact with several Cuban agencies and enterprises to establish partnership and cooperation agreements for its different lines of business. The company has also entered the Iranian market by signing an affiliation agreement with PPG known as the leader in digital marketing in Iran and operates more than 15 top digital services companies in the country. This agreement will give WPP PLC and its clients access to the most effective digital marketing channels in the Iranian market. WPP PLC is also involved in the Sudan and Zimbabwe market through its subsidiary "WPP-Scangroup" present in 25 countries among which are Sudan and Zimbabwe. Russia is also among the markets where WPP PLC conducts business, as the company agreed to take 80% majority stake in the WVI Group of companies; the joint venture holding company for several WPP brands in Russia

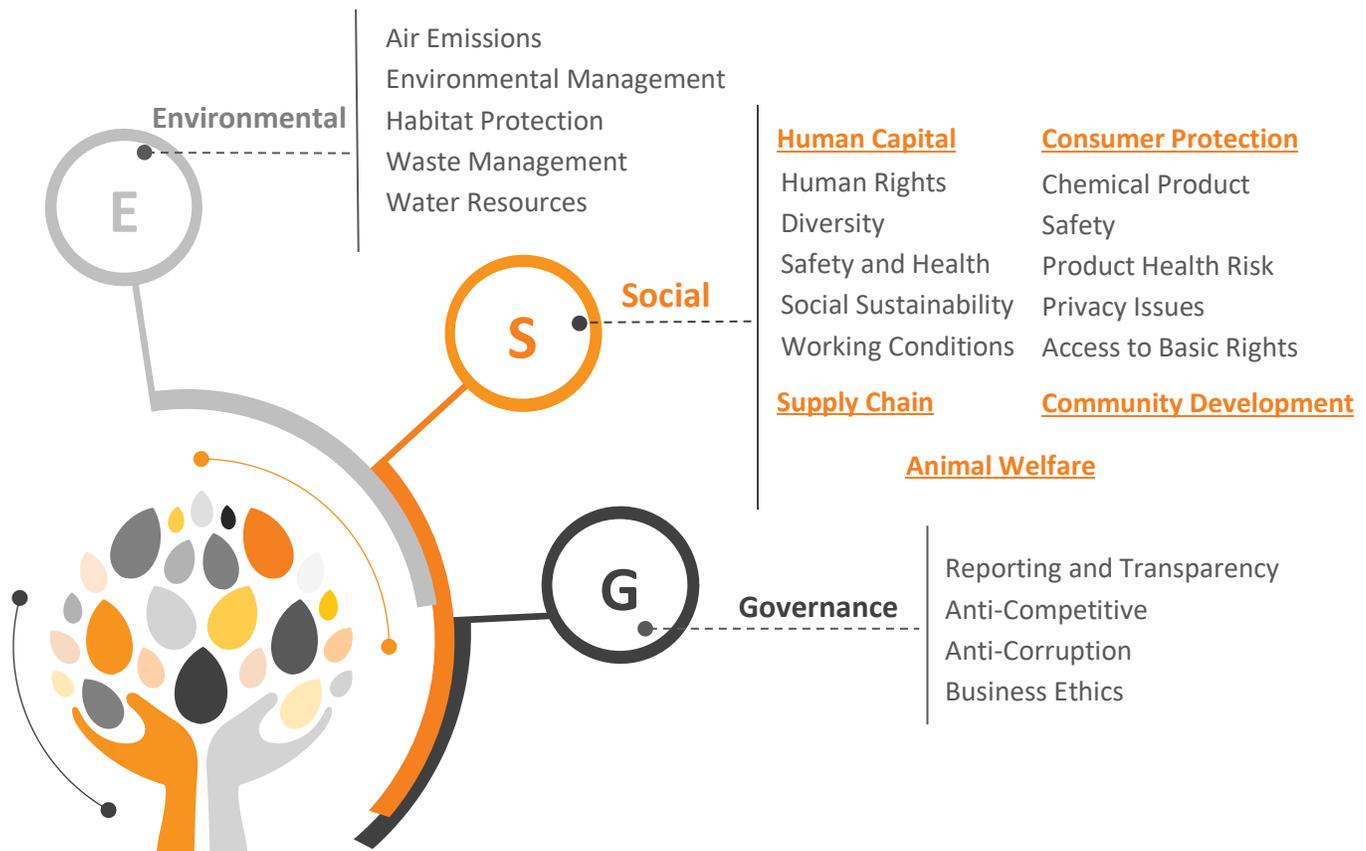
# IdealRatings ESG Model & Scoring Methodology

## IdealRatings ESG Model

Due to increased global climate and resource risks, shifting demographics, regulatory changes and increased investor awareness, incorporating ESG considerations into investment decisions has become increasingly popular among all types of investors.

It is also important for the companies themselves to consider ESG factors and risks. Companies that are aware of their ESG-related performance and opportunities will not only attract ESG-conscious investors — they will also be better situated for future success.

The IdealRatings ESG model is comprised of three main pillars (Environmental, Social and Governance). Each pillar is divided into subcategories called Key Performance Indicators (KPIs), and each KPI contains a series of inputs (detailed in the IdealRatings Responsible Investing and ESG Research Product Guide).



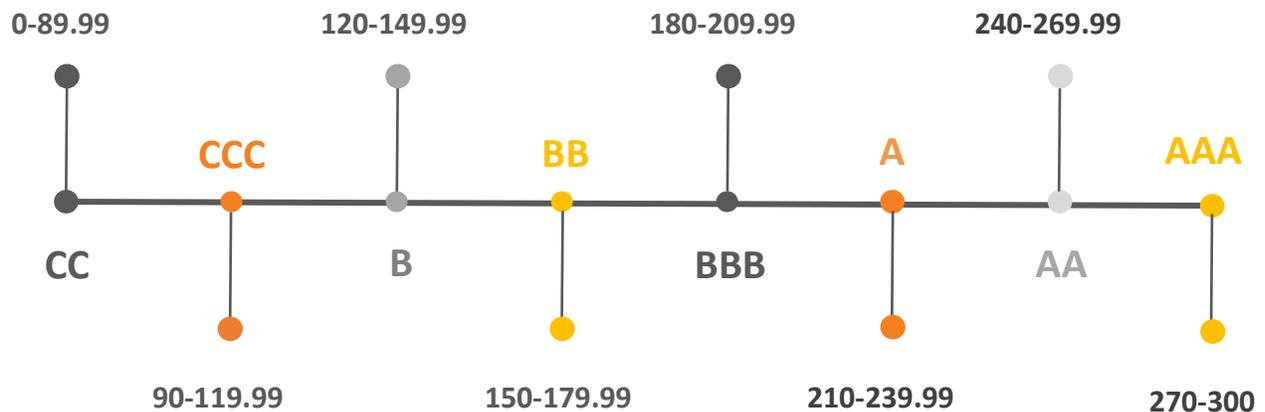
## IdealRatings ESG scoring Methodology

IdealRatings determines a company's ESG rating by researching and documenting answers to a series of questions (or inputs) for each of the three pillars (E, S and G). There are over 150 inputs captured during the research process.

Each pillar has a maximum score of 100, and the weight each KPI contributes to a company's overall pillar score is based on an industry-relative model. For example, inputs under the Waste Management KPI of the environmental pillar could have a weight of 0% (meaning the inputs have no effect on a company's score) for a company in the Chemicals Specialty Industry, yet a weight of 15% (meaning the KPI contributes 15% to the overall numerical score for the environmental pillar) for a company involved in energy production.

The sum of the three pillar scores becomes the company's IdealRatings ESG score, which can be converted to a letter grade as shown in the table.

Users can also build their own rating and scoring methodology by selecting to include only certain ESG KPIs and/or inputs and weighting them according to their own scale.



## Data sources

The IdealRatings research team collects comprehensive information from a variety of sources, including but not limited to:

- Sustainability or CSR reports
- Financial/Annual reports such 10-K filings, 10-Q filings, proxy statements, etc.
- Chairman/CEO letters
- Credible news sources such as Bloomberg and Reuters
- Carbon Disclosure Project (CDP) reports
- Law docket
- United Nations Global Compact Principles signatory lists
- ISO certification reports
- Carbon Tracker
- Company surveys and direct contact with the companies where appropriate

