

# QUANTIFYING OUR IMPACTS

As a creative transformation company, we want to maximise the positive value our business generates for shareholders, clients, our people, and wider society.

Our annual impact valuation guides us in generating value by helping us quantify our impacts and understand the associated monetary benefits and costs to society. This allows us to prioritise efforts and focus on enhancing our positive contribution.

Our analysis does not yet capture all of our impacts, either because they are not material or they are difficult to measure. For example, our communications services help our clients to increase product sales and can bring

about social and environmental change, but are hard to quantify because the impacts vary greatly depending on the brief.

We also recognise that increasing demand for a product brings environmental and social costs. We can play a powerful role in helping to tackle global issues such as inequality and the climate crisis. This is not only the right thing to do, but will also support our business continuity.

## ECONOMIC IMPACTS

### The economy

The direct contribution our activities made to the global economy

### Governments

Our contribution through taxes to national and local governments

### Our people

Our contribution as a major global employer, paid in wages and benefits

### Supplier partners

Our indirect economic impact through our spend with supplier partners. This procurement spend provides additional indirect benefits to economies by supporting livelihoods and job creation

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## SOCIAL IMPACTS

### Diverse suppliers

Our spend on diverse suppliers in the United States

### Social investment

Our contribution to society through charitable donations, pro bono spend and providing free media space

### Youth employment

Our contribution to young people through internships and apprenticeships

### Skills

Our expenditure on training staff to enhance their careers and improve WPP's performance



## ENVIRONMENTAL IMPACTS

### Carbon emissions

The societal cost of our scope 1, 2 and air travel greenhouse gas emissions

### Waste

The societal cost of our landfill and incineration impacts



## KEY

+ Positive impact      - Negative impact

# QUANTIFYING OUR IMPACTS CONTINUED

## ECONOMIC IMPACTS

WPP makes a significant direct and indirect positive contribution to economies throughout the world.

The salaries and payments we make enable our people to buy goods and services and our suppliers to create, or at least maintain, jobs and spend in the economy.

WPP directly contributes to the global economy through its Gross Value Added and tax payments to national and local

governments. These tax payments enable investments in social infrastructure and services necessary for a well-functioning society. The considerable indirect taxes and wages associated with our supplier and customer activities are not included in this assessment.

Analysis of the economic impact relating to our work on Covid-19 is outlined further on page 47.

**i To learn more about:**

- Our approach to taxation, see page 57
- Our approach to reward and remuneration, see page 15

## SOCIAL IMPACTS

We support social and charitable activities through cash donations, by undertaking pro bono work and negotiating free media space for charity campaigns. This year we started to track our social investment contributing to diversity, equity and inclusion, and we committed to investing \$30 million over the next three years to fund anti-racism programmes.

In addition, in 2020 we provided support for mitigating the social impact of Covid-19 (see page 47).

We build human capital through providing internship and apprenticeship opportunities, as well as by training our staff at all levels.

The former enhances young people's future prospects while the latter increases the valuable skill base within the company helping to improve WPP's future performance.

In the United States, we continue to track certified diverse supplier spend, including women- and minority-owned businesses. This spend, though small, benefits poorer communities and regional economies; and brings value to WPP through enabling us to incorporate different and innovative perspectives within our work.

Increasing demand for a product may also bring social and environmental costs. These are hard to quantify because the impacts vary greatly depending on the brief.

**i To learn more about:**

- Our social investment, see pages 43-48
- Our approach to training and development, see pages 16-17
- Our approach to diversity, equity and inclusion, see pages 18-23, and supplier diversity, see page 53

## ENVIRONMENTAL IMPACTS

Businesses still do not bear the true societal costs incurred as a result of their greenhouse gas (GHG) emissions. Our analysis calculates the hidden cost of our contribution to climate change through our scope 1 and 2 carbon emissions.

Waste generation causes further societal costs linked to GHG and other air emissions, as well as potential odour and visual impacts from landfill and incineration. Details of our commitment to phase out single-use plastics in our offices are included on page 35.

Water and biodiversity impacts are excluded from this impact valuation as they are not considered material issues for WPP. However, we recognise that these issues may be material at a local level, especially for our Campuses. These are all designed to a high internationally recognised green building standard and many provide green space which, amongst other things, helps support local biodiversity, improve air quality, slow water run-off and enhance employee wellbeing.

**i To learn more about:**

- Our net zero carbon reduction targets, see page 30
- Our plastics initiative and approach to waste and recycling, see page 35
- The environmental impact of our Campuses, see page 32
- The methodology used to evaluate our impacts, see pages 61-63

**QUANTIFYING OUR IMPACTS: METHODOLOGY AND RESULTS**

This section explains the results, principles, methods and data used in quantifying the economic, social and environmental impacts associated with our operations.

**i** For a summary of the results see pages 10 and 11

This analysis was carried out with Sustain Value and is based on established social and environmental accounting techniques.

This is the eighth year we have carried out this research to assess and quantify our impacts. We followed broadly the same approach as previous years.

This year we have included new impact valuation assessments relating to i) media campaigns we have supported around mitigating Covid-19 impacts; ii) our investments in diversity, equity and inclusion; and iii) our scope 3 carbon impacts for 2019.

The overall findings should be viewed in light of the following considerations:

- **impacts:** we have captured only a relatively limited selection of the important sustainability impacts associated with our business. There are opportunities to expand this further to enable more comprehensive reporting;
- **methods:** to calculate our impacts we have used, wherever possible, recognised methodologies, models and academic research; and
- **data:** we have used proxy data, from secondary sources and extrapolations, to address any data gaps. This means that findings in some areas are based on estimated figures.

Here we explain in more detail the results and our approach to calculating each measure.

**ECONOMIC IMPACTS  
GROSS VALUE ADDED: £9.8 BILLION  
ECONOMIC IMPACT**

The direct contribution our activities make to the worldwide economy is measured as Gross Value Added (GVA). This is calculated as the financial value of the services we sell (our revenues) minus the pass-through costs of all inputs directly related to delivery of these services. The value of services we produce stands at £12 billion for 2020. This income is used to cover operating costs and taxes, and dividends.

**PAYROLL: £4.8 BILLION IN SALARIES AND BENEFITS**  
Our contribution through payroll is calculated based on salaries and benefits (excluding social security costs) as disclosed in the Company's audited financial statements for 2020.

**TAXES: £1.3 BILLION PAID TO GOVERNMENTS**

Payments of taxes to national and local governments, including corporation and overseas taxes (£0.4 billion), employer and employee taxes including estimated social security (totalling £915 million) and other taxes (primarily property taxes) (£42 million), enables them to invest in local socio-economic development. Our contribution through taxes is calculated based on tax payments as disclosed in the Company's audited financial statements for 2020.

**SUPPLY CHAIN: £2.4 BILLION INDIRECT ECONOMIC BENEFIT**

In 2020, we spent an estimated £4.4 billion with our supplier partners, resulting in an estimated societal benefit to the economy of £2.4 billion. This figure was derived based on a GVA multiplier assessment undertaken using 2016-2017 procurement spend. Data is from our spend analytics system which tracks direct costs (advertising production and research operations) and indirect costs (facilities, IT, telecoms, travel and professional services). Our media spend on behalf of clients is excluded from these figures.

The impact of our supply chain, our indirect economic impact, was calculated using the same overall percentage GVA multiplier calculated for the 2017 Impact Valuation Report. That multiplier was established by analysing our expenditure on suppliers broken down by country, sector and type of spend. The 2016-2017 spend for each sector was converted into an estimate of GVA using gross value-added data from relevant sectors obtained from UN data.

There are several limitations associated with this approach worth noting. Firstly, we are assuming the same broad pattern of expenditure as for the 2017 data which was used to obtain a weighted average overall percentage GVA that was applied to the total 2020 spend. Secondly, we only focused on those countries with the greatest spend (top 15 countries). Finally, around 10% of the spend was recorded as "uncategorisable" and assumed to have an average GVA spend multiplier.

**INDIRECT CLIENT IMPACT: NOT QUANTIFIED**

The communications services we provide create a further indirect benefit by helping our clients to increase their revenues, which stimulates growth and helps create jobs.

However, we also recognise that the associated increase in production and consumption will result in other indirect environmental and social costs. We are still considering ways of measuring these.

**SOCIAL IMPACT**

**PRO BONO WORK: c.£108 MILLION SOCIAL BENEFIT**

The direct value of our pro bono work was £12.6 million in 2020, based on the fees that organisations would have paid for our work. When the full potential societal benefit is taken into account, the overall benefit to society may be in the order of £108 million.

The benefits of pro bono work (primarily undertaken for the benefit of charities) are difficult to quantify. They include things such as helping to improve health and wellbeing in communities. Outcomes are often not measured and, if they are measured by the charity, results are not always shared with WPP. For the purposes of this assessment, we undertook a literature review of reports and papers (ie secondary data) four years ago to ascertain the average social return on investment (SROI) ratio generated by the same categories as those represented by the pro bono work undertaken. This included arts, education, environment, health, human rights and local community.

This year we added a new "inclusion and diversity" category, including a separate record for "anti-racism" work. This category had an overall direct spend value of £0.4 million with an estimated societal impact value of £4.6 million. Additional research into relevant literature was undertaken this year to ascertain suitable specific SROI factors for pro bono work supporting inclusion and diversity-related causes.

The average SROI ratio calculated for each category was applied to the annual direct value of pro bono work for each respective category, as done in previous years.

We believe this to be a conservative assumption, because pro bono work (costed on a time-sheet basis) is often worth more than the equivalent cash donation, as WPP expertise is leveraged to create additional value above and beyond the time spent.

**CHARITABLE DONATIONS:  
c.£35 MILLION SOCIAL BENEFIT**

In 2020, the Company's direct charitable donations were £4.3 million. These donations support important work in areas covering education, health, human rights, local community, environment and the arts. This year, donations were also made for, and recorded separately for, inclusion and diversity (including anti-racism). The overall value of social benefits resulting from these donations is estimated to be around £35 million.

The approach to determining the additional societal value is based on the literature reviews of SROI ratios mentioned above, covering the same seven categories. The average SROI ratios found for each category were applied to the direct spend for each of those same categories. We recognise that individual projects can deliver very different returns. However, in the absence of project-by-project reporting, this method provides a useful order-of-magnitude indication of SROI.

**FREE MEDIA SPACE: c.£506 MILLION OF SOCIAL BENEFIT FACILITATED**

WPP has also helped negotiate free media space for our pro bono clients worth over £59 million in 2020. This represents the cost saving to our pro bono clients for them not to have to purchase media space for their environmental and social campaigns. When the potential societal impact is factored in, we estimate this could have generated societal value in the order of £506 million. The sum is considerably higher than in previous years due to the significant additional spend (over £54 million) this year on Covid-19.

This year, spend was broken down into "Covid-19 causes", "inclusion and diversity" and "all other categories". To estimate an overall societal value, the SROI ratios specifically determined for inclusion and diversity and health were applied to the corresponding spend amounts. The SROI ratio applied to "all other categories" was an overall weighted average SROI ratio based on the ratios and spend for pro bono work and charitable donations, as in previous years, but this time excluding the inclusion and diversity and health-related components.

**INTERNSHIPS AND APPRENTICESHIPS:  
£7.5 MILLION SOCIAL BENEFIT**

In 2020, we provided 7,190 paid internship and apprenticeship positions across the Group. We estimate these create benefits worth £7.5 million, because some interns will be offered a position in a WPP company at the end of their internship and others are likely to find jobs elsewhere more quickly.

The value is based on the same value multiplier as developed in 2014 but adjusted for inflation. This assumed that a certain proportion of interns find jobs at WPP or other companies and are therefore able to earn a monthly salary faster than they would have done without the internship. The approach takes into account the number of interns worldwide and the proportion likely to find a position at the end of their internship/apprenticeship placement and with the average additional income that the person would have earned as a result of the work placement. Further work is needed to calculate these benefits more accurately and to capture regional variation.

**TRAINING: £19.7 MILLION MINIMUM SOCIETAL BENEFIT**

The £19.7 million represents a lower-end estimate of overall value as it only reflects course costs rather than the overall benefit that staff receiving the training will gain in terms of their enhanced human capital value. The latter will be manifested when they leave the company, along with the human capital gained through their on-the-job experience. It is also recognised that this training will generate additional value (ie SROI) for WPP from improved staff productivity and recruitment cost savings. These should effectively be captured through future enhanced gross value added (GVA) generated by WPP.

We hope to include an estimate of additional value added to staff in subsequent reports.

**SUPPLIER DIVERSITY SPEND: \$94 MILLION**

In 2020, WPP collated data for the third time on supplier diversity in relation to its supplier spend in the United States. In total, \$94 million was spent on diverse suppliers, of which 64% was on women-owned business enterprises, 14% on minority- and women-owned business enterprises, 9% on minority business enterprises and 13% on "other". Overall, 57% of this spend was with certified suppliers, and 47% with classified suppliers. This spend generates a range of potentially significant benefits for WPP, the suppliers, and the wider economy. Further work is needed to better quantify the full impacts of our spend with diverse suppliers.

**ENVIRONMENTAL IMPACTS**

**GREENHOUSE GAS EMISSIONS: £2.9 MILLION NET COST TO SOCIETY**

The hidden cost of our scope 1, 2 and air travel scope 3 emissions was £8.1 million in 2020. This calculation takes into account our GHG emissions from energy and business air travel (but excludes other estimated impacts such as taxis and couriers) as well as the benefits resulting from our green electricity purchasing (zero emissions assumed). With our investments in renewable energy offsets included (see below), our net cost to society is £2.9 million.

In 2020, WPP invested in renewable energy projects to offset 50,000 tCO<sub>2</sub>e emissions. Based on the assumed social cost of carbon, this represents a positive societal impact of £2 million. In addition, WPP purchased renewable energy certificates (RECs), equivalent to saving 79,642 tCO<sub>2</sub>e, with an assumed societal value of £3.2 million.

For consistency, we applied the same approach and value as the 2014 Impact Valuation report (ie cost of carbon based on the Stern Report), but adjusted upwards to allow for inflation (ie £39.93/tCO<sub>2</sub>e). It should be noted though that the equivalent current UK government non-traded carbon price is 74% higher at £68.25/tCO<sub>2</sub>e.

For transparency, we split the value into the negative impact of our gross emissions and the positive impact of our carbon offsets. In addition, we assume zero emissions for the purchase of renewable electricity. We have been recording our emissions in line with international standards since 2006 and as part of our reporting process we capture scope 1, scope 2 and a number of scope 3 emissions.

The societal cost of our scope 3 emissions for 2019 (as opposed to 2020 which will be reported in our CDP submission) was just over £200 million. This is based on the same valuation methodology as detailed above. This included GHG emissions associated with our purchased goods and services, capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste, business travel, employee commuting, downstream leased assets and investments.

**WASTE DISPOSAL: £0.1 MILLION COST TO SOCIETY**

While 53% of WPP's waste was recycled in 2020, the remainder was either sent to landfill or incinerated with or without energy recovery. The societal cost associated with the non-recycled waste is estimated to be around £0.1 million, which relates to GHG (ie scope 3 emissions from waste) and other air emissions, leachate and other associated dis-amenity impacts (eg visual, noise and odour).

This value is based only on the non-recycled waste data, although it is acknowledged that the recycled waste will have an overall net negative impact, too. Societal costs per tonne of incinerated (with and without energy recovery) and landfilled waste have been derived from Rabl, Spadaro and Zoughaib (2008), and updated using World Bank consumer price inflation data and the social cost of carbon used in the GHG calculations. More detailed country-specific costs could be estimated.

**COVID-19 IMPACT VALUATION METHOD**

This year, we have also investigated the social and economic impact of our free media space associated with Covid-19 causes. To do this we adopted an approach based on best international practice as set out in the Social and Human Capital Protocol (Capitals Coalition, 2019) and British Standard 8950:2020 on Social Value. This involved a number of tasks, such as:

- i) analysing the Covid-19 campaigns we have been involved in to establish the main messages and "social outcomes" of the campaigns (ie what were the behaviour changes induced?);
- ii) determining what the "social impacts" were from such behaviour (ie what was the consequence of that behaviour?);
- iii) considering what types of "social value" may arise, for example, in terms of cost savings and enhanced wellbeing; and
- iv) reviewing the literature on the economic and social costs of Covid-19, the benefits of impact mitigation strategies, and the effectiveness of media campaigns.

The literature review identified numerous academic studies from across the world that estimated societal and economic values of relevance to the Covid-19 campaign impacts. For example, Scherbina (2021) estimated that without restrictions such as social distancing put in place in the United States, the pandemic could cost £17.4 trillion based on the value of a statistical life, or £449 billion based on discounted quality-adjusted life years. In another study in the United States, Abaluck et al (2021) estimated that a 10% reduction in transmission probabilities could generate £2,175-£4,352 in value per household from reduced mortality risk, or five to six times higher if the economic benefits of assuming normal life are included.

However, because the precise cause-effect linkages between social outcomes, impacts and values for these campaigns is not known, and only a limited amount of relevant data for the campaigns was collected, it was not possible to attribute or establish the likely social and economic value of the campaigns with any degree of certainty. Instead, as mentioned above, the SROI ratio determined previously for health-related investments was simply applied to the Covid-19 free media space spend thereby estimating an indicative societal value impact for it. If anything, this is likely to be a conservative estimate, with an SROI factor of 8 being used. In addition, for some of the Covid-19 campaign case studies in the report (see page 47), we have identified some of the likely social impacts and values of relevance.

**References**

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