

M&C SAATCHI

BOARD RESPONSIBILITIES

The Board

Key purpose of the Board

The Board is collectively responsible for the sustainable long-term strategy of the Group and provides leadership and direction to local entrepreneurs. Accordingly, the Board reviews and agrees the strategy for each Group Company, on an annual basis and reviews certain aspects of the strategy at Board meetings during the year. In setting the strategy, the Board takes account of matters such as: performance and potential of Group's businesses; client needs; people and talent; technological change; local entrepreneurs ownership of their businesses; competitive environment; suppliers regulatory and political environment; finance availability and cost; shareholder returns; and contributions to wider society, ensuring at all times that sufficient consideration is given to risk and internal controls.

Key responsibilities

There are key matters and responsibilities that are set aside to be dealt with exclusively by the Board. These include:

- Strategy – including setting group strategies and objectives.
- Structure – including approval of material changes to the group's structure.
- Financial reporting – including approving the group's Half-Year and Annual Report and Accounts, and approving business plans and budgets and monitoring performance against them.
- Internal controls – including ensuring that a sound system of internal controls is maintained which is designed to safeguard assets and ensure the reliability of financial information for both internal use and external publication.
- Acquisitions and disposals – including approving material acquisitions, disposals and business start-ups (including any material transactions outside of the normal course of business).
- Corporate governance matters – including undertaking a formal and rigorous review annually of its own performance and that of its committees and individual directors; determining the independence of directors and reviewing the group's overall corporate governance arrangements.
- Delegation of authority – including the division of responsibilities between the Chairman and the Chief Executive and approval of terms of reference of Board Committees.
- Communication – including making arrangements for dialogue with shareholders and canvassing shareholder opinion.

- People – including consideration of appointments to and resignations from the Board, changes to the structure, size, composition and diversity of the Board and ensuring adequate succession planning for the Board and senior management.
- Policies – including approval of group policies relating to share dealing, bribery and corruption, and modern slavery.
- Other matters – including approval of new material banking facilities; appointment of principal professional advisors; and approval of the annual renewal of the group’s insurance arrangements.

The Directors are mindful of their legal duties to act in a way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders, having regard also to other stakeholders.

Audit Committee

Key purpose of the Audit Committee

The Audit Committee provides effective governance over the appropriateness of the group’s financial reporting, and the performance of both the Internal and External Audit functions. The Committee also oversees the group’s internal control systems, business risks management and related compliance activities. The Committee meets with the external auditor (KPMG) and the internal auditor (BDO) without the Executive Directors present. As Chairman of the Committee, Sir Michael Peat is available at the AGM to answer any questions about the work of the Committee.

Key responsibilities of the Audit Committee

The key responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Group, and other announcements of its financial performance.
- Reviewing and reporting to the Board on significant financial reporting issues and estimates and judgements having regard to matters communicated to it by the external auditor, and any resulting actions by management.
- Keeping under review the adequacy and effectiveness of the group’s internal financial controls and internal control and risk management systems (being the systems established to identify, assess, manage and monitor financial and other risks).
- Providing advice on how, taking into account the Company’s position and principal risks, the Company’s prospects have been assessed, over what period, why the period is regarded as appropriate and whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary, reviewing, and challenging where necessary accounting policies and key areas of accounting judgement.
- Reviewing the external auditor’s audit plan and fee, nature and scope of work and overall summary of key issues and judgements, including agreeing that the auditor is independent.
- Overseeing the relationship with the Group’s external auditor, including consideration of the objectivity and effectiveness of the external audit process and making recommendations to the Board in relation to the external auditor’s appointment.

- Monitoring the remit and effectiveness of the Group's outsourced internal audit function in addition to reviewing the internal auditor's reports and the implementation of recommended corrective action.
- Considering and making recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the group's external auditor.
- Monitoring and reviewing the role and effectiveness of the group's internal auditor, reviewing the internal audit plan.
- Reviewing key internal audit reports and findings and assessing what, if any, actions should be deployed to tackle any adverse findings.
- Monitoring the effectiveness of the external audit and risk management systems and functions.

Nomination committee

Key purpose of the Nomination Committee

The Nomination Committee evaluates the composition, diversity, experience, knowledge, skills and independence of the Board and its committees. This allows the appropriate balance to be maintained and ensures the continued effectiveness of the Board. The Committee also ensures that appropriate succession plans for the Non-Executive Directors, Executive Directors and the group's senior management are also kept under review, taking into account the challenges and opportunities facing the group, and the diversity, skills and expertise that are therefore required in the future.

Key responsibilities of the Nomination Committee

The Committee meets when there is a need to appoint any board member. Its composition will vary to make sure the appropriate board members to the appointment are represented. At all other times the responsibility of the committee is conducted by the board as a whole.

When the Committee meets it has the following key responsibilities:

- Making recommendations to the Board regarding succession planning for Directors and other senior executives, and in particular for the key roles of Chairman and Chief Executive.
- Reviewing the structure, size and composition of the Board (including its skills, knowledge, experience and diversity), making recommendations to the Board with regard to any changes and setting targets for diversity.
- Keeping under review the leadership needs of the group in order to ensure it continues to compete effectively in the marketplace.
- Making recommendations to the Board concerning the following:
 - Potential candidates to fill Board vacancies when they arise.
 - Suitable candidates for the role of Senior Independent Director.
 - The appointment of the Company Secretary, where a vacancy arises.
 - Any matters relating to the continuation in office of any Director.
- Keeping up to date and fully informed about strategic issues and commercial changes affecting the group and the market in which it operates.

Remuneration Committee

The Committee meets when any changes to remuneration are needed as proposed by any board member. Its composition will vary so to avoid conflicts of interest.

When the Committee meets it has responsibility for determining the remuneration of M&C Saatchi plc's Executive Directors (including the Chairman), taking into account the need to ensure Executives are properly incentivised to perform in the interests of the Company, our people and our shareholders.

The Remuneration Committee's key responsibilities are:

- Shaping and agreeing with the Board the policy framework for the remuneration of Executive Directors and certain aspects of the remuneration of senior management.
- Determining the total individual remuneration package of each Executive Director with due regard to the performance of the individual in line with the agreed remuneration policy.
- Agreeing Executive Directors' contractual terms.
- Acting on behalf of the Board in connection with the establishment and administration of the Company's current and/or future share plans, including the selection of participants, determining the structure of awards and the setting of performance targets.
- Drafting and approving any remuneration related resolutions to be put to the shareholders at the group's AGM.