

# Dentsu Group Corporate Governance

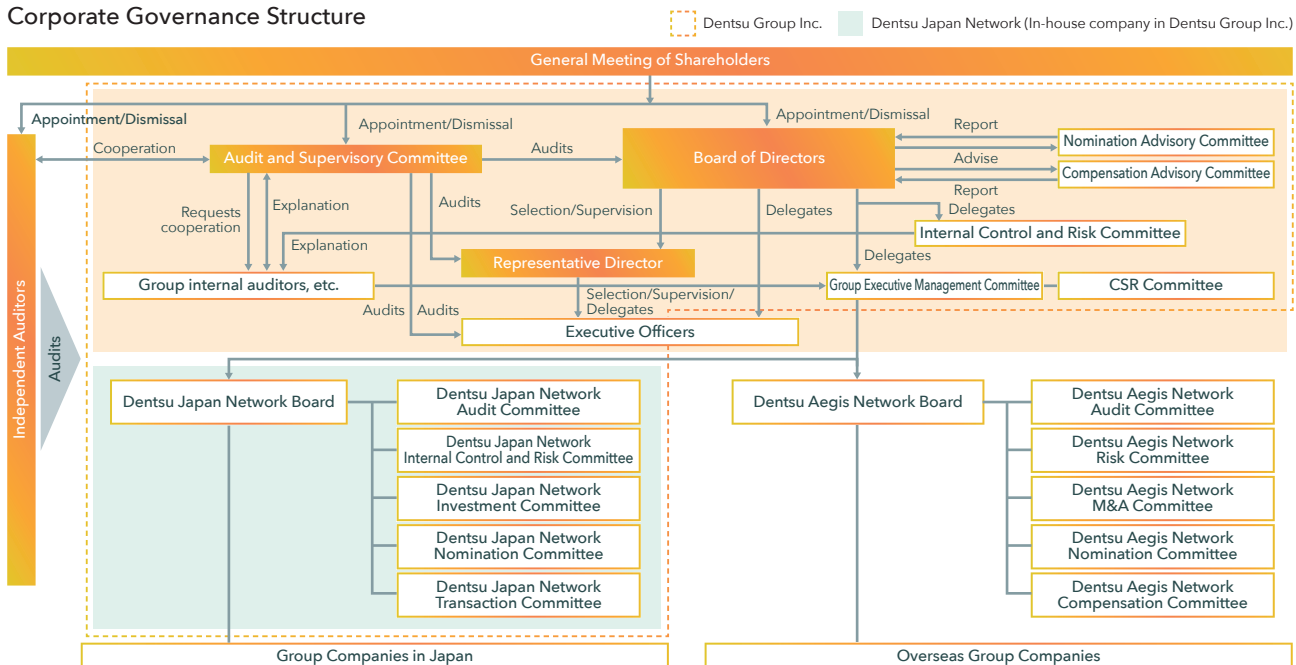
As of March 27, 2020

## Basic Perspective

The pursuit of optimal corporate governance is critical for achieving Dentsu’s goal of creating new social values and sustainable societies. We aim to achieve sustainable growth and enhance corporate value by ensuring transparent, fair, rapid, and decisive decision-making, as well as the effective allocation of management resources. To this end, we will continue to improve corporate governance by:

1. Respecting shareholders’ rights and ensure their equal treatment.
2. Considering the interests of stakeholders, including shareholders, and cooperate with them appropriately.
3. Appropriately disclosing company information and ensuring transparency.
4. Enhancing the effectiveness of the supervisory function of the Board of Directors concerning business execution.
5. Engaging in constructive dialogue with shareholders who have an investment policy that conforms to the mid-to long-term interests of shareholders.

## Corporate Governance Structure



## Corporate Governance-related Information

		Committee Chairperson (Chair)
<b>Board of Directors</b> 12 members	Independent outside directors: <b>4 members</b> (33.3%)  Female directors: <b>2 members</b> (16.7%) Non-Japanese directors: <b>3 members</b> (25.0%)	Principle 4.8 (Effective use of independent outside directors) Principle 4.11 (Requirements for ensuring director efficacy)
<b>Audit and Supervisory Committee</b> 5 members	 Independent outside directors: <b>4 members</b> (80.0%)	Principle 4.8 (Effective use of independent outside directors)
<b>Nomination Advisory Committee</b> 5 members	 Outside directors: <b>4 members</b> : (80.0%)	Principle 4.8 (Effective use of independent outside directors)
<b>Compensation Advisory Committee</b> 5 members	 Independent outside directors: <b>3 members</b> (60.0%)	Principle 4.10 (Use of arbitrary mechanisms)















For details, please see the Corporate Governance Report on our website.

[https://www.group.dentsu.com/en/about-us/common/pdf/governance\\_202001\\_en.pdf](https://www.group.dentsu.com/en/about-us/common/pdf/governance_202001_en.pdf)

## Director Skills Matrix

● Responsibilities and Attributes    ⊙ Main skill    ○ Secondary skill

		Director Specialization and Features									
		Business execution	Supervisory function	Corporate strategy	Business strategy	Management resources	Finance	Accounting	Legal affairs	Organization/ Human resources	
	1 <b>Toshihiro Yamamoto</b> Representative Director	●		⊙	○						
	2 <b>Shun Sakurai</b> Representative Director	●				⊙			○	○	
	3 <b>Tim Andree</b> Director	●		○	⊙						
	4 <b>Hiroshi Igarashi</b> Director	●		○	⊙						
	5 <b>Arinobu Soga</b> Director	●					⊙	○			
	6 <b>Nick Priday</b> Director	●					⊙	○			
	7 <b>Gan Matsui</b> Director		●						⊙	○	
	8 <b>Izumi Okoshi</b> Director / Audit and Supervisory Committee Member		●		○	⊙					
	9 <b>Toshiaki Hasegawa</b> Director / Audit and Supervisory Committee Member		●						⊙	○	
	10 <b>Kentaro Koga</b> Director / Audit and Supervisory Committee Member		●				○	⊙			
	11 <b>Etsuko Katsu</b> Director / Audit and Supervisory Committee Member		●				⊙	○			
	12 <b>Simon Laffin</b> Director / Audit and Supervisory Committee Member		●				○	⊙			

## Initiatives Aimed at Enhancing Efficacy of Governance

As of March 27, 2020

### Board of Directors' Effectiveness and Self-Evaluations

To ensure the ongoing effectiveness of the Board of Directors, a questionnaire was submitted to all Board members pertaining to the efficacy and appropriateness of the Board's supervision of management. Responses to this questionnaire were analyzed and evaluated by a third party. The Board of Directors received a report from the Board of Directors Secretariat regarding these results, which were used to analyze and evaluate the overall effectiveness of the Board.

The analysis and evaluation for FY2019 indicate that the composition, operation, and items deliberated by the Board of Directors were generally appropriate. It is noted that sufficient deliberation had been conducted through the exchange of opinions, confirming that the Board maintained efficacy and appropriateness in its supervision of operations. In the future, the Group will strive to make improvements on the issues identified in these areas, in order to further improve the Board of Directors.

#### Main Issues and Improvement Measures in FY2019

<b>CEO Successor Development Plan</b>	Formulated polices and specific plans for the Nomination and Compensation Advisory Committee
<b>Group Company Management Supervision</b>	Continued to implement monitoring system revisions
<b>Providing Information Necessary for Strategy Deliberations</b>	Held meetings comprising mainly outside directors who were provided with information on markets, industry trends, and other topics

### Training for Directors and Executive Officers

Directors and executive officers are provided with training and continuous opportunities to acquire the knowledge essential for executing their duties in order to properly fulfill their given roles.

#### Specific Examples of Training

Position	When appointed	After appointment
<b>Directors and Executive Officers</b>	<ul style="list-style-type: none"> <li>• Training on Dentsu Group Inc. management, business and financial strategies, related important matters and laws</li> <li>• Discussion related to identifying and formulating solutions to Dentsu Group issues</li> </ul>	<ul style="list-style-type: none"> <li>• Regular study seminars as opportunities to acquire the latest information regarding best practices and megatrend-related issues</li> </ul>
<b>Outside Directors</b>	<ul style="list-style-type: none"> <li>• Explanation of Dentsu Group Inc. business, organizational structure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular provision of information related to business issues, etc.</li> </ul>

### Internal Control System

The Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees, while at the same time supporting continuous corporate development as Dentsu meets its social responsibilities. The Dentsu Group Code of Conduct\* is positioned as a shared behavioral code to ensure that directors, executive officers, and employees of Dentsu and its subsidiaries carry out their duties in compliance with the law, regulations, and the Company's Articles of Incorporation. The code also ensures that business is conducted appropriately, while the Internal Control and Compliance Committee works to maintain and improve internal controls. In accordance with Internal Control and Risk Committee

policies, Dentsu Group Inc. and other Group companies formulate rules and develop manuals to inculcate a thorough awareness of proper business execution among all employees through training and other activities.

There are business-related check items for risk management and compliance, while a broad range of inspections are conducted. The items checked include the appropriateness of rules; whether business is conducted in accordance with the rules; and if reporting of, and responses to, problems are prompt, in order that issues might be identified and issues improved. We also establish internal control mechanisms at Group companies to maintain and enhance corporate value throughout the entire Dentsu Group.

\* Dentsu Group Code of Conduct <https://www.group.dentsu.com/en/about-us/governance/codeofconduct.html>



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## Messages from Newly Appointed Directors



Izumi Okoshi

Director/Audit and Supervisory  
Committee Member

In January 2020, Dentsu Inc. transitioned to the pure holding company Dentsu Group Inc., which serves as a “Teaming Company” and the foundation on which resources and assets are managed, with a view to realizing business model innovation strategies at a global level to accelerate growth.

The Board of Directors and the Audit and Supervisory Committee aim to further improve corporate governance by establishing a system for auditing and supervising business execution by the Dentsu Group, Dentsu Japan Network, and Dentsu Aegis Network. In my position, I am expected to engage in audits and provide advice from a management perspective, based on my role in areas such as the devising of strategies for new businesses.

The worldwide spread of COVID-19 has caused those of us in management to face a crisis of which we have no prior experience. However, having the resilience to withstand all manner of challenges, we view this crisis as an opportunity for change and advancement. We intend to engage in bold, proactive management amid renewed demand for sustainable growth that benefits society.

In this increasingly uncertain environment, we will audit and supervise from multiple perspectives, including compliance, risk management, and capital soundness. This will allow us to ensure agile management and quick decision-making, based on our principles of corporate governance.



Nick Priday

Director

Having now been part of the Dentsu Group for seven years, it is a privilege to join the Group Board at a time of such rapid transformation for the industry and our company.

As the Group looks to further integrate its diverse capabilities, the breadth of my experience across the Group will provide a clear lens through which to contribute to the future direction of the Group. I have been CFO of the International business, Dentsu Aegis Network, for seven years and was CFO of Aegis Group plc for four years prior to the acquisition. I am currently a member of the Dentsu Group Executive Management Committee and CSR Committee, as well as a member of the Executive Committee, M&A Committee and a number of other management forums at Dentsu Aegis Network.

I am passionate about creating an organization that allows our people to thrive and deliver the highest quality services and solutions to our clients. Driving ever closer alignment between the Japan and International businesses, through the concept of one dentsu, will bring long-term, sustainable success over time, centered around both our clients and our people. I have a clear understanding of the importance of delivering value for all of our stakeholders, including our shareholders. I look forward to serving the Group and those shareholders going forward.

# Initiatives Aimed at Enhancing Board of Director Transparency

As of March 27, 2020

## Director Appointment and Dismissal

When nominating directors who are not members of the Audit and Supervisory Committee, the representative directors—the individual in a Japanese company who has the company seal and represents it in transactions—will submit the proposed names and, to ensure transparency, explain to the independent outside director members of the Audit and Supervisory Committee the reasons for having selected the nominees, and their suitability.

Directors shall be nominated by the Board of Directors, which will take into consideration the opinions of the outside directors. When nominating directors who are members of the Audit and Supervisory Committee, the representative directors will submit a list of proposed names and, after they have been approved by the Audit and Supervisory Committee, the Board of Directors shall decide on the new board members.

## Corporate Officer Compensation System

The Dentsu Group Inc. determines the appropriate compensation for Directors as well as Audit and Supervisory Committee members based on corporate value, scale, and compensation levels, referencing compensation market survey data from external specialized institutions.

The Company introduced a new policy stipulating a performance-based stock compensation plan as a medium-to long-term bonus that was approved at the 170th Ordinary General Meeting of Shareholders, held in March 2019.

The plan clarifies the relationship between compensation

for Audit and Supervisory Committee members and Directors on one hand, and the Group's performance and corporate value on the other.

The plan is designed to promote shared interests with stakeholders, while raising awareness among Audit and Supervisory Committee members and Directors. The latter Company members contribute to the sustainable growth, and enhance the medium- to long-term corporate value, of the Group.

### Corporate Officer Compensation Items Applicable by Director Position

Director type	Base salary	Annual bonus	Medium- to long-term bonus
Internal directors who are not Audit and Supervisory Committee members*	✓	✓	✓
Outside directors who are not Audit and Supervisory Committee members	✓	×	×
Internal directors who are Audit and Supervisory Committee members	✓	×	×
Outside directors who are Audit and Supervisory Committee members	✓	×	×

\* Indicates members who concurrently serve as executive officers.

### Compensation Ratios

(1) If performance indicators meet standard values:



(2) If performance indicators are below the lower limit:



(3) If performance indicators are above the upper limit:



Note: In principle, non-Japanese director compensation is remitted by overseas subsidiaries, and thus is not applicable to the above.

## Cross-shareholding Ownership Policy

With regard to Dentsu Group cross-shareholdings, the basic policy is to sell or otherwise decrease holdings of shares determined to be of minor significance from the perspectives of whether dividends and other related profits are in excess of the target cost of capital for the acquisition price, as well as whether holding the shares contributes to maintaining or strengthening transactional relationships or promoting joint business ventures with the companies in

which the Dentsu Group is invested.

In line with this basic policy, every year the Board of Directors examines the individual company shares of all cross-shareholdings held by the Group from a medium- to long-term perspective, carefully examining the objective, economic rationale, and other factors to verify the appropriateness of said shareholdings.



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## Messages from Outside Directors



**Etsuko Katsu**

Independent Outside Director/  
Audit and Supervisory  
Committee Member

On January 1, 2020, Dentsu Inc. adopted a pure holding company structure and became Dentsu Group Inc. We have welcomed two new International members to the Board of Directors, increasing our diversity.

The creation of a Group governance system and the realization of effective governance are seen as among the most important issues facing the Dentsu Group, which now has 66,000 employees in 145 countries and regions around the world.

Viewing itself as a “Teaming Company,” Dentsu Group Inc. aims to maximize and optimize Group company business and financial synergies, while contributing to the resolution of global issues by collaborating with a variety of stakeholders.

To maximize Group corporate value, achieve sustainable growth, and optimize the allocation of an abundant array of diverse internal resources, outside directors must strengthen their independent monitoring of business execution. As an Audit and Supervisory Committee member, and leveraging my knowledge of finance, the global economy, and management at companies and universities, I will collaborate and cooperate with the Company’s Internal Audit Office and its auditors, in an effort to enhance the value creation process.

Even given that the post COVID-19 world is seeing significant changes, I have high expectations that the Dentsu Group will continue to drive global value creation.



**Simon Laffin**

Independent Outside Director/  
Audit and Supervisory  
Committee Member

I am delighted to have joined the Dentsu Group Board, which has become more diverse, with three non-Japanese members. This is very important as the Group grows its international operations, which make up 60% of Group revenue. Although many issues are the same throughout the Group, there are significant differences in how markets and businesses work in different continents and countries. This means that a diverse board is better able to guide a business as globally spread as Dentsu Group.

The role of the Audit and Supervisory Committee (ASC) is crucial in our corporate governance. It reviews financial reporting, control and risk management. This is an area in which I have had relevant experience with many companies. I am a qualified accountant, have served as a CFO in a FTSE-100 company, chaired several UK-listed and private companies, and chaired the audit committee for a number of public companies. The ASC of course has wider responsibilities than a Western-style audit committee, in auditing the performance of the duties of the representative and other executive directors. We need to ensure that the board promotes the company’s sustainable growth and improves corporate value, profitability, and cash efficiency with appropriate risk-taking. I can assure shareholders that the ASC is very active in fulfilling this role!

Dentsu Group is in very interesting, and at times challenging, markets across the world. We face many different and changing challenges, not least in the current year of the COVID-19 pandemic. It is the role of the Board to keep up to date with these challenges and to enhance the Group as markets change. Dentsu Group continues to develop its corporate governance to respond to these challenges. I look forward to contributing fully to the board in fulfilling its duties.

## Compliance and Internal Control Promotion

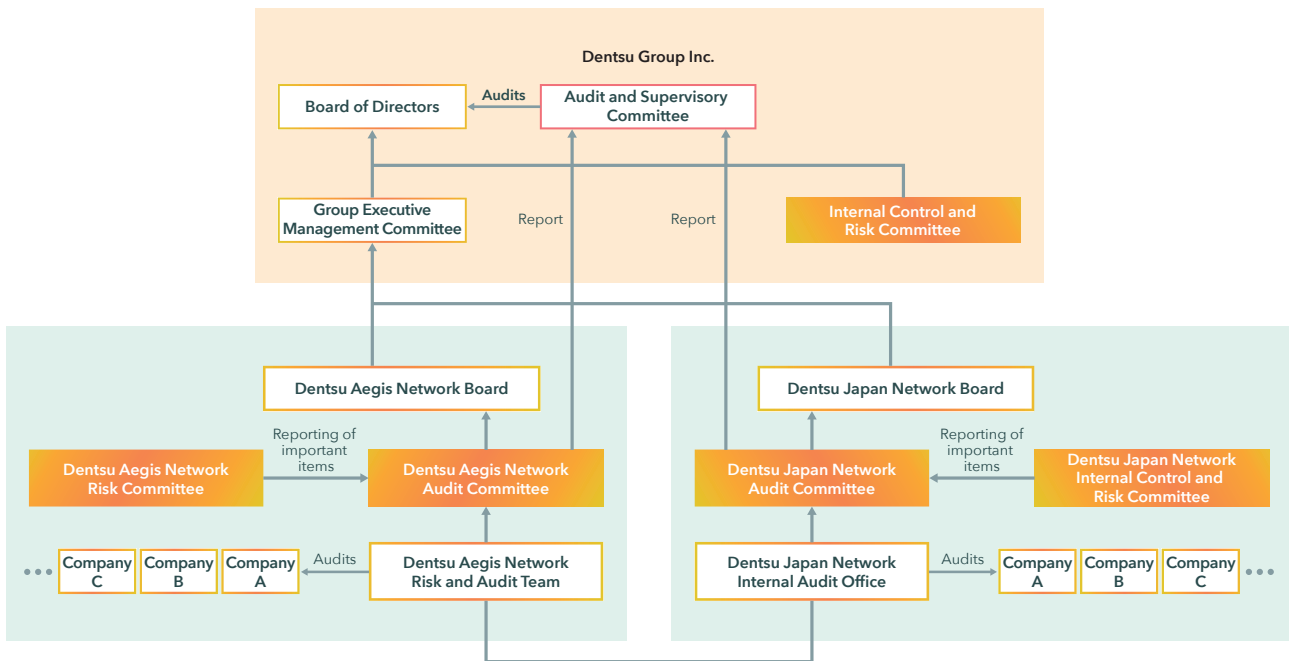
### Compliance Promotion System

Dentsu formulated the Dentsu Group Code of Conduct, according to which directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required to report their findings immediately to the Executive Committee, Internal Control and Risk Committee, as well as the Audit and Supervisory Committee. To maintain and improve the level of employee compliance and ensure employee awareness of compliance-related issues, rules and manuals are developed and training programs conducted.

### Establishment of Compliance Line

In addition, Dentsu Japan Network (DJN) set up a Compliance Line for the reporting of internal violations in the public interest, and an external contact point handled by an outside law office was established to ensure that those seeking consultation or reporting violations are in no way penalized. Moreover, the booklet *Compliance Digest* was distributed to all DJN companies and training was conducted to promote an understanding of compliance.

### Internal Control Promotion Structure



Note: Gray lines and arrows indicate reporting lines for Audit and Supervisory Committee members.

### Establishment of Speak Up!

Dentsu Aegis Network (DAN) established an internal reporting program, called Speak Up!, for reporting any incident of concern or that raises suspicions of wrongdoing in the workplace. Employees can make a report to line managers, HR staff or senior managers, or they can follow internal grievance procedures. Appropriate legal and/or disciplinary action will be taken against perpetrators of fraud and other wrongdoing.

DAN also employs Safecall Limited, an independent specialist that employees can contact anonymously on the phone, by email, and through a website, 24 hours a day, 365 days a year, and in a number of languages.

#### Incident of concern or suspicion of wrongdoing within the workplace

- Bullying or harassment
- Theft or fraud
- Bribery and corruption
- Information security breaches (e.g., loss or theft of personal/ sensitive data)
- Abuse or inflation of expenses
- Non-compliance with contractual obligations
- Accounting and tax malpractice

### Corruption Prevention Response

The Dentsu Group instituted anti-corruption policies to ensure that we conduct business in an honest, fair, and transparent manner. In compliance with bribery regulations in the countries and communities around the world where we do business, Dentsu Group is proscribed from involvement in corrupt acts designed to enable the Company to obtain unfair profits.

In order to meet our social responsibilities and conduct sound business activities, we shall strive always to cultivate compliance awareness through in-house training.

### Bid to End Bribery by Group Companies Abroad

DAN provides compliance training on the intranet for Group companies outside of Japan, the participation rate of which is 90% and more. As a follow-up, each company also holds its own training sessions and strives to raise employee awareness regarding bribery.

### Rejection of Antisocial Forces

The Company and all Group enterprises set up a Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, thereby articulating their determination to take a firm stand against antisocial forces, as groups and individuals seeking economic profit through violence are known in Japan. Business partners have been asked to take the same action.



For details regarding this policy, please refer to:

<https://www.dentsu.co.jp/en/csr/compliance/compliance.html>

### Tax Behavior Principle

The Dentsu Group formulated its Tax Mission Statement and Tax Strategy to maintain consistency with Dentsu Group business strategies and activities, corporate values and social responsibilities, as well as to maintain and improve Group value by taking appropriate tax positions and paying taxes as appropriate.



For details regarding tax behavior principles, please refer to:

<https://www.dentsu.co.jp/en/csr/compliance/respectforlaws.html>