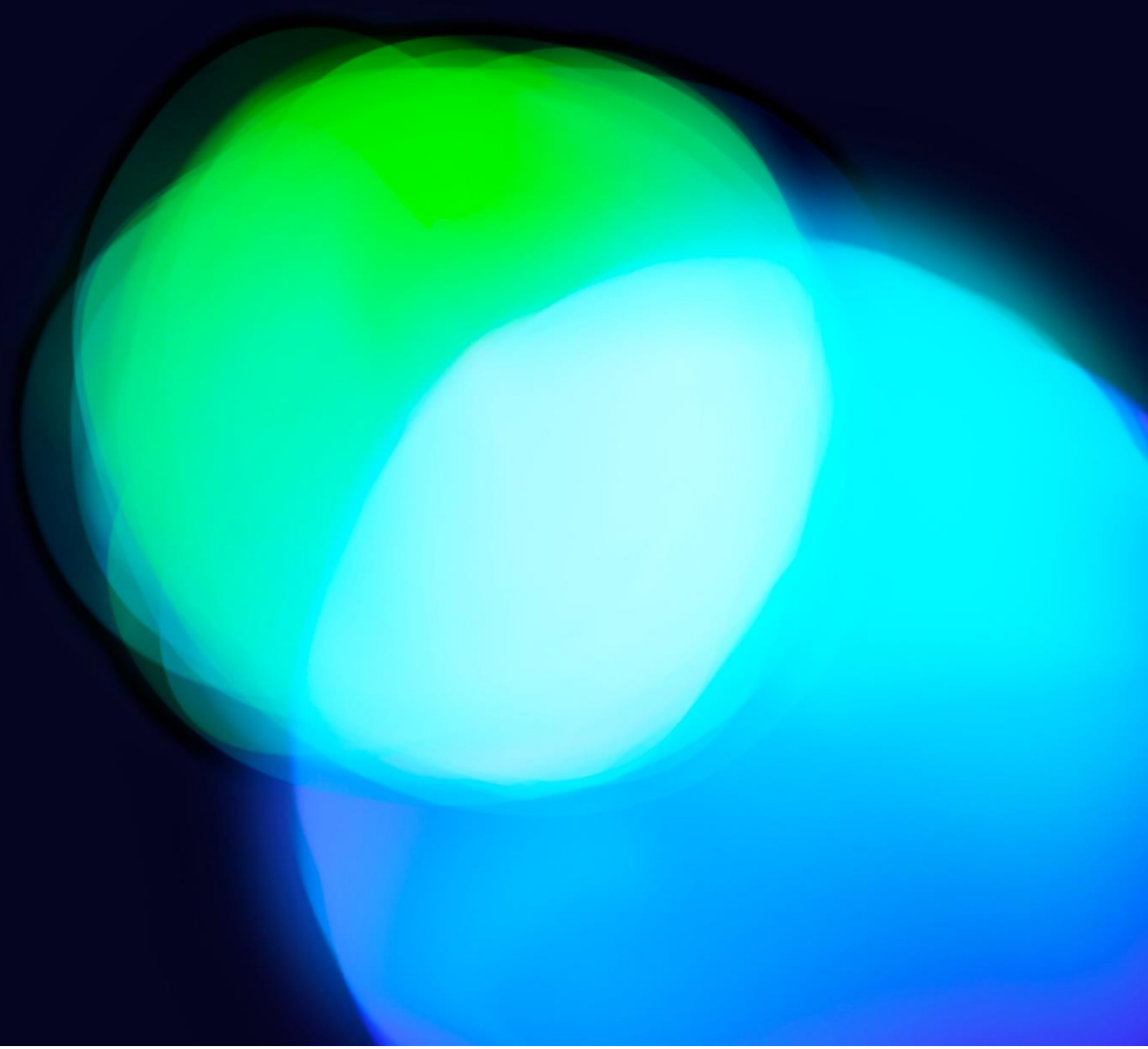
dentsu

Dentsu Group Inc.

TCFD Report

2024



Issued July 2024

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Introduction

At Dentsu Group Inc. (“dentsu”), we believe climate change will have an impact on businesses over the short, medium, and long term as we anticipate that it may significantly impact clients, suppliers, consumers, and other stakeholders. For this reason, we are committed to helping reduce greenhouse gas (GHG) emissions throughout our value chain to realize long-term business growth. We also support the Task Force on Climate-related Financial Disclosures (TCFD) and promote Group-wide information disclosure in line with its recommendations. We actively manage climate-related risks, encompassing both physical and transition risks, within our operations as we recognize the growing threat posed by extreme weather events and the evolving landscape towards a low-carbon economy.

In acknowledging the increasing frequency and severity of extreme weather occurrences such as floods, storms, typhoons, and heatwaves, we conduct thorough assessments to understand the vulnerability of our physical assets, and the potential impact on our employees and supply chains. Additionally, as we shift towards a low-carbon, global economy, we have identified transition risks arising from regulatory changes, market shifts, and technological advancements.

Our purpose is to create new solutions and beginnings for the sustainable development of our clients and society by connecting diverse talents within and beyond our organization: an invitation to the never before. To support this, in 2024 we updated our 2030 Sustainability Strategy, identifying five material issues across three core themes: People, Planet, and Innovation. More information is available on our strategy in the related section of this report, our Integrated Report, and our website.

We have committed to achieving a net zero target aligned with limiting global temperature rise to 1.5°C above pre-industrial levels to prevent the worst impacts of climate change, including a near-term target to reduce absolute emissions by 2030 across Scope 1, 2 and 3 and a long-term deep decarbonization target to reduce absolute

emissions across our entire value chain by 2040. For more information on our targets, refer to the related section of this report.

During 2023, we have been working on integrating the recommendations of the TCFD within our strategy and reporting.

This reporting year, we have enhanced our processes for identifying, assessing, and managing our climate-related risks and opportunities. These include:

- Adopting cross-functional collaboration among our teams in the development of robust mitigation and adaptation plans at global, regional, and local levels. Our strategies include regular risk assessments, scenario analyses and exercises, business continuity planning, and safety protocols to protect our assets and employees during extreme weather events.
- Working closely with our suppliers to strengthen risk management practices. Our efforts are guided by a team of experts across our markets, incorporating local insights and best practices into our strategies.

In the sections to follow, we outline the outcomes of our work to address our climate responsibilities across the four pillars of the TCFD and IFRS S2.

Enabling Effective Climate Governance

Board oversight of our climate-related approach

Our ability to manage climate-related risks rests on strong governance structures and board-level processes that integrate climate-risk effectively. In 2023, the Group transitioned to a global management structure under One Management Team, and 2024 sees the introduction of the One dentsu Operating Model, a common business management model across all four business regions (Japan, Americas, EMEA, and APAC).

Under this model, the Group will continue striving to ensure sustainable growth and enhance medium- to long-term corporate value through swift, resolute, and transparent decision-making as well as effective use of management resources.

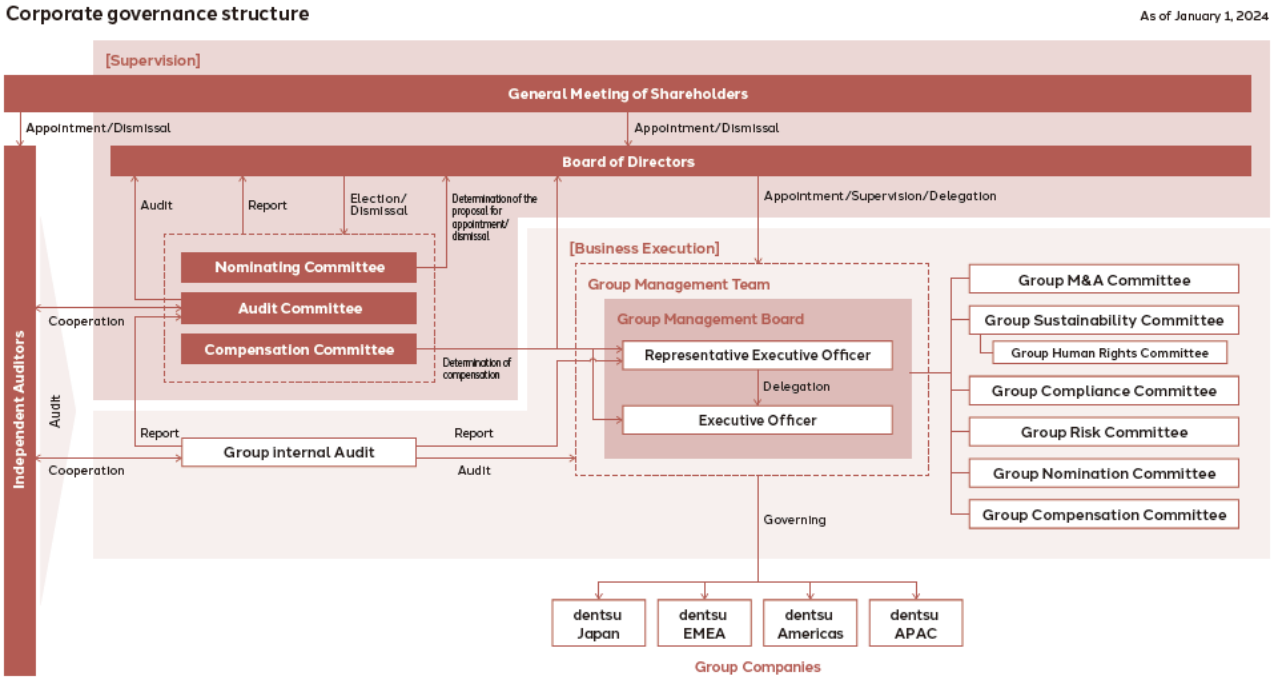
Management's role in our climate-related approach

A description of our governance groups and their responsibilities can be seen in *Table 1* below, with below illustrating our overall corporate governance structure.

Table 1 Dentsu governance groups and roles

Governance Group/Role	Description
Board of Directors	Our Board of Directors (BoD) has assigned climate-related responsibilities to our Representative Executive Officer, President & Global Chief Executive Officer (Global CEO) and our Global Chief Sustainability Officer (Global CSO).
Global Chief Executive Officer	Our Global CEO reports directly to the BoD and is responsible for monitoring progress against our climate-related targets and integrating climate-related issues into our strategy.
Global Chief Sustainability Officer	Our Global CSO chairs the Group Sustainability Committee (GSC) and is responsible for managing annual budgets for climate mitigation activities, integrating climate-related issues into the strategy, monitoring and managing our ESG performance and reporting material sustainability and climate-related issues to the Group Management Board (GMB).
Group Management Board	The Group Management Board (GMB) is organized as the decision-making body for the Group on the executive side, facing the Board of Directors. The GMB meets in conjunction with the BoD to resolve budgetary and investment decisions, medium-term management plans, appointments, and regulatory considerations. The GMB consists of representative directors and executive officers, including executive directors. The GMB has responsibility for reporting important climate- and sustainability-related matters (including major risks), identified by the Group Sustainability Committee (GSC), to the Board of Directors.
Group Risk Committee	Our Group Risk Committee seeks to cover short- to medium- term strategic risks as well as any significant risks arising from the four Regional Risk Committees' risk registers. Through an Enterprise Risk Management (ERM) approach, the Group Risk Committee uses a four-step process to ensure that material risks, including climate-related risks, are effectively managed and monitored. This process incorporates oversight from and reporting to the GMB. More information of the risk management process can be found in the "Risk Management" section of this report.
Group Sustainability Committee	Our Group Sustainability Committee, chaired by the Global CSO, meets four times a year to monitor and evaluate our progress against our 2030 Sustainability Strategy and any material climate-related risks and opportunities. The committee comprises of eight members with diverse expertise and regional backgrounds and provides progress updates to the BoD twice a year. In 2024, the GSC finalized our 2030 Sustainability Strategy, which includes action plans and KPIs around Climate Action and other material issues for the Group.

Figure 1　Dentsu's governance structure



Since 2022, we have tied our incentive scheme for Executive Officers to the company's ESG performance on GHG emission reduction. This movement is part of the alignment of our 2030 Sustainability Strategy and our commitment to achieve net-zero emissions by 2040. The performance metrics are tied to the absolute reduction in Scope 1 and 2 emissions compared to the baseline year (2019). The thresholds for this bonus are reviewed annually and apply to all Executive Officers across our Group.

Our Integrated Approach to Risk Management

The Group Risk Committee, responsible for overseeing risks that could hinder future management objectives, identifies and assesses significant risks to dentsu using an Enterprise Risk Management (ERM) approach that includes climate-related risks. The Committee meets bi-annually, with the chairman reporting key climate-related issues to the Board of Directors through the Group Management Board, aiding the Board's oversight of climate-related matters.

The ERM approach followed by the Group Risk Committee comprises four main stages which are detailed in *Table 2* below.

Table 2 The Dentsu Group ERM approach

Stage	Description
1. Risk Identification	Supported by Risk Committees across various regions, markets, and lines of business, the Group Risk Committee identifies potentially significant risks and records them in a risk register. "Sustainability-related risks" have been highlighted as a major concern that could influence investor decisions, with climate-related risks included in this category. The Group Risk Committee appoints risk sponsors for each identified risk. Sponsors are responsible for monitoring each risk, enabling them to confirm that the controls are operating effectively, adjusting controls as required, ensuring response plans were delivered against committed dates and outcomes, and identifying changes to impact and likelihood of the risk as well as escalating as necessary.
2. Risk Assessment	When risks are identified, the Group Risk Committee collaborates with risk sponsors to conduct regular assessments of their impact and likelihood.
3. Risk Response	Risk sponsors identify the necessary actions, assign action owners, and set due dates for managing each risk. They also provide regular progress reports.
4. Risk Monitoring and Reporting	The Group Risk Committee monitors the progress of actions implemented by risk sponsors and reports to the GMB. If a significant risk escalates, risk sponsors gather information on the situation and root causes, report to the Group Risk Committee (and subsequently the GMB) and develop and implement follow-up plans. Risk Committees across the Group meet at bi-annually to ensure timely capture, tracking, and sharing of risk information.

Our processes for identifying and assessing climate-related risks and opportunities

In 2023, we undertook a detailed process to identify the key climate-related risks and opportunities facing the business. A similar process has been repeated in 2024, with dentsu performing a scenario analysis focusing on how climate change could impact our current and future exposure to risks and opportunities.

First, we performed an assessment that considered climate-related risks posed by extreme weather under current and future projected climatic conditions (physical risks), and the business' exposure to climate-related risks and opportunities associated with the transition to a low-carbon economy (transition risks and opportunities). As a part of this process, each identified physical risk was assigned a consequence of impact rating, which represented the potential damage and/or associated loss of business, and a probability/likelihood rating, which represented the likelihood of a climate hazard/event occurring. This produces an overall risk rating that is classified as a Low, Medium, or High.

Transition risks and opportunities were assessed in alignment with the risk and opportunity categories outlined by the TCFD (including current regulations, emerging regulations, technology, legal, market, and reputation) and considered the potential time horizons associated with each identified risk/opportunity.

The outputs of this were then used to inform the scenario analysis, with the results of this available in the Strategy section of this report.

Our Strategic Approach

Our climate strategy

As discussed in the “Risk Management” section, we recognize the importance of integrating climate-related risks and opportunities into our wider risk management framework. This enables us to better understand how material climate-related issues can impact our strategy and business planning, and in turn, how best to ensure that our strategy remains resilient, agile, and relevant. The section below details the processes we use to determine material climate-related risks.

Processes used to determine climate-related risks and opportunities that could have a material impact

To identify climate-related risks and opportunities that could have a material impact on dentsu, we used a combination of internal interviews, interactive workshops, and internal engagement with our stakeholders. Through this process, we assigned each identified risk a likelihood, severity, and financial impact score to determine which climate-related risks and opportunities were most material.

The analysis also considered the magnitude of impact for each identified risk and opportunity item. Our impact thresholds can be seen in *Table 3* below, with Low/Medium/High describing the extent to which the impact might affect our business. The impact on operating profit of any given risk or opportunity in any given year within the quantitative aspect of the scenario analysis is assigned an ‘impact threshold’, based on a minimum Japanese Yen (¥) change in operating profit.

Table 3 Dentsu impact thresholds

Impact Threshold	Impact on Operating Profit (¥)	Dentsu equivalent global criteria (financial)
Very high risk	-¥18 billion or higher	4 (Major) / 5 (Fundamental)
High risk	-¥9 billion	3 (Moderate)
Low/medium risk	-¥4.5 billion	2 (Minor)
Normal business	±¥1.8 billion	1 (Insignificant) or lower
Low/medium opp.	¥4.5 billion	Inverse of 2 (Minor)
High opp.	¥9 billion	Inverse of 3 (Moderate)
Very high opp.	¥18 billion or higher	Inverse of 4 (Major) / 5 (Fundamental)

Three physical risks and eight transition risks and opportunities were short-listed as those that were most materially relevant to our business.

We consider the following time horizons to be relevant to our business:

- Short-term: **0-1 years**. This is the timeframe that we see as critical and reflective of the fast-paced environment we operate in.
- Medium-term: Between **1 to 3 years**. In this timeframe, we see more strategic and financial planning to be achieved.
- Long-term: Between **3 to 15 years**. This timeframe reflects our long-term vision of achieving net zero by 2040.

Table 4 below provides a description of the timelines and physical and transition scenarios that were used to conduct the scenario analysis.

Table 4 Physical and transition scenarios used for scenario analysis

Physical Scenarios			Transition Scenarios[1]		
High-carbon Emissions Scenario	IPCC SSP5-8.5[2]	Follows a 'business as usual' trajectory, assuming no additional climate policy and seeing CO_2 emissions triple by 2100. Warming expected to be >3.8°C by end of century.	**High-carbon Emissions Scenario**	Current Policies (CP) / Stated Policies Scenario (STEPS)	Assumes that only currently implemented policies are maintained and preserved. The end of century global warming is estimated to be +3°C, leading to high physical climate risks.
Low-carbon Emissions Scenario	IPCC SSP1-2.6	Stays below 2°C warming by 2100, aligned to current commitments under the Paris Agreement. Net-zero emissions in the second half of the century.	**Medium-carbon Emissions Scenario**	Delayed Transition / Announced Pledges	Assumes that global annual emissions do not decrease until 2030. Post-2030 new climate policies are implemented, and the level of actions differs across countries and regions based on currently implemented policies. End of century global warming is estimated to be +1.6°C.
			Low-carbon Emissions Scenario	Net Zero Emissions 2050 / Net Zero Emissions by 2050 (NZE)	Limits end of century global warming to +1.5°C due to stringent climate policies, innovation, and reaching net zero CO_2 emissions by 2050.
Time Horizons	Baseline, 2030 and 2050		**Time Horizons**	2030, 2040 and 2050	

[1] The transition assessment was undertaken using three forward-looking climate scenarios from the 2023 Network for Greening the Financial System (NGFS). Data from the International Energy Agency (IEA) World Energy Outlook (WEO) and the Stated Policies (STEPS), Announced Pledge Scenario (APS) and Net Zero Emissions by 2050 (NZE) scenarios were used to supplement the assessment.
[2] Shared Socioeconomic Pathways (SSPs) are climate change scenarios of projected socioeconomic global changes as defined in the IPCC Sixth Assessment Report on climate change.

Climate-related issues that inform our strategic approach

Informed by our processes determining material climate-related risks, our main climate-related risks and opportunities are summarized below. This includes information on the risk or opportunity item, its type, and a description of its potential impact.

Table 5 and *Table 6* below provide a summary of the identified physical and transition risks and opportunities and their projected impacts to dentsu at the various time-horizons.

Table 5 Summary of dentsu's physical risks

Hazard Type	Baseline	SSP1-2.6		SSP5-8.5	
		2030	2050	2030	2050
Extreme Heat					
Extreme Cold					
River Flooding					
Pluvial Flooding					
Coastal & Offshore					
Extreme Winds & Storms					
Rainfall-Induced Landslides					
Water Stress & Drought					
Wildfires					

Risk score key for physical risks				
Minimal	**Low**	**Moderate**	**High**	**Very High**

Table 6 Summary of dentsu's transition risks and opportunities

Transition Risks		2030	2040	2050
1	Decreased revenue resulting from global economic changes			
2	Increased regulation and disclosure			
3	Shift in consumer behavior/preferences			

4	Sector exposure			
5	Inability to attract and retain top talent for workforce			
Transition Opportunities		**2030**	**2040**	**2050**
6	Access to new markets			
7	Emerging sectors			
8	New technologies			

Opportunity/risk score key for transition risks						
Higher Opp.	Moderate Opp.	Low Opp.	Limited Risk/Opp.	Low Risk	Moderate Risk	Higher Risk

The impact of material climate-related issues on our strategy and planning

Our climate-related scenario analysis assessed material climate-related risks and opportunities across dentsu's global operations. This enabled us to understand and review the related impacts on dentsu's strategy, business operations, and the financial implications on our revenue and operational and capital expenditures.

The process has also helped us to further inform our business model and strategic considerations. For example, we are aiming to enable consumers to embrace low-carbon lifestyles, and to support brands to develop strategies and campaigns to meet the needs of a more conscientious consumer.

In line with this, we have updated our 2030 Sustainability Strategy and committed to achieving net zero by 2040, expanding our SBTi-approved targets for our international operations to include our operations in Japan. We are adapting our operations in line with these targets through our commitment of powering our operations with 100% renewable energy by 2030, focusing on our real estate strategy to implement energy efficiency initiatives to reduce energy consumption, and developing programs to reduce our Scope 3 emissions.

Table 7 below provides a summary of the financial implications for dentsu from each of the eight transition risks and opportunities and three physical risks, in each of the scenarios used in the scenario analysis.

Table 7 Summary of implications for dentsu from climate-related risks and opportunities

Risk/ Opportunity		Implications for dentsu under climate scenarios		
		Current Policies (CP):	Delayed Transition:	Net Zero (NZ):
Transition Risks				
1	Decreased revenue resulting from global economic changes	In the Current Policies scenario, there is a projection of industrial growth in the technology sector, which may indirectly affect the advertising sector potentially causing increases in energy costs as the energy infrastructure updates take place (e.g. increased demand for data centers and servers for digital advertising). The increased demand for cooling and heating systems may also put pressure on dentsu's commitment to achieving net zero by 2040 as the company is highly dependent on EACs (Energy Attribute Certificates) to reduce its Scope 2 emissions.	There could be potential for energy price volatility after 2030 due to a surge in demand to install renewables capacity and evolve the energy infrastructure. Dentsu may face an increase in energy costs as rapid transition takes place between 2030 to 2050.	In a Net Zero scenario, energy prices may decline in the next decade as the installation of renewables comes online. It is likely there may be increase in demand for critical minerals causing a potential spike in prices as the development of low-carbon technologies advances. Data centers use critical minerals for their components, therefore dentsu may face an increase in pass through costs.
2	Increased regulation and disclosure	There is slow evolution of the global regulatory landscape where companies are expected to disclose the impact of some climate-related risks and opportunities.	In the Delayed Transition scenario, there is a more abrupt shift towards stricter climate regulations, indicating that dentsu and its clients will need to rapidly address implementation of the	In the Net Zero scenario, changes towards a low-carbon economy will be more dramatic, indicating that dentsu and its clients may face more rigorous climate-related regulations and disclosure

Risk/ Opportunity		Implications for dentsu under climate scenarios		
		Current Policies (CP):	Delayed Transition:	Net Zero (NZ):
			new reporting standards. Investment will be needed to understand how to capture new sustainability data types, how to store this new data in current or new databases, and how sustainability data is fused together with financial information for disclosure.	requirements. Dentsu's operational costs to adhere to such regulations (and potential requirements from clients) could increase, as dentsu may incur additional operational costs to report comprehensive and transparent sustainability practices promptly. Risks due to compliance costs and 'greenwashing' may also increase as the regulations become stricter.
3	Shift in consumer behavior/preferences	Consumption patterns remain stable with minimal changes in preference towards climate-friendly products and services (consumers might favor brands with clear green strategies, but on a lower level compared to other scenarios). Dentsu may face less pressure from clients and consumers to transition quickly.	Increased demand for low-carbon goods and services may generate high demand for advertising in a delayed transition. Dentsu will need to invest in programs of work to be in a state of readiness to capture market demand including ensuring the company has identified the right talent and invested in upskilling colleagues.	In the Net Zero scenario there is a significant shift in consumer behavior towards climate-friendly products and services. Dentsu's clients must proactively adopt and communicate climate-related practices to meet ever-evolving consumer expectations. If dentsu's clients successfully advertise their low-carbon products, then this could create a revenue uplift for dentsu.
4	Sector exposure	The impact of a slow transition will minimally impact dentsu's reputation as a climate leader.	In a delayed transition, dentsu's clients will have a mixed transition depending upon the sector in which they operate. Heavy-emitting sectors will need to plan investment in new technologies to reduce emissions. A delayed or slow pace in	In the Net Zero scenario, efforts to transition to a low-carbon economy arise from stricter regulations and/or market pressures. Shifts in sector exposure can occur based on the decline of heavy-emitting industries/manufacturers and the development of cleaner emerging

Risk/ Opportunity		Implications for dentsu under climate scenarios		
		Current Policies (CP):	Delayed Transition:	Net Zero (NZ):
			transitioning of these clients may impact dentsu's reputation as a climate leader and thus it's revenue. Investments in capacity building to address climate-related topics across different sectors (e.g. food and drink, electric vehicles) may increase operational costs.	sectors. Dentsu may be exposed to financial and reputational risks if a relevant share of its clients is classified as being in high-emission industries/sectors. Dentsu may also have operational costs associated with upskilling its employees on climate-related topics for different and new sectors, monitoring emerging sectors and consistently addressing changes in its sustainability strategy to stay relevant.
5	Inability to attract and retain top talent for workforce	Under a slow transition, dentsu may experience minimal risks in terms of attracting and retaining a highly qualified workforce due to individuals' climate concerns.	Dentsu will need to continue to invest in attracting top talent and upskilling colleagues on the impact of climate change post 2030 as rapid decarbonization across the economy takes place. This will create additional operating costs for dentsu.	Dentsu will need to develop and invest in a long-term program of work to ensure the global team have the right skill sets to enable the transition to net zero and support clients.
Transition Opportunities				
6	Access to new markets & emerging sectors	Development of new business and emergence of new sectors will be limited as emissions continue to grow. Dentsu can access new markets through expanding its current commercial strategy.	A global transition to reducing emissions will not take place until 2030. Accelerated global policy changes and fast-paced market changes post 2030 create the potential for working with new clients through the emergence of new markets and sectors.	The low-carbon transition creates awareness of the effort and investment needed to move to net zero. New clients may seek to work with dentsu to advertise their low-carbon products and services, creating an uplift in revenue. Dentsu may focus on growing

Risk/ Opportunity		Implications for dentsu under climate scenarios		
		Current Policies (CP):	Delayed Transition:	Net Zero (NZ):
				markets such as electric vehicles, consumer brands and food & beverages as they look to accelerate their transition.
7	New technologies	Investment in new technologies that support reducing the emissions associated with media content is expected to remain low. As energy-efficient technologies become more prevalent, dentsu could gradually integrate new technologies/bespoke tools that enhance operational efficiency and reduce costs.	Dentsu may adopt energy-efficient technologies and provide bespoke tools that can help clients to monitor/manage emissions from media content. However, dentsu may need to delay developing/offering the technology until the market is ready.	In the Net Zero scenario, there is a global shift towards developing and investing in energy efficiency. Dentsu's clients will most likely be developing low-carbon transition plans and rollout new low-carbon products and services in the short term. Dentsu can support its current and new client base in implanting new technologies to reduce emissions from advertising.

Physical Risks			
Risks		High-carbon emissions scenario (IPCC SSP5-8.5)	Low-carbon emissions scenario (IPCC SSP1-2.6)
1	Impact of extreme weather on dentsu's operations	Impacts of extreme weather have been considered by two approaches: aggregating acute hazards to infer the impact on dentsu's operations in real estate (i.e. offices) and consolidating chronic hazards to assess the longer-term shifts in climate patterns. In the case of acute hazards, increasing risks have been identified for extreme events such as winds & storms and wildfires, ranging from 'high' to 'very high'. Extreme wind & storms can impact offices' operations, damaging physical assets (e.g.	Projections for the low emissions scenario follow similar patterns, enhancing risks already projected in the baseline scenario. Extreme events such as winds & storms are projected to increase to 'high' risk across both time horizons, while risks associated with wildfires increase to 'moderate'. Similar OpEx costs mentioned in a high emissions scenario may also be seen under the low-carbon emission scenario. Although direct impacts have been minimal from flooding, and are forecasted to be minimal across all scenarios, there may be impacts on

Physical Risks			
	Risks	**High-carbon emissions scenario (IPCC SSP5-8.5)**	**Low-carbon emissions scenario (IPCC SSP1-2.6)**
		buildings, vehicles) and causing human injury, and possibly increasing OpEx and CapEx associated with maintenance. Wildfires can indirectly disrupt operations due to respiratory illnesses and evacuation exercises due to smoke and reduced air quality. The most exposed office sites are situated in Tokyo, Dubai, and Taipei. For chronic hazards, dentsu's operations are at 'high' risk due to extreme heat and water stress, with Jakarta, Indonesia being the most exposed office. In relation to chronic hazards, risks associated with extreme heat and water stress & drought events are projected to increase, with the highest level of risk projected for the high-emissions scenario by 2050. Risks associated with extreme heat are projected to impact all the items assessed, and particularly to affect dentsu's sites in India, Spain, Italy, Thailand, and Indonesia. Risks associated with water stress & drought are projected to be particularly high for Tokyo, Pune, Chennai, Bengaluru, Madrid, Jakarta, and New York.	areas surrounding the offices, causing disruptions to dentsu's operations and resulting in revenue reductions. OpEx costs with additional precautionary actions, alongside repairs and replacement of damaged equipment/infrastructure may be necessary. In addition, for chronic hazards associated with heat and water stress, risks will be 'moderate' under this scenario. Additional OpEx costs for cooling systems and water supply may increase in the long term. Most exposed office sites include Bengaluru and Jakarta.
2	Disruption to supply chain due to extreme weather events such as storms, tropical cyclones, and flooding	Given the sector dentsu represents, its operations rely on digital and cloud services, and hence data center efficiency and reliability are a key component of dentsu's supply chain. Similar to risk item 1 above, in the high emissions scenario, risks for acute physical hazards such as winds, storms, and wildfires are increasing and range from 'high' to 'very high'. The damage that this could cause to dentsu's suppliers' physical assets could result in delayed delivery of dentsu's	Projections for the low emissions scenario follow similar patterns, and risks in the baseline scenario are enhanced albeit not at the same extent as in a high-carbon emissions scenario. Risks from winds and storms are projected to increase to 'high' across both the 2030 and 2050 time horizons. As such, many of the financial implications discussed in the high-carbon emissions scenario are also relevant here, to a lesser extent.

Physical Risks			
Risks		**High-carbon emissions scenario (IPCC SSP5-8.5)**	**Low-carbon emissions scenario (IPCC SSP1-2.6)**
		purchased goods and services, and data center supplier sites needing to be closed or limited in their use. This could result in reductions in dentsu's operative capacity, and a loss of revenue. Extreme winds and storms or flooding can also cause supply chain disruptions across transport routes, potentially leading to increased OpEx to source alternative suppliers or supply routes. Extreme heat may also lead to failures in vital data center infrastructure, which could lead to increased OpEx for dentsu to outsource to other data centers.	
3	Compound risk of extreme weather impacts and earthquakes	Due to dentsu's HQ (and therefore reporting requirements) being in Japan, the compound risk of extreme weather impacts and earthquakes is a potential area of concern for the company with Japan exposed to high risks of earthquakes due to its location on the Pacific Ring of Fire. However, earthquakes are a geophysical hazard, caused by the movement of tectonic plates beneath the Earth's surface and are not considered inherently a climate-related natural hazard. The compounding effect of an earthquake occurring immediately preceding or after a climate-induced natural hazard may result in business disruptions lasting for a longer period of time, limitations to risk management and recovery and increased financial implications for dentsu's business. This could result in significant additional physical damage to dentsu's offices and physical assets, severe impacts to employees' health and well-being, including economic and physical displacement, and significant delays and disruptions to dentsu's operations, potentially leading to reputational impacts if dentsu is unable to deliver their services frequently or for a significant amount of time.	

Our resilience to climate-related risks and opportunities

Upon interpreting the results of our scenario analysis and its implications on dentsu's strategy and financial position, we recognize that the projected implications from physical and transition climate risks have the potential to impact us materially. Through our established ERM framework, which includes sustainability risks, we can identify, report, monitor, and mitigate risks at the regional and Group level.
Beyond this, we also understand that taking steps to transition our business to a low-carbon economy is necessary to meet the expectations of our stakeholders, including clients and employees. As such, we have mitigation strategies in place to adapt and build resilience to the various risks and opportunities presented to dentsu by the transition to a low-carbon economy. *Table 8* below outlines the mitigation strategies that will enable us to reduce our exposure to the most material transition and physical risks, while also capturing the benefits brought about by the transition opportunities.

Table 8 Resilience and mitigation strategies pertaining to dentsu's material risks and opportunities

	Material Transition and Physical Risks	Resilience & Mitigation Strategies
Transition Risks		
1	Decreased revenue resulting from global economic changes	Development and transition to include sustainability into the core of the business model, building resilience to a downturn in global economic changes. Our continued effort to decarbonize our business and our value chain is amplified through encouraging our clients and supply chain to also follow suit through our third-party assurance and client management activities.
2	Increased regulation and disclosure	We are continuing to invest in our ESG reporting capabilities alongside developing our climate and nature strategies. We are developing a suite of products and services to support clients who are reducing their advertising emissions as they transition to a low-carbon economy to reduce and report their emissions. We maintain dedicated resources to support demonstrating and evidencing our mitigation of physical risk to interested parties.
3	Shift in consumer behavior/preferences	Consumers are becoming more climate conscious, which is being reflected through their purchasing decisions. We recognize our role to support clients in generating consumer demand for low-carbon products and services.
4	Sector exposure	We work across multiple sectors, which includes working with some emissions-intensive sectors, providing support and guidance where possible as they navigate their transition to more sustainable, low-carbon business practices.
5	Inability to attract and retain top talent for workforce	Investing in and retaining our staff is a key component of our strategy. We are making investments to upskill our staff to support our own climate transition and crucially to support clients in delivering their own sustainability commitments.
Transition Opportunities		
6	Access to new markets & emerging sectors	As the low-carbon transition gathers pace, we are looking to enter new markets where the emergence of new business models will deliver new, low-carbon products and services at speed.

7	New Technologies	We have developed proprietary technologies to support clients to identify and lower their emissions, notably with media and production decarbonization calculators. We will continue to monitor development of digital technologies that enable emissions reduction.
Physical Risks		
8	Impact of extreme weather on dentsu's operations.	A climate risk assessment has been undertaken to understand the impact the potential impact of physical climate risk on dentsu's assets across multiple time horizons and scenarios. This informs our "Resilience Management System", and we also partner with Everbridge who provide real-time alerts to monitor and assess threats to our people and assets.
9	Disruption to supply chain due to extreme weather events such as storms, tropical cyclones, and flooding.	Our supply chain primarily relies on services rather than physical products, positioning us as lower direct risk from the impacts of climate change compared to supply chains dependent on tangible goods. However, we recognize that the associated risks are embedded within our supply chain and indirect operations, and we remain vigilant in addressing these challenges. We are working with our supply chain to understand the risks posed by extreme weather events to understand the impact of business disruption. Digital capabilities have enhanced resilience to ways of working. We will continue to monitor and encourage the decarbonization of the supply chain.
10	Compound risk of extreme weather impacts and earthquakes could significantly disrupt infrastructure, supply chains, and operations.	We continue to assess the risk of natural disasters impacting the business. In the rare event of a geophysical hazard such as an earthquake happening at the same time as an extreme weather event, we are monitoring the impact of the safety of our employees and limit disruption to business continuity.

Our Metrics & Targets

Our targets for managing climate-related impacts

To drive climate action and achieve a sustainable future for all, we have set a number of business- and climate-relevant targets to help dentsu accelerate the low-carbon transition. These include to:

- Achieve net-zero greenhouse gas (GHG) emissions by 2040 (Scope 1-3)
- Achieve a 46.2% absolute reduction in GHG emissions by 2030 (Scope 1-3) compared to a 2019 baseline.
- Achieve 100% renewable energy[3] by 2030

We will achieve net-zero GHG emissions across our value chain across our global value chain by 2040. To do so, we will reduce our total Scope 1, 2 and 3 GHG emissions by at least 46.2% by 2030 and by at least 90% by 2040 (compared to a 2019 baseline). We will neutralize the remaining emissions (<10%) through credible and verifiable GHG removal projects.

We are committed to procuring 100% renewable energy in all markets by 2030 from in-country sources where it is possible to do so, and working with partners to overcome policy and market barriers in countries where it is not. This supports our ongoing membership of and commitment to the RE100 initiative, comprised of companies aiming to use 100% renewable electricity in their operations.

The TCFD outlines several markers for good targets. These are presented in *Table 9*, and our adherence is indicated against our targets.

[3] Renewable energy in the context of dentsu's sustainability strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100.

Table 9 Sub targets aligned with TCFD target markers

	NEAR-TERM TARGET	NET ZERO TARGET	RENEWABLE ENERGY TARGET
Absolute or intensity based	Absolute	Absolute	Not applicable
Time tied targets	By 2030	By 2040	By 2030
Clear baseline year from which progress is measured	2019	2019	No baseline (Ongoing target to source 100% renewable energy yearly)
KPIs used to assess progress	% reduction compared to baseline	% reduction compared to baseline	% of renewable energy

The metrics we use to assess our climate-related performance

We have metrics associated with our targets for GHG emissions reduction and the use of renewable energy in our operations. In addition, we have also compiled ESG-related metrics as part of our annual Integrated Report and ESG Data Book.

Our strategy for GHG emissions reduction is calculated following the WRI GHG Protocol (in metric tons CO_2e), and it is aligned with the SBTi guidance. Our electricity consumption is calculated using location-based and market-based approaches, utilizing government published emission factors where available and sourcing from the International Energy Agency (IEA) for grid emission factors. In accounting for renewable energy consumed, we validate our renewable energy claims through the verified purchases of renewable electricity certificates in line with RE100, GHG Protocol, and SBTi requirements, and through the use of green tariffs where available. We also track water consumption and waste disposal, however, we currently have no targets associated with them.

Scope 1, 2, and 3 greenhouse gas emissions

Our total Scope 1, 2, and 3 marked-based GHG emissions in 2023 were 440,911 tCO_2e.

The majority of our emissions sit in Scope 3 (approx. 96% of total emissions). This is due to purchased goods and services accounting for around 76% of Scope 3, and business travel emissions of around 15%.

Our Scope 1, 2 and 3 emissions for 2023, against previous years and a 2019 baseline, are presented in *Table 10.*

Table 10 Dentsu's GHG emissions from 2019-2023

Category	2019 GHG emissions (tCO_2e)	2020 GHG emissions (tCO_2e)	2021 GHG emissions (tCO_2e)	2022 GHG emissions (tCO_2e)	2023 GHG emissions (tCO_2e)
Scope 1	4,888	3,540	3,195	3,267	2,942
Scope 2 (market based)	29,074	23,415	20,908	12,771	15,318
Scope 3	374,884	55,374	360,325	377,456	422,651
Total (Scope 1+2+3)	408,846	82,329	384,428	393,494	440,911

We have achieved significant reductions in Scope 1 and 2 emissions between 2019 and 2023. These changes are attributed to efforts including:

- switching to 100% renewable electricity where it is currently possible to do so;
- investing in energy efficiency initiatives to reduce our overall energy consumption;
- promoting office rationalization strategies as we reduce the number of buildings in which we operate; and
- transitioning to hybrid and electric vehicle (EV) company cars.

With good progress on our operational footprint, we now increase our focus on Scope 3 emissions and are committed to driving emission reductions across our full value chain.