

Strategic report to share owners*

Dear share owner

At WPP's Preliminary Results announcement on 1 March 2018, following a disappointing year in terms of financial performance, the executive team outlined an acceleration of the Company's strategy.

Like-for-like growth and operating margins were flat in 2017, and operating profits were flat or up marginally – reflecting pressure on marketing budgets and the impact of structural changes in the market, especially technological disruption.

The accelerated strategy focused on the following areas:

- First, strengthening client coordination across the Group. This includes handing greater responsibility and authority to the leaders of our 51 Global Client Teams, who account for a third of our revenue and oversee client relationships across WPP.
- Second, boosting the roles of our Country and Regional Managers, to ensure our offer is fully integrated at a national and regional level. Recent Country and Regional Manager appointments include Karen Blackett OBE in the UK, Mathieu Morgenstern in France and Sergio Amado in Brazil.
- Third, developing key capabilities into cross-Group offers, covering digital transformation, digital marketing, digital production and shopper marketing. We recently announced, for example, that Hogarth, the world's leading production services company, which is now wholly owned by WPP, will become our global production management platform. This is an area in which, by consolidating all our production capabilities under one banner, we can offer significant benefits to our clients and our own companies.
- Fourth, introducing further sharing of functions, systems and platforms across the Group, spanning IT, talent, finance, procurement and property to deliver greater efficiency for WPP and clients.
- And, finally, revising senior executives' incentives across our companies to align them more closely with Group performance.

Following the departure of Sir Martin Sorrell from the Company, the Board has appointed Mark Read and Andrew Scott as joint Chief Operating Officers – reporting to and supported by Roberto Quarta, who assumes the role of Executive Chairman until the appointment of a new Group Chief Executive.

In addition to running the business on a day-to-day basis, Mark and Andrew, together with Group Finance Director Paul Richardson, are empowered by the Board to take forward the Company's strategy, with a mandate to act decisively and to bring their own perspective to the task.

WPP will get even closer to our clients to better understand and meet their needs and to help them grow in a world of disruption

At the time of writing it is too early to provide full details of the future strategy. Its principles, though, are that WPP will get even closer to our clients to better understand and meet their needs and to help them grow in a world of disruption; we will get closer to technology partners like Adobe, Facebook, Google, Microsoft and others; we will ensure our structure and offer make it as simple as possible for clients to access our services across the Group; and we will put data, technology and creativity at the heart of what we do.

We will make details of the plan public as appropriate during the course of the year.

Although your Company has faced challenges in recent months, we begin this new phase from a position of market leadership and with total confidence in the enduring value of what we offer to clients.

WPP remains well positioned to capitalise on the opportunities ahead, to the benefit of all our stakeholders.

Financial performance

- **Reported billings** were £55.6 billion, up 0.6% and down almost 4% in constant currencies.
- **Revenue** was up over 6% to £15.3 billion and up well over 1% in constant currencies compared with last year, the difference to the reportable number reflecting the weakness of the pound sterling against most currencies, particularly in the first half of the year.
- **Revenue less pass-through costs** was up 6% and well over 1% in constant currencies.

- **Headline PBIT** was up almost 5% to £2.267 billion and up well over 1% in constant currencies, again reflecting currency tailwinds in the full year.
- **Revenue less pass-through costs margin** was down 0.1 margin points, but still at a leading industry margin of 17.3% and flat in constant currency and like-for-like, in line with the revised target guidance after quarter three.
- **Reported profit before interest and tax** was down over 4% to £2.022 billion from £2.113 billion, down over 7% in constant currencies.
- **Reported profit after tax** rose by over 27% (almost 23% in constant currencies) to £1.912 billion.
- **Headline EBITDA** increased by almost 5% to £2.534 billion, up over 1% in constant currencies.
- **Headline profit before tax** was up over 5% to £2.093 billion and reported profit before tax was up almost 12% to £2.109 billion.
- **Diluted headline earnings per share** rose by over 6% to 120.4p (an all-time high) and diluted reported earnings per share were up almost 32% to 142.4p.
- **Return on equity** was up significantly to 16.9% in 2017 compared with 16.2% in 2016, versus a lower weighted average cost of capital of 6.3% in 2017 compared with 6.4% in 2016.
- **Dividends** increased by 6% to 60.0p, a new high. This represents a dividend payout ratio of 50% of headline diluted earnings per share in 2017, the same as 2016 and in line with the targeted dividend payout ratio of 50%.
- **Free cash flow** amounted to well over £1.5 billion in 2017. This free cash flow was absorbed by £0.2 billion of net cash acquisition payments and investments, £0.5 billion of share buy-backs and £0.8 billion of dividends, a total outflow of £1.5 billion. This resulted in a net cash inflow of £55 million, before any changes in working capital.
- **Average net debt** was £5.1 billion in 2017, compared to £4.6 billion in 2016, at 2017 exchange rates, and net debt at 31 December 2017 was £4.5 billion, against £4.1 billion at 31 December 2016, primarily reflecting the movement in working capital and provisions of £532 million. This trend has continued in the first two months of 2018, with average net debt of £4.6 billion against £4.2 billion for the same period in 2017, at 2018 exchange rates.
- **Average net debt to headline EBITDA ratio** was at 2.0 times, at the top-end of the Group's target range of 1.5-2.0 times. Our long-term debt is currently rated Baa2 and BBB and our short-term debt P2 and A2, by Moody's and Standard & Poor's respectively.

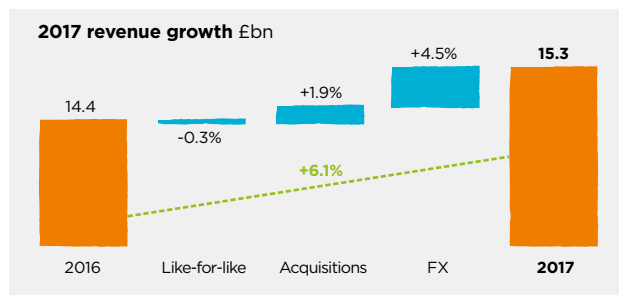
- **Equity market capitalisation** at the time of writing of approximately £14.1 billion, meaning the total enterprise value of your Company is approximately £19.5 billion, a multiple of 7.7 times 2017 headline EBITDA.

Revenue growth impacted by currency tailwinds

Our reported revenue growth for the year was 6.1%, and on a constant currency basis, which excludes the impact of currency movements, revenue was up 1.6%. This difference of 4.5% reflects the weakness of the pound sterling against most currencies, particularly in the first half of the year, with some strengthening in the second half.

On a like-for-like basis, which excludes the impact of currency and acquisitions, revenue was down 0.3%, with revenue less pass-through costs down 0.9%. In the fourth quarter, like-for-like revenue was up 1.2%, the strongest quarter of the year. Like-for-like revenue less pass-through costs growth was weaker than revenue growth, down 1.3% in the fourth quarter.

As outlined in previous years, due to the increasing scale of digital media purchases within the Group's Media Investment Management businesses and of data collection costs in Data Investment Management, revenue less pass-through costs are, in our view, a helpful reflection of top-line growth. As a result of changes in reporting standards effective 1 January 2018, in relation to revenue recognition, standardised reporting of revenue less pass-through costs will probably become more common in our industry.



* This strategic report to share owners should be read in conjunction with pages 81-111. The Group's KPIs are set out on page 32 and discussed in further detail in this report.

This strategic report includes figures and ratios that are not readily available from the financial statements. Management believes that these non-GAAP measures, including constant currency and like-for-like growth, and headline profit measures, are both useful and necessary to better understand the Group's results. Where required, details of how these have been arrived at are shown in the notes of the financial statements.

Geographic performance

Constant currency¹ revenue growth by geography %

Geography	2017	2016	2017	2016
North America	17	16	0.3	3.9
UK	17	16	6.4	5.0
Western Continental Europe	17	16	1.6	8.0
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	17	16	1.1	11.9

Constant currency¹ revenue less pass-through costs growth by geography %

Geography	2017	2016	2017	2016
North America	17	16	-0.4	4.8
UK	17	16	6.0	5.5
Western Continental Europe	17	16	1.9	7.2
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	17	16	1.6	11.8

Revenue less pass-through costs margin² by geography %

Geography	2017	2016	2017	2016
North America	17	16	19.5	19.4
UK	17	16	16.6	16.5
Western Continental Europe	17	16	14.4	14.5
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	17	16	16.7	17.2

¹ See definition on page 171.

² The calculation of revenue less pass-through costs margin is set out in note 31 of the financial statements.

³ Percentage change at constant currency exchange rates.

⁴ Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.

Revenue growth in all regions

Constant currency revenue grew in all regions, led by strong growth in the UK and growth in Western Continental Europe and Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe. Constant currency revenue less pass-through costs grew in all regions, except North America, with especially strong growth in the UK. North America and the UK performed well in the fourth quarter, both recording their strongest quarterly growth of the year, with Western Continental Europe and Latin America weaker. Asia Pacific improved over the first and third quarter, with Africa & Middle East down similar to the first nine months.

North America

	2017 £m	% change	
		Reported	Constant currency ³ Like-for-like ⁴
Revenue	5,547	5.0%	0.3%
Revenue less-pass through costs	4,799	4.2%	-0.4%

Constant currency revenue was up over 4% in the final quarter and like-for-like up well over 1%, the strongest quarter of the year, reflecting strong growth in Media Investment Management, Brand Consulting and parts of the Group's direct, digital and interactive operations, including ecommerce and shopper marketing. On a full-year basis, constant currency revenue was up 0.3%, with like-for-like down just over 2%. Constant currency revenue less pass-through costs showed a similar pattern.

UK

	2017 £m	% change	
		Reported	Constant currency ³ Like-for-like ⁴
Revenue	1,986	6.4%	6.4%
Revenue less-pass through costs	1,684	6.0%	6.0%

Constant currency revenue was up over 11% in the final quarter and like-for-like up well over 8%, the strongest quarter of the year. Media Investment Management, direct, digital and interactive and Public Relations & Public Affairs were particularly strong with Data Investment Management, Health & Wellness and the Group's

Specialist Communications businesses also up. On a full-year basis, constant currency revenue was up strongly at well over 6%, with like-for-like up almost 5%, with the second half significantly stronger than the first half, driven by new business wins in the Group's direct, digital and interactive businesses. Full-year revenue less pass-through costs were up 6% in constant currency, with like-for-like up almost 5%.

Western Continental Europe

	2017 £m	Reported	% change	
			Constant currency	Like-for-like
Revenue	3,160	7.4%	1.6%	-0.3%
Revenue less-pass through costs	2,616	7.9%	1.9%	0.0%

Constant currency revenue was up well over 1% in the final quarter, partly the result of acquisitions, with like-for-like revenue down over 1%, reflecting volatility in political and macro-economic conditions. Revenue less pass-through costs followed a similar pattern, up almost 2% in constant currency, but down 0.8% like-for-like. For the year, Western Continental Europe constant currency revenue grew well over 1% with like-for-like down 0.3%. Revenue less pass-through costs growth was slightly stronger, up almost 2% in constant currency and flat like-for-like. Austria, Belgium, Denmark, Finland, Netherlands and Turkey showed growth in the final quarter, but Germany, Greece, Ireland, Italy and Switzerland were tougher.

Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe

	2017 £m	Reported	% change	
			Constant currency	Like-for-like
Revenue	4,572	6.4%	1.1%	0.0%
Revenue less-pass through costs	4,041	6.9%	1.6%	-0.8%

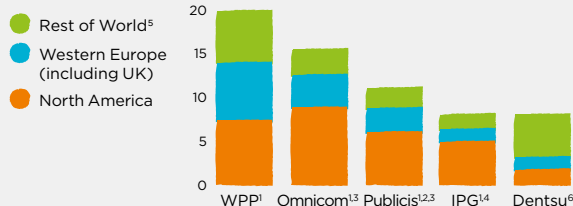
On a constant currency basis, revenue was down 1% in the fourth quarter and down 0.1% like-for-like, largely as a result of stronger comparatives in the fourth quarter of 2016, when constant currency revenue was up almost 12% and like-for-like revenue up almost 4%, the strongest quarter of the year. In the fourth quarter, Latin America,

2017 revenue by geography %

North America	36
UK	13
Western Continental Europe	21
Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe	30



2017 revenue by geography versus peers \$bn



- 1 WPP: reportable US\$ per WPP results. Omnicom, IPG and Publicis: company presentations for 2017 with assumed non-Euro countries in Europe are 3% of revenue.
- 2 FX. Publicis assumes \$1 = €0.9232 based on the average exchange rates for 2017.
- 3 Omnicom and Publicis Central & Eastern Europe based on analyst estimates.
- 4 IPG assumes Canada is 1.5% of revenue.
- 5 Rest of World: Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe.
- 6 Dentsu based on disclosed pro-forma group revenue splits against 2017 actual reported revenue.

despite almost 4% growth, was weaker than the first nine months with Central & Eastern Europe also tougher. The Next 11¹ and CIVETS² grew in the fourth quarter, with the MIST³ more difficult. Constant currency revenue less pass-through costs growth in the region was similar to revenue growth, with like-for-like revenue less pass-through costs growth for the region, as a whole, down 0.8%.

In 2017, 30% of the Group's revenue came from Asia Pacific, Latin America, Africa & the Middle East and Central & Eastern Europe, up marginally from 2016. With revenue less pass-through costs, the increase was slightly more, up to almost 31% in 2017.

- 1 Bangladesh, Egypt, Indonesia, Mexico, Nigeria, Pakistan, the Philippines, South Korea, Turkey and Vietnam (the Group has no operations in Iran).
- 2 Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa.
- 3 Mexico, Indonesia, South Korea and Turkey.

Sector performance

Constant currency¹ revenue growth by sector %

Sector	2017	2016	2017	2016
Advertising and Media Investment Management	17	16	5.1	7.7
Data Investment Management	17	16	-3.6	0.4
Public Relations & Public Affairs	17	16	1.7	5.0
Brand Consulting, Health & Wellness and Specialist Communications	17	16	-0.9	11.8

Constant currency¹ revenue less pass-through costs growth by sector %

Sector	2017	2016	2017	2016
Advertising and Media Investment Management	17	16	3.6	6.5
Data Investment Management	17	16	-1.9	3.2
Public Relations & Public Affairs	17	16	1.0	4.7
Brand Consulting, Health & Wellness and Specialist Communications	17	16	0.3	11.8

Revenue less pass-through costs margin² by sector %

Sector	2017	2016	2017	2016
Advertising and Media Investment Management	17	16	19.0	19.0
Data Investment Management	17	16	17.1	17.6
Public Relations & Public Affairs	17	16	16.1	16.7
Brand Consulting, Health & Wellness and Specialist Communications	17	16	15.3	15.4

¹ See definition on page 171.

² The calculation of revenue less pass-through costs margin is set out in note 31 of the financial statements.

³ Percentage change at constant currency exchange rates.

⁴ Like-for-like growth at constant currency exchange rates and excluding the effects of acquisitions and disposals.

Advertising and Media Investment Management

	2017 £m	% change		
		Reported	Constant currency ³ Like-for-like ⁴	
Revenue	7,180	9.7%	5.1%	-0.1%
Revenue less pass-through costs	5,852	8.1%	3.6%	-2.3%

This was the strongest performing sector overall, with constant currency revenue up over 5% in 2017, up well over 5% in quarter four. On a like-for-like basis, revenue was up almost 2% in quarter four but down 0.1% for the year. Media Investment Management showed strong like-for-like revenue growth in all regions except Western Continental Europe and the Middle East in quarter four, with particularly strong growth in North America, the UK, Asia Pacific and Latin America. The Group's Advertising businesses remained difficult, particularly in North America.

The strong revenue and revenue less pass-through costs growth across most of the Group's Media Investment Management businesses, offset by slower growth in the Group's Advertising businesses in most regions, resulted in the combined reported operating margin of this sector flat with last year at 19.0%, up 0.2 margin points in constant currency.

In 2017, J. Walter Thompson, Ogilvy, Y&R and Grey generated net new business billings of \$1.4 billion. In the same year, GroupM, the Group's Media Investment Management company, which includes Mindshare, Wavemaker (the new agency formed by the merger of MEC and Maxus), MediaCom, Essence, Xaxis and [m]PLATFORM, together with tenthavenue, generated net new business billings of \$3.4 billion. The Group totalled \$6.3 billion in net new business billings (2016: \$6.8 billion).

Data Investment Management

	2017 £m	% change		
		Reported	Constant currency ³ Like-for-like ⁴	
Revenue	2,691	1.1%	-3.6%	-2.9%
Revenue less pass-through costs	2,052	2.9%	-1.9%	-1.3%

On a like-for-like basis, Data Investment Management revenue was down almost 1% in the fourth quarter, a significant improvement over the first nine months, with growth in the UK, Latin America and Africa. On a full-year basis, constant currency revenue was down well over 3%, down almost 3% like-for-like, with revenue less pass-through costs, down almost 2% in constant currency and down

over 1% like-for-like. Geographically, revenue less pass-through costs was up strongly in the UK and Latin America, with North America and Asia Pacific particularly difficult. Kantar Worldpanel and Lightspeed showed strong like-for-like revenue less pass-through costs growth, with Kantar Insights, Kantar Health and Kantar Public less robust. Reported operating margins were down 0.5 margin points (the same as the first half) to 17.1% and down 0.4 margin points in constant currency.

Public Relations & Public Affairs

	2017 £m	% change		
		Reported	Constant currency	Like-for-like
Revenue	1,172	6.4%	1.7%	0.7%
Revenue less pass-through costs	1,141	5.8%	1.0%	0.2%

In constant currencies, the Group's Public Relations & Public Affairs businesses were weaker in the second half of the year with constant currency revenue down almost 1% in the third and fourth quarter. The UK and the Middle East grew strongly in the fourth quarter offset by weaker conditions in North America and Continental Europe. Full-year revenue grew almost 2% in constant currency and 0.7% like-for-like. Cohn & Wolfe and the Group's specialist Public Relations & Public Affairs businesses Glover Park Group, Ogilvy Government Relations and Buchanan performed particularly well. Overall operating margins fell 0.6 margin points to 16.1% and by 0.4 margin points in constant currency, as parts of the Group's North American businesses slowed in the second half.

Brand Consulting, Health & Wellness and Specialist Communications

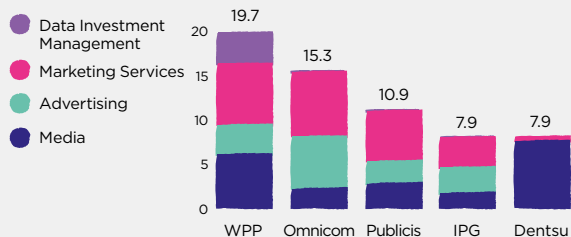
	2017 £m	% change		
		Reported	Constant currency	Like-for-like
Revenue	4,222	3.5%	-0.9%	0.8%
Revenue less pass-through costs	4,095	4.7%	0.3%	1.0%

Brand Consulting, Health & Wellness and Specialist Communications (including direct, digital and interactive) was the strongest-performing sector in the fourth quarter on a like-for-like basis, up 2%, driven by solid growth in Brand Consulting and Specialist Communications.

2017 revenue by sector %



2017 revenue by sector versus peers \$bn

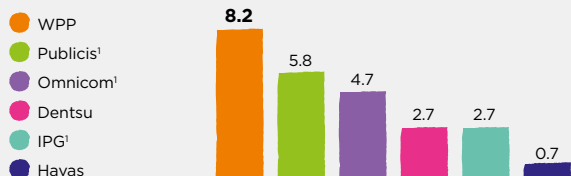


The Group's direct, digital and interactive businesses, especially VML, Wunderman and Hogarth performed well. Operating margins, for the sector as a whole, were down slightly by 0.1 margin points to 15.3% and flat in constant currency, with operating margins negatively affected as parts of the Group's direct, digital and interactive, Brand Consulting and Health & Wellness businesses in North America slowed.

Direct, digital and interactive

In 2017, 41.7% of the Group's revenue came from direct, digital and interactive, up 2.8 percentage points from the previous year, with like-for-like revenue growth of well over 2% in 2017.

2017 digital revenue versus peers \$bn



¹ Digital revenue based on Exane BNP Paribas estimates.

Financial commentary

Margins maintained

Revenue less pass-through costs margin was down 0.1 margin points to 17.3%, flat in constant currency and like-for-like, in line with the Group's full-year revised margin target. The revenue less pass-through costs margin of an industry-leading 17.3% is after charging £40 million of severance costs, compared with £34 million in 2016 and £324 million of incentive payments, versus £367 million in 2016.

Group revenue is more weighted to the second half of the year across all regions and sectors, and, particularly, in the faster-growing markets of Asia Pacific and Latin America. As a result, the Group's profitability and margin continue to be skewed to the second half of the year, with the Group earning approximately one-third of its profits in the first half and two-thirds in the second half.

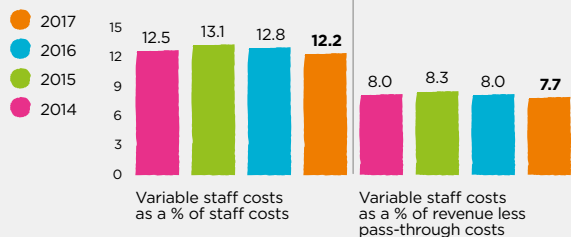
Headline operating costs rose by 6.6%, rose by 1.8% in constant currency, but down 0.6% like-for-like. Reported staff costs, excluding incentives, increased by 7.8%, up 2.8% in constant currency. Incentive payments of £324 million were 13.1% of headline operating profit before incentives and income from associates, compared with £367 million or 14.9% in 2016. Achievement of target, at an individual Company level, generally generates 15% of operating profit before bonus as an incentive pool, 20% at maximum and 25% at super maximum.

On a reported basis, operating margins, before all incentives and income from associates, were 18.9%, down 1.0 margin point, compared with 19.9% last year. The Group's staff costs to revenue less pass-through costs ratio, including

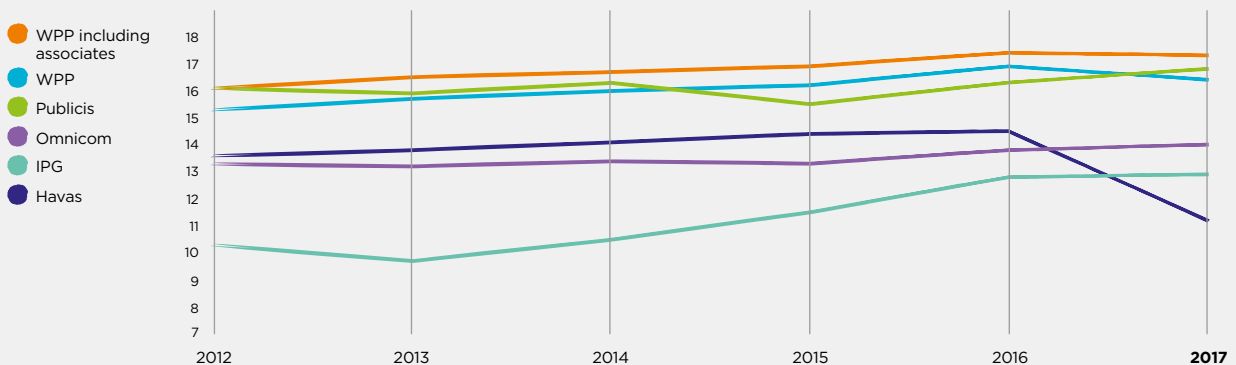
severance and incentives, increased by 0.5 margin points to 63.3% compared to 62.8% in 2016, as staff costs were not reduced in line with the fall in revenue less pass-through costs. However, the Group was able to manage its general and administrative costs, including property, relatively effectively, with improvements across most categories. Flexible staff costs (including incentives, freelance and consultants) remained close to historical highs of above 8% of revenue less pass-through costs and continue to position the Group extremely well should current market conditions change.

On a like-for-like basis, the average number of people in the Group, excluding associates, in 2017 was 134,428 compared to 136,409 in 2016, a decrease of 1.5%. On the same basis, the total number of people in the Group, excluding associates, at 31 December 2017 was 134,413 compared to 136,775 at 31 December 2016, a decrease of 2,362 or 1.7%.

Change in variable costs %



Headline operating margins¹ versus peers %



¹ Based on headline operating profit as a proportion of revenue less pass-through costs as defined on page 171, excluding share of results of associates. As our competitors do not disclose revenue less pass-through costs, competitor operating margins have been calculated on a revenue basis, and sourced from relevant public filings.

As a result, headline PBIT for 2017 was up 4.9% to £2.267 billion, from £2.160 billion and up 1.5% in constant currencies. Headline EBITDA was up 4.7% to £2.534 billion, from £2.420 billion the previous year and up 1.2% in constant currency.

We continue to believe a margin of well over 19% on revenue less pass-through costs, is a tough, but realistic, objective given that our best-performing companies in each services sector have already demonstrated they can perform at a combined Group margin of 18% on revenue less pass-through costs.

The Group has embarked on a number of programs to improve operational effectiveness including process simplification, shared service centres, offshoring certain tasks to lower-cost markets and, where appropriate, outsourcing. We are consolidating IT infrastructure and services, and centralising systems development and applications to create efficiencies and focus investment. These programs are projected to deliver a 1.0 margin point benefit (excluding the impact of currency) over the course of the next two to four years.

Exceptional gains and restructuring costs

In 2017, the Group generated exceptional gains of £129 million, largely representing the gain on the sale of the Group's minority interests in Asatsu-DK to Bain Capital and Infoscout to Vista Equity Partners. A 25% equity interest in Asatsu-DK may be purchased shortly at a cost of approximately \$60 million. These were partly offset by investment write-downs of £96 million, principally in relation to comScore Inc., resulting in a net gain of £33 million, which in accordance with prior practice, has been excluded from headline profit. The Group took a £57 million restructuring provision, primarily against severance provisions in mature markets and the Group's IT Transformation costs.

Interest and taxes

Net finance costs (excluding the revaluation of financial instruments) were up marginally at £174.6 million, compared with £174.1 million in 2016, an increase of £0.5 million. This is due to the weakness in sterling resulting in higher translation costs on non-sterling debt and the cost of higher average net debt being offset by the beneficial impact of lower bond coupon costs resulting from refinancing maturing debt at cheaper rates and higher investment income.

The headline tax rate was 22.0% (2016: 21.0%) and on reported profit before tax was 9.3% (2016: 20.6%), principally due to the exceptional tax credit, primarily relating to the re-measurement of deferred tax liabilities. The headline tax rate for 2018 is expected to be up to 1% higher than 2017. Given the Group's geographic mix of profits and the changing international tax environment, the tax rate is expected to increase slightly over the next few years. The recent tax changes outlined in the US Tax Cuts and Jobs Act do not impact the Group's tax rate significantly, up or down, except for the tax credit mentioned above.

Earnings

Profits attributable to share owners rose by 29.7% to £1.817 billion from £1.400 billion. In constant currencies, profits attributable to share owners rose by 24.9%.

Reported diluted earnings per share rose by 31.9% to 142.4p from 108.0p and increased 26.9% in constant currencies. Headline diluted earnings per share rose by 6.4% to 120.4p from 113.2p. In constant currencies, earnings per share on the same basis rose by 2.7%.

Enhancing share owner value

Our aim is to maximise the return on investment on the Company's substantial free cash flow of over £1.5 billion (or over \$1.9 billion) per annum. As capital expenditure remains relatively stable, our focus is on the alternative uses of funds between acquisitions, share buy-backs and dividends. We have increasingly come to the view that, currently, the markets favour consistent increases in dividends and higher sustainable pay-out ratios, along with anti-dilutive progressive buy-backs and, of course, sensibly-priced, small- to medium-sized strategic acquisitions.

Mergers and acquisitions

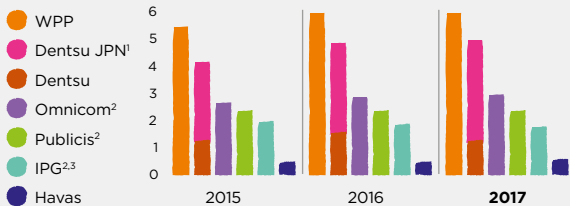
Our acquisition focus continues to be on the triple play of faster-growing geographic markets, new media and data investment management, including the application of technology, data and content, consistent with our strategic priorities (see page 32). In 2017, the Group spent over £200 million on acquisition payments, net of cash acquired and disposal proceeds, completing 43 transactions in the year; 15 acquisitions and investments were in new markets, 32 in quantitative and digital and five were driven by individual client or agency needs. Out of all these transactions, nine were in both new markets and quantitative and digital.

Specifically, in 2017, acquisitions and increased equity stakes have been completed in Advertising and Media Investment Management in the US, Germany, the Middle East and North Africa, Croatia, Russia, China and India; Data Investment Management in the UK and Ireland; Brand Consulting in the UK and Italy; direct, digital and interactive in the US, the UK, France, Ireland, Spain, the United Arab Emirates, Kenya, China and Brazil.

We will continue to assess opportunities in line with our strategy to increase the Group's exposure to:

- Faster-growing geographic markets and sectors;
- New media and data investment management, including the application of technology and big data.

Revenue in faster-growing markets 2015-2017 \$bn



¹ Dentsu revenue reported in Japan.

² Peer data sourced from annual results translated at average exchange rate for the year and assumed non-Euro countries in Europe are 3% of revenue.

³ Assumed Canada is 1.5% of revenue.

Dividends

As outlined in the June 2015 Preliminary Announcement, the achievement of the previously targeted pay-out ratio of 45% one year ahead of schedule, raised the question of whether the pay-out ratio target should be increased further. Following that review, your Board decided to increase the dividend pay-out ratio to a target of 50%, to be achieved by 2017, and, as a result, declared an increase of almost 23% in the 2016 interim dividend to 19.55p per share, representing a pay-out ratio of 50% for the first half. This had the effect of evening out the pay-out ratio between the two half-year periods and consequently balancing out the dividend payments themselves, although the pattern of profitability and hence dividend payments seems likely to remain one-third in the first half and two-thirds in the second half.

Given your Company's performance in 2017, your Board proposes a marginal increase in the final dividend to 37.3p per share, which, together with the interim dividend of 22.7p per share, makes a total of 60.0p per share for 2017, an overall increase of 6.0%. This represents a dividend pay-out ratio of 50%, the same as last year. The record date for the final dividend is 15 June 2018, payable on 9 July 2018.

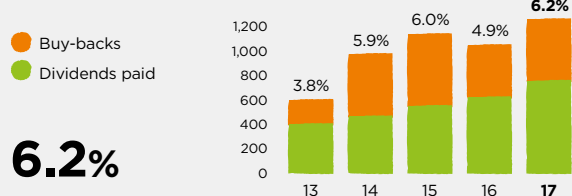
Dividends paid in respect of 2017 will total approximately £760 million for the year.

Share buy-backs

Share buy-backs will continue to be targeted to absorb any share dilution from issues of options or restricted stock in the range of 2-3% of the issued share capital. In addition, the Company does also have considerable free cash flow to take advantage of any anomalies in market values. Share buy-backs in 2017 cost £504 million, representing 2.5% of issued share capital.

Funds returned to share owners in 2017 totalled over £1.2 billion, including share buy-backs, an increase of 20% over 2016. In 2016, funds returned to share owners were over £1.0 billion. In the last five years, £5.0 billion has been returned to share owners and over the last ten years £6.6 billion.

Distribution to share owners¹ £m



¹ Sum of share buy-backs and dividends paid divided by average shares in issue for the relevant period, as a percentage of the average share price for the relevant period.

Optimising efficiencies

The initiatives taken by your Company in property, procurement and IT continue to achieve efficiencies, as well as facilitating our horizontality strategy.

Efficient workspaces

In 2017, the Group's property portfolio decreased by over 1% to 23.8 million square feet, despite the addition of 0.5 million square feet through acquisitions. This reduction reflects the impact of the Group's continuing strategy of colocating companies, together with the use of 'agile working', supported by more technology in the office environment. Property costs increased by 1.4% on a constant currency basis, which compares with 1.4% growth in revenue less pass-through costs on the same basis, and average headcount growth of 1.3%. As a result, the property cost to revenue less pass-through costs ratio remained at 6.8%.

We ensure our new buildings focus on sustainability and we look to achieve BREEAM Very Good or LEED Gold. Our operating companies' workplaces continue to be cited for their creativity, innovation and effectiveness.

2017 saw the completion of our campus buildings in Lisbon, bringing together 600 people from GroupM, Ogilvy, Hill+Knowlton Strategies, Y&R and J. Walter Thompson, as well as Hamburg with 850 people from Scholz & Friends, Y&R, Kantar, MediaCom, Wavemaker and Burson Cohn & Wolfe. These colocation projects meet our new planning standards and support our goal of horizontality.

Projects expected to be completed in 2018 include colocations at 3 World Trade Center in New York with approximately 4,000 people, Madrid with 2,500 people, Amsterdam with 1,500 people, and Kuala Lumpur with 1,100 people. Longer-term colocation projects are currently committed in London, Chicago, Toronto and Buenos Aires; and in planning for Paris, Prague, Warsaw, Düsseldorf, Bucharest, Mumbai, Gurgaon and Hong Kong.

Our goal is to continue to deliver excellent workspace, while reducing the portfolio further and so mitigate the impact of property inflation. Our focus on reducing the property cost to revenue less pass-through costs ratio will help the Group achieve its margin targets for 2018, and beyond.

Procurement

Our goal is to make savings, add value and minimise risk across all WPP's external spend, with particular emphasis on opportunities to leverage our scale to the benefits of our clients and our companies.

We continue to implement and develop a spend analytics system, which now provides supplier-level and category visibility of over \$7 billion of external spend, across 15 of our largest markets around the world. Our data-driven processes ensure that we are capturing and making sense of big data to drive procurement opportunity assessment and new project activities across the Group.

Key areas of focus for 2018 are travel, freelance, and technology-related costs as we continue to consolidate our supplier base. We also continue our focus on the key drivers of supplier cost, combined with an increased emphasis on internal demand management (what we buy, why we buy and how we buy). For indirect procurement, our aim is to own or influence negotiations with our key suppliers across our 15 largest markets, covered by WPP preferred suppliers and contracts, and for these preferred suppliers to work with us to deliver year-on-year value improvements.

We also aim to add value through the development of a supplier base which not only complies with legal frameworks (GDPR, UK Anti Bribery, US FCPA, etc.), but also promotes a sustainable supply chain, and meets our clients' and share owners' ethical and financial concerns. See pages 59 and 60 for more information.

IT

In June 2017, WPP became victim to a sophisticated and destructive cyber attack (commonly referred to as 'NotPetya'), the scale and impact of which were unprecedented. Subsequently, WPP has prioritised rapid recovery capabilities and sought to strengthen other IT controls.

2017 saw the continued transformation of our core IT services, with operating companies accelerating their move to global client/operational digital platforms deployed using cloud technologies that both speeds global deployment and provides increased capabilities.

Supporting horizontality and the enablement of WPP's finance shared services strategy, there were successful deployments of a new core ERP system in Spain and Malaysia, with further rollouts planned throughout 2018, including India and Singapore.

As Adobe's Partner of the Year, we have deployed Adobe's Experience Cloud to 22,500 creatives inside WPP. This provides greater support for creativity across the WPP networks, increasing collaboration and delivering horizontality throughout our creative agencies.

Assessing and managing our risks

Risk management and internal control

We recognise that the success of the strategic objectives of the Group discussed in this report depends to a significant extent on understanding and responding to the risks that the Group faces. The Board, with support from the Audit Committee, has overall responsibility for the system of internal control and risk management in the Group. It has reviewed the design and effectiveness of the system during the year and up to the date of this report and carried out a robust assessment of the principal risks facing the Group. The system of controls described below is designed to manage or mitigate, but may not eliminate, the risks of failure to achieve WPP's strategic objectives and is not an absolute assurance against material misstatement or loss.

Control, culture and anti-bribery and corruption

The quality and competence of our people, their integrity, ethics and behaviour and the culture embedded within the Group are all vital to the maintenance of the Group's system of internal control which is maintained and reviewed in accordance with the UK Corporate Governance Code and FRC guidance on risk management and internal control.

The Code of Business Conduct, which is regularly reviewed by the Board and was updated in 2016, sets out the principal obligations of all employees. Senior executives throughout the Group are required to sign this Code each year and all employees are required on joining the Group, and at regular intervals, to complete the WPP How We Behave, Anti-Bribery & Corruption and Privacy & Data Security Awareness training modules, which embed all of the principles of the Code in addition to operating company training programs. The Code is supplemented by the WPP Anti-Bribery & Corruption Policy, which prohibits any form of bribery across the Group, the Advisor Payment Policy which restricts the use of advisors and details the due diligence that must be undertaken in the limited cases where advisors may be used, the gifts and entertainment policy which sets limits on values that may be given or received (and circumstances) which are supported in each Group company by a gift register. In addition, the Code of Conduct for suppliers replicates these obligations in our supply chain. The online WPP Policy Book, which is updated with control bulletins, includes required practices in many operational, tax, legal and human resource areas. Breaches or alleged breaches of the Code are investigated by the Director of Internal Audit, the Group Chief Counsel

and external advisors where appropriate. Group companies are also required to follow the Data Code of Conduct and apply the Supplier Code of Conduct.

During 2017, we launched a sustainability self-assessment questionnaire to many of the WPP offices to help us identify gaps in implementation focusing on governance, employment practices, environment and supply chain. The Company will use the results of the assessment to prioritise companies for further engagement including on-site assessments and training.

The Group has an independently operated helpline, Right to Speak, to enable our people (and third parties) to report issues that they feel unable to raise locally, and anonymously, if necessary. Through 106 calls to this helpline, a number of issues have been raised during 2017, all of which have been followed through and investigated where appropriate and reported to the Audit Committee. The Compensation Committee continues to review how the Group's performance rewards support the risk management and internal control systems. Clawback provisions were adopted in 2016 and underline the principles of the Code of Conduct.

Risk assessment

The Group uses a three lines of defence model in relation to risk management.

- First, each operating company undertakes monthly and quarterly procedures and day-to-day management activities to review their operations and business risks, supported by Group policies, training and guidance on required internal controls over financial reporting and monitoring controls and reviews within their network.
- Secondly, the operating network reviews are formally communicated to the Executive Directors and senior parent company executives in monthly reports and quarterly review meetings and, in turn, to the Board. At each Board meeting, the Executive Directors present a Brand Check review of each of the business' operations, including an assessment of the risks in each business, providing feedback on the business risks and details of any change in the risk profile since the last Board meeting. The Brand Check includes the possibility of winning or losing major business, succession and the addition or loss of a key executive; introduction of new legislation in an important market; sustainability, including risks relating to marketing ethics, privacy, diversity and employment; political instability and changes in accounting or corporate governance practice.

- Thirdly, internal audit at the Company, with Audit Committee oversight and external resource as required, provides an independent review of risk management and internal control via internal audits and management of the testing program for SOX.

Control activities and monitoring

Policies and procedures for all operating companies are set out and communicated in the WPP Policy Book, internal control bulletins and accounting guidelines. The application of these policies and procedures is monitored within the individual businesses and by the Director of Internal Audit, compliance functions centrally and at the operating companies and the Group Chief Counsel and heads of legal at the operating companies.

Operating companies are required to maintain and update documentation of their internal controls and processes. This documentation incorporates an analysis of business risks, detailed control activities and monitoring, together with IT and financial controls and controls over security of data and the provision of timely and reliable information to management.

The internal audit department was responsible for reviews and testing of the documentation and the relevant controls for a majority of the Group during 2017, the results of which were reported to the Audit Committee.

Financial reporting

Each operating company annually updates a three-year strategic plan, which incorporates financial objectives. These are reviewed by the parent company's management and are agreed with the chief executive of the relevant operating company.

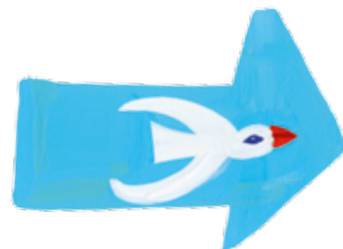
The Group operates a rigorous procedure for the development of operating company budgets, which build up the Group's budget. During the final quarter of each financial year, operating companies prepare detailed budgets for the following year for review by the parent company. The Group's budget is reviewed by the Board before being adopted formally. Operating company results are reported monthly and are reviewed locally, regionally and globally by the business groups and by Group management on a consolidated basis and ultimately by the Board. The results are compared to budget and the previous year, with full-year forecasts prepared and updated quarterly throughout the year.

At each year-end, all operating companies supply their full-year financial results with such additional information as is appropriate. This information is consolidated to allow the Group to present the necessary disclosures for International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the IASB.

The Disclosure Committee gives further assurance that publicly-released information is free from material omission or misstatement.

Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks and uncertainties affecting the Group as at 31 December 2017 and up to the date of this report and which are described in the table on the following pages. These risks relate to the Group and the industry in which we operate and the strategic decisions taken by the Board. A risk dashboard and map are discussed regularly by the Audit Committee and bi-annually by the Board. This process is currently being reviewed by an external consultancy to ensure it is aligned with best practice in order to be effective.



Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
<p>Clients</p> <p>The Group competes for clients in a highly-competitive and evolving industry which requires agency groups to offer seamlessly integrated services. Client loss to competitors or as a consequence of client consolidation or a reduction in marketing budgets due to economic conditions may have a material adverse effect on the Group's market share and its business, revenues, results of operations, financial condition or prospects.</p> <p>⬆️</p>	<p>The competitive landscape in our industry is constantly evolving. Competitors include multinational advertising and marketing communication groups, regional and national marketing services companies, database marketing and modelling companies, telemarketers, information and measurement, social media and professional services and advisory firms and consulting internet companies.</p> <p>Client contracts can generally be terminated on 90 days' notice or are on an assignment basis and clients put their business up for competitive review from time to time. The ability to attract new clients and to retain or increase the amount of work from existing clients may be impacted by a failure by the Group to react quickly enough to changes in the market and to evolve its organisational structure and by loss of reputation and may be limited by clients' policies on conflicts of interest.</p> <p>The global economy continues to be volatile with uncertainties such as those caused by Brexit in the UK and Europe and technological disruption from disintermediators in certain sectors. In the past clients have responded to weak economic and financial conditions by reducing their marketing budgets which are easier to reduce in the short term than their other operating expenses. The risk of client loss or reduction in marketing budgets has increased.</p>	<p>As explained in the strategic report, the Group is focused on simplifying its operating structure, increased client co-ordination across the Group and greater authority for Global Client Teams and Country and Regional Managers; the development of key cross-Group capabilities in digital marketing, production, ecommerce and shopper marketing.</p> <p>To continue to improve the creative capability and reputation of the Group's businesses and embed an ethical culture that attracts and retains talent and clients.</p> <p>The development and implementation of senior incentives to align more closely with Group performance.</p> <p>Differentiation from competitors through talent and creativity and by the application of technology, integration of data investment management and investment in content.</p> <p>Brand Check at every Board meeting to identify the potential risk of client loss.</p>
<p>The Group receives a significant portion of its revenues from a limited number of large clients and the net loss of one or more of these clients could have a material adverse effect on the Group's prospects, business, financial condition and results of operations.</p> <p>⬆️</p>	<p>A relatively small number of clients contribute a significant percentage of the Group's consolidated revenues. The Group's 10 largest clients accounted for 14.9% of revenues in the year ended 31 December 2017. Clients generally are able to reduce advertising and marketing spend, terminate contracts, or cancel projects on short notice. The loss of one or more of the Group's largest clients, if not replaced by new client accounts or an increase in business from existing clients, would adversely affect the Group's financial condition.</p>	<p>Global Client Leaders, horizontality and the 'Team' model seeks to ensure the Group maintains partnership relationship with major clients. Operating companies seek to establish reputations, talent and technical capability in the industry and an ethical and diverse culture that attract and retain clients and key talent.</p> <p>Increase flexibility in the cost structure (including incentives, consultants and freelancers).</p> <p>Brand Check at every Board meeting and regular dialogue between Executive Directors of the Company and directors of the Group's largest clients.</p>




Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
Cyber and data security		
<p>The Group is subject to strict data protection and privacy legislation in the jurisdictions in which it operates and relies extensively on information technology systems. The Group stores, transmits and relies on critical and sensitive data such as strategic plans, personally identifiable information and trade secrets. Security of this type of data is exposed to escalating external threats that are increasing in sophistication as well as internal data breaches.</p> <p>Existing and new data protection laws, in particular the GDPR and E-privacy regulation in the EU concerning user privacy, use of personal information, consent and online tracking may restrict some of the Group's activities and increase costs.</p> <p>The Group is carrying out an IT Transformation project and is reliant on third parties for the performance of a significant portion of its worldwide information technology and operations functions. A failure to provide these functions could have an adverse effect on the Group's business. During the transformation, the Group is still reliant on legacy systems which could restrict the Group's ability to change rapidly.</p>	<p>The Group may be subject to investigative or enforcement action or legal claims or incur fines, damages, or costs and client loss if the Group fails to adequately protect data or observe privacy legislation in every instance. A system breakdown or intrusion could have a material adverse effect on the Group's business, revenues, results of operations, financial condition or prospects.</p>	<p>The Group assists the operating companies in developing principles on privacy and data protection and compliance with local laws. The Group has implemented extensive training ahead of GDPR implementation in 2018 and the roll out of a GDPR toolkit to assist the operating companies to prepare for implementation. A Chief Privacy Officer has been appointed at the Company and Data Protection Officers are in place at a number of Group companies.</p> <p>Our people are required to take Privacy & Data Security Awareness training and understand the WPP Data Code of Conduct and WPP policies on data privacy and security.</p> <p>The WPP Data Health Checker survey is performed annually to understand the scale and breadth of data collected by WPP agencies, so the level of risk associated with this can be assessed.</p> <p>The IT Transformation project will enhance the Group's data security. In addition, the Group has established a global internal IT company responsible for providing core IT shared services to all Group companies and manage external technology providers.</p>



Financial

<p>The Group is subject to credit risk through the default of a client or other counterparty.</p>	<p>The Group is generally paid in arrears for its services. Invoices are typically payable within 30 to 60 days.</p> <p>The Group commits to media and production purchases on behalf of some of its clients as principal or agent depending on the client and market circumstances. If a client is unable to pay sums due, media and production companies may look to the Group to pay such amounts to which it committed on behalf of those clients.</p>	<p>Evaluating and monitoring clients' ongoing creditworthiness and in some cases requiring credit insurance or payments in advance.</p> <p>The Group's treasury position is a recurring agenda item for the Audit Committee and the Board.</p> <p>The Group is cash generative and working capital management remains a key focus for the Board.</p>
---	--	--

Key:

- Increased risk 
- No change from last year 
- Reduced risk 

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
<p>Operational</p> <p>The Group's performance could be adversely impacted if it failed to ensure adequate internal control procedures are in place in relation to the Group's media trading.</p> <p>➔</p>	<p>Failure to ensure that trading activities are compliant with client obligations where relevant could adversely impact client relationships and business volumes.</p>	<p>The principles of adherence to the terms of client contracts are embedded through the networks and reinforced by audits at a WPP and network level.</p> <p>Regular monitoring of KPIs for trading are undertaken to identify trends and issues.</p> <p>An authorisation matrix on inventory trading is agreed with the Company and the Audit Committee.</p>

People and succession

<p>The Group's performance could be adversely affected if it does not react quickly enough to changes in its market and fails to attract, develop and retain key creative, commercial and management talent at the parent and operating companies, including but not limited to long-serving members of the management team.</p> <p>⬆</p>	<p>The Group is highly dependent on the talent, creative abilities and technical skills of our personnel as well as their relationships with clients. The Group is vulnerable to the loss of personnel to competitors and clients leading to disruption to the business.</p>	<p>The Group's incentive plans are structured to provide retention value, for example by paying part of annual incentives in shares that vest two years after grant date.</p> <p>The Group is working across the businesses to embed horizontality and is investing in training and development to retain and attract talented people. The investment in colocated properties is increasing the co-operation across our companies and provides extremely attractive and motivating working environments.</p> <p>Succession planning for the Group Chief Executive, the Group Finance Director and key executives of the Company is undertaken by the Board and Nomination and Governance Committee on a regular basis and a pool of potential internal and external candidates identified in emergency and planned scenarios.</p> <p>Compensation Committee oversight for the Group's incentive plans and compensation.</p>
---	--	---

Key:

Increased risk	⬆
No change from last year	➔
Reduced risk	✓

Principal risks	Potential impact	How it is managed and reflected in our strategic priorities
Regulatory, sanctions, anti-trust and taxation		
<p>The Group may be subject to regulations restricting its activities or effecting changes in taxation.</p> <p>⬆️</p>	<p>Changes in local or international tax rules, for example prompted by the OECD's Base Erosion and Profit Shifting project (a global initiative to improve the fairness and integrity of tax systems), changes arising from the application of existing rules, or new challenges by tax or competition authorities, for example, the European Commission's State Aid investigation into the UK CFC rules, may expose the Group to significant additional tax liabilities or impact the carrying value of our deferred tax assets, which would affect the future tax charge.</p>	<p>The Group actively monitors any proposed regulatory or statutory changes and consults with government agencies and regulatory bodies where possible on such proposed changes.</p> <p>Annual briefings to the Audit Committee of significant changes in tax laws and their application and regular briefings to the Executive Directors. The Group engages advisors and legal counsel to obtain opinions on tax legislation and principles.</p>
<p>The Group is subject to strict anti-corruption, anti-bribery and anti-trust legislation and enforcement in the countries in which it operates.</p> <p>⬆️</p>	<p>The Group operates in a number of markets where the corruption risk has been identified as high by groups such as Transparency International. Failure to comply or to create a corporate environment opposed to corruption or failing to instil business practices that prevent corruption could expose the Group and senior officers to civil and criminal sanctions.</p>	<p>Online and in-country ethics, anti-bribery, corruption and anti-trust training on a Group-wide basis to raise awareness and seek compliance with the WPP Code of Conduct and the Anti-Bribery & Corruption Policy.</p> <p>Confidential, independently-operated helpline for WPP staff to raise any concerns, which are investigated and reported to the Audit Committee on a regular basis.</p> <p>Due diligence on acquisitions and on selecting and appointing suppliers and restrictions on the use of third party consultants in connection with any awards of client contracts.</p> <p>Gift and hospitality register and approvals process.</p>
<p>The Group is subject to the laws of the US, the EU and other jurisdictions that impose sanctions and regulate the supply of services to certain countries.</p> <p>➡️</p>	<p>Failure to comply with these laws could expose the Group to civil and criminal penalties including fines and the imposition of economic sanctions against the Group and reputational damage and withdrawal of banking facilities which could materially impact the Group's results.</p>	<p>Online training on a Group-wide basis to raise awareness and seek compliance and updates to Group companies on any new sanctions.</p> <p>Regular briefings to the Audit Committee and constant monitoring by the WPP legal team with assistance from external advisors of the sanctions regimes.</p>

Our viability statement

Assessment of prospects

An understanding of the Group's business model and strategy is key to understanding its prospects and this has been discussed in detail on pages 33 to 35.

The Group's business model, diversification across marketing communication services sectors which operate in 112 countries worldwide and with a broad spectrum of clients and suppliers, provides resilience which is relevant to any consideration of prospects and viability.

The directors assess the Group's prospects on a regular basis through the financial planning process which is detailed on page 87, the Brand Checks which take place at each Board meeting, quarterly reviews of our businesses by the executive team and ongoing reviews of the Group's profitability, cash flows and funding requirements. The Board considers the longer-term risks and opportunities for the Group discussed in the strategic report and the potential impact of economic volatility, technological disruption and regulation.

Viability statement

The directors' assessment of the Group's viability for the next three years has been made with reference to:

- the Group's current position and prospects;
- the short-term notice periods or assignment nature of many of the client contracts;
- the volatility of global economic conditions;
- the changing competitive landscape;
- the long-term impact of technological disruption;
- the need for simplification of the Group structure and integrated service offering to clients; and
- the Company's ability to achieve the stated dividend policy and cover interest payments on the Group's debt.

This period has been chosen as it aligns with our three-year plan and budget. Sensitivity analysis has been applied to reflect the potential impact of one or a combination of the principal risks on the Group and consequential contract breach, loss of reputation, client loss and inability to win new business and the impact of revenue loss. Based on the results of this analysis the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going concern

The directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Company and the Group are going concerns. As part of its normal business practice, the Group prepares annual and longer-term plans and in reviewing this information and, in particular, the three-year plan and budget, the directors believe that the Company and the Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Sustainability at WPP

No business can be successful in today's world if it focuses purely on financial results or the next quarter's figures. Every company needs to take the long-term view and to maximise the value it creates for its stakeholders – from its employees and share owners to its consumers, communities and society at large. The most successful businesses will be those that help solve the great challenges of our age. Within this, communications has a vital role to play and is a powerful tool to bring about change on social and environmental issues.

At WPP we're privileged to work with many pioneers of sustainable business, helping them to create brands with purpose and to embed sustainability into products, marketing and communications. In doing so, we know that transparency and authenticity are critical to building and maintaining trust. This is the advice we give our clients and we apply it to our own business too. We have been reporting on our sustainability performance since 2002, we set our first carbon target in 2006 and this year we're further integrating sustainability into this report, enabling our share owners to gain a full picture of our performance.

Sustainability performance summary

	2017	2016	2015
Value of client business supported by our sustainability credentials ¹	£2.11bn	£1.64bn	£1.29bn
Gender diversity (% female employees)	54%	54%	54%
Gender diversity (% female executive leaders)	35%	34%	33%
Investment in training	£44.9m	£45.1m	£41.1m
Carbon footprint (tonnes of CO ₂ e per employee)	1.71	1.86	2.07
Social contribution ^{2,3}	£49.4m	£42.3m	£40.2m

¹ Value of clients who requested information on our sustainability policies and performance through their supplier management process.

² Includes free media space donations.

³ The 2015 figure has been restated to reflect correct exchange rates in the calculation of free media space.

Human rights

Respect for human rights is a fundamental principle for the Group. We aim to prevent, identify and address any negative impacts on human rights associated with our business activities. We look for opportunities to positively promote human rights, including through our pro bono work.

Our human rights policy statement summarises our approach. It reflects international standards and principles, including the International Bill of Human Rights, the UN's Guiding Principles on Business and Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the Children's Rights and Business Principles. It is published on our website, wpp.com/sustainability.

We are a member of the United Nations Global Compact and committed to its 10 principles, including those relating to human rights.

Our sustainability performance is presented in detail on pages 36 to 61.

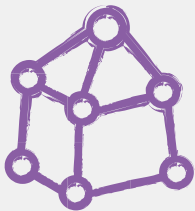


Our four strategic priorities in 2017

Our reason for being is to help our clients grow their businesses. And by adding value for our clients, we deliver value for our people and share owners. To that end, our strategic priorities in 2017 were:

Horizontality

Advance the practice of horizontality – ensuring our people work together and harnessing the Group's collective capabilities for the maximum benefit of clients.



New markets

Increase the combined geographic share of revenues from the faster-growing markets of Asia Pacific, Latin America, Africa & Middle East and Central & Eastern Europe to 40-45% of revenues.



New media

Increase the share of revenues from new media to 40-45% of revenues.



Technology, data & content

Maintain the share of more measurable advertising and marketing services – such as data investment management and direct, digital and interactive – at 50% of revenues, with a focus on the application of technology, data and content.



Our long-term financial targets are:

- Revenue and revenue less pass-through costs growth greater than the industry average.
- Annual improvement in revenue less pass-through costs margin of between zero and 0.3 margin points or more, excluding the impact of currency, depending on revenue less pass-through costs growth and staff cost-to-revenue less pass-through costs ratio improvement of between zero and 0.2 margin points or more.
- Annual diluted headline EPS growth of 5% to 10% delivered through revenue growth, margin expansion, acquisitions and share buy-backs.

Outlook for 2018

Global GDP growth may still have been generally sub-trend in 2017 (compared to the period before the financial crisis), in the low nominal 3% range, but forecasts for 2018 have generally improved moving up in the 3-4% range. The US economy is strengthening, driven by the three-pronged Trump policies of tax and regulation reduction and infrastructure investment, with business confidence at much higher levels than under previous administrations.

Prospects for Europe, too, are better with the big four Continental European economies in generally better shape, although the positive of a Macron-led France may be outweighed by political uncertainties in Germany, Italy and Spain, and the UK economy could be increasingly challenged by Brexit.

Asia Pacific is generally improving too with China, India and Japan in better shape following economic and political reforms, buttressed by economies like Indonesia, Vietnam and the Philippines.

Latin American economies are also improving, in Brazil, Argentina, Colombia and Peru especially. Political changes also bode well for Africa and the Middle East, although the latter, in particular, remains volatile. Central and Eastern European countries like Poland are responding generally well to an improving Western Europe.

2018 should in theory be a better year. The Pyeongchang Winter Olympics, the 2018 FIFA World Cup and the US Congressional mid-term elections should all trigger more marketing investment.

However, growth in marketing spend seems to have decoupled somewhat from GDP growth in the mature markets in the last year. When top-line growth is examined carefully, for example for the S&P 500, it seems to be concentrated in the technology and healthcare sectors. As a result, in a low inflation and consequently low pricing power environment, there is an understandable focus on cost.

Growing revenue

Our prime focus will remain on growing revenue and revenue less pass-through costs faster than the industry average, driven by our leading position in horizontality, faster-growing geographic markets and digital, premier parent company creative and effectiveness position, new business and strategically-targeted acquisitions. At the same time, we will concentrate on meeting our operating margin objectives by managing absolute levels of costs and increasing our flexibility in order to adapt our cost structure to significant market changes.

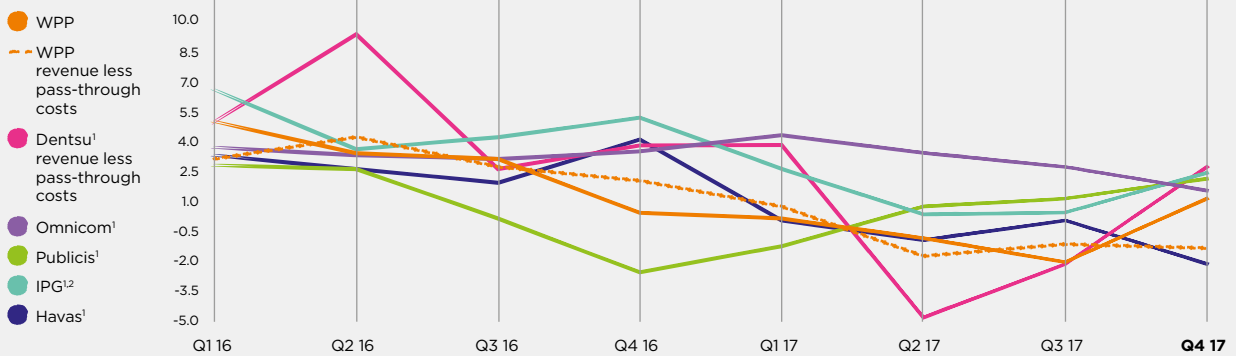
The initiatives taken by the parent company in the areas of human resources, property, procurement, IT and practice development continue to improve the flexibility of the Group's cost base. Flexible staff costs (including incentives, freelance and consultants) remain close to historical highs of above 8% of revenue less pass-through costs and continue to position the Group extremely well should current market conditions change.

The budgets for 2018 have been prepared on the usual bottom-up basis, but continue to reflect a faster-growing UK and the faster geographical markets of Asia Pacific, Latin America, Africa, the Middle East and Central & Eastern Europe and faster-growing functional sectors and sub-sectors of media, public relations and public affairs and direct, digital and interactive, with a stronger second half of the year, reflecting the 2017 comparative. Given what proved to be top-line optimism in our budgets last year, we have encouraged our operating companies to budget conservative revenue and revenue less pass-through costs.

Our 2018 budgets show flat like-for-like revenue and revenue less pass-through costs growth and a flat target operating margin to revenue less pass-through costs excluding the impact of currency.

At the time of writing, we have revenue and profit data for the first two months of 2018. The Group has had a relatively slow start to the year, with like-for-like revenue growth up 0.8% in the first two months and revenue less pass-through costs flat on the same basis, against more difficult comparatives in the first quarter of last year. Operating margins are ahead of budget for the first two months of the year.

Organic revenue growth versus peers %



¹ Peer data sourced from company presentations.
² IPG Q4 2017 organic growth excluding the impact of higher pass-through revenue.

A more inclusive WPP

In March 2018, we published our first UK Gender Pay Gap Report, in line with new UK Government regulations that came into force last year.

Although our group median pay gap of 14.6% was below the equivalent national figure of 18.4%, we do not see this as cause for celebration. There remains a great deal of work to do to ensure greater representation of women at the top of WPP and our operating companies.

The key to making improvements is to change the profile of our leadership teams so that they are more gender-balanced, and more diverse in every sense. On gender, our aim is to make year-on-year improvements in our record by pursuing the ultimate goal of equal representation at the most senior levels of our organisation.

We are investing in a range of initiatives designed to bring about change. These include schemes within our operating companies and at the Group level (see page 47), as part of our broader commitment to creating more inclusive workplaces with greater gender, race, LGBT and age diversity.

In the UK we have formed an Inclusion Board, led by UK Country Manager Karen Blackett OBE, with representatives from across our operating companies. Its objective is to set minimum standards to which our businesses will hold themselves accountable and, looking ahead, we will establish similar boards in other key markets.

It goes without saying that WPP must be a place in which everyone is treated equally and with respect, and has the same opportunities to develop in their careers. By working hard to create leadership teams that better reflect the world around us, we will do a better job of ensuring that is always the case.

A powerhouse of talent

No company in the world has a greater or more varied repertory of talent than WPP. And never has the availability of that talent been more necessary.

In their continued search for profitable growth companies around the world, as always, have two basic routes to follow: to contain cost; and to add value. These are not alternatives: the best companies master both.

To cut cost requires discipline and constant attention to detail. The undoubted benefits it can deliver are finite: there must always be a limit beyond which a business will suffer. To add value requires a different set of skills; it demands a conscious application of the human imagination; and its potential benefits are limitless.

As companies exhaust their restricted opportunities to become more efficient – to prune costs, to buy more shrewdly – so their need to add value to their offering becomes ever more critical.

The powerhouse of talent that WPP represents exists precisely to meet that need.

First, we recruit, train, reward and incentivise that talent. And then we apply that talent, across all relevant skills, according to the individual needs of each individual client.

To do this successfully, to be able to harness shared enthusiasm across traditional disciplines, means breaking down some traditional silos; which is why we call our method horizontality. To the client, our service, however many distinct skills it may comprise, must seem to be seamless.

In the immediate future, as demand for fully integrated marketing services continues to increase, and as their benign effect on client company results becomes ever more evident, WPP will be simplifying its corporate structure; making access to that powerhouse of talent even easier.

Roberto Quarta
Executive Chairman



Paul Richardson
Group Finance Director



Forward looking statement

In connection with the provisions of the Private Securities Litigation Reform Act of 1995 (the 'Reform Act'), the Company may include forward-looking statements (as defined in the Reform Act) in oral or written public statements issued by or on behalf of the Company. These forward-looking statements may include, among other things, plans, objectives, projections and anticipated future economic performance based on assumptions and the like that are subject to risks and uncertainties. As such, actual results or outcomes may differ materially from those discussed in the forward-looking statements. Important factors which may cause actual results to differ include but are not limited to: the unanticipated loss of a material client or key personnel, delays or reductions in client advertising budgets, shifts in industry rates of compensation, regulatory compliance costs or litigation, natural disasters or acts of terrorism, the Company's exposure to changes in the values of other major currencies (because a substantial portion of its revenues are derived and costs incurred outside of the UK) and the overall level of economic activity in the Company's major markets (which varies depending on, among other things, regional, national and international political and economic conditions and government regulations in the world's advertising markets). In addition, you should consider the risks described under the heading Principal risks and uncertainties on pages 25 to 29, which could also cause actual results to differ from forward-looking information. In light of these and other uncertainties, the forward-looking statements included in this document should not be regarded as a representation by the Company that the Company's plans and objectives will be achieved. The Company undertakes no obligation to update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.