dentsu

Dentsu Group Inc.

Climate-related Disclosures 2025

Contents

1. Introduction

1.1 Climate-related financial disclosures

This report presents the climate-related financial disclosures for Dentsu Group Inc. (“dentsu”) for the year ended December 31, 2024.

For the first time, we have prepared our climate-related disclosures while applying the IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB) to the extent applicable. This builds on previous reports that provided Group-wide information disclosures in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

This is our first report that we have prepared while referring to IFRS S2, and we are currently only disclosing climate-related risks and opportunities and have not included comparative information. We anticipate enhancing our disclosures over time, in line with evolving internal processes and industry practices. Future disclosures will aim to capture a broader range of sustainability-related risks and opportunities that could reasonably be expected to affect dentsu’s prospects over the short, medium, or long term.

This report has been prepared for the same consolidated reporting entity and reporting period as the Group’s Consolidated Financial Statements and has incorporated climate-related information of the parent company and our global joint ventures and subsidiaries.

1.2 Corporate information

Headquartered in Japan, dentsu is a global multinational company specializing in marketing, advertising, and digital communications. As a global leader in these fields, we are uniquely positioned to lead impactful change. Our extensive reach enables us to influence attitudes and behaviors at scale, empowering sustainable consumption and supporting our clients' transition toward a more sustainable future. We strive to be at the forefront of people-centered transformations that positively shape society and create lasting good. We exist to deliver truly sustainable value for the organizations we work with and improve the lives of millions.

As we transition toward a more sustainable society, dentsu recognizes the need to redefine prosperity and help shape people’s values and behaviors. The dentsu Value Creation Model illustrates how we generate value to support this transformation. Our people, who have been at the heart of dentsu for over 120 years, are the driving force behind our creativity, which is powered by deep consumer insight and intelligence.

We believe creativity thrives when different perspectives come together, leading to bold, innovative ideas and solutions. By collaborating with a broad range of stakeholders both inside and outside the organization — we create new value that addresses the evolving needs of society. Our vision is to be at the forefront of people-centered transformations that shape society. We deliver innovative, client-focused solutions in a fast-changing world, guided by our B2B2S (Business-to-Business-to-Society) management policy: resolving social issues together with clients, and achieving sustainable growth for all.

2. Strategy

2.1 Business strategy

The pace of global change continues to accelerate, with mounting pressures from climate change, nature loss, inequality, and conflict driving widespread disruption. Addressing these challenges requires a fundamental transformation in how we do business and embedding environmental risks, opportunities, and resilience into our business strategy. At dentsu, we are committed to driving sustainable growth by integrating creativity, technology, and data to help solve complex societal issues. Our 2030 Value Creation Strategy is focused on creating medium- to long-term value by investing in human, social, and intellectual capital, with the goal of generating ideas for the future to solve challenges facing society through business. We have set ambitious targets to support this strategy, which we will continue to evaluate and assess. These are outlined in section 5 (Metrics and targets).

2.2 Climate risk assessment across operations and value chain

We recognize that climate change is likely to impact our business over the short, medium, and long term, with potential effects on clients, suppliers, consumers, and other key stakeholders. In response to the increasing frequency and severity of extreme weather events – such as floods, storms, and heatwaves – we have undertaken a comprehensive assessment to evaluate the vulnerability of our physical assets and the associated implications for employee wellbeing, productivity, and service delivery. We have also identified a range of transition risks and opportunities resulting from the global economy's transition toward a low-carbon future. These arise from evolving regulatory landscapes, changing market dynamics, shifting consumer expectations, and technological advancements – all of which have the potential to shape how we operate and create value.

Our assessment considered both upstream and downstream value chain impacts, using all reasonable and supportable information available, in a manner that is proportionate to the nature, scale, and complexity of dentsu, recognizing the uncertainty surrounding the future of global climate action – with divergent pathways, timelines, and levels of ambition across regions and sectors – in line with leading practice, we have conducted scenario analyses to assess the resilience of our business strategy under a range of plausible climate futures. Climate scenarios were selected based on their relevance, plausibility, and usefulness, and included a 1.5°C-aligned pathway (Net Zero 2050), a disorderly transition (Delayed Transition), and a scenario with heightened physical risks (Current Policies).

	Physical Risks		Transition Risks and Opportunities	
High-carbon Emissions Scenario	IPCC SSP5-8.5	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 the end of century.	Current Policies (CP)	Assumes that only currently implemented policies are maintained and preserved. End of century global warming is estimated to be +3°C, leading to high physical climate risks.
Medium-carbon Emissions Scenario			Delayed Transition	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 below 2°C.
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.	Net Zero Emissions 2050	Limits end of century global warming to +1.5°C due to stringent climate policies, innovation, and reaching net-zero GHG emissions by 2050.

The scenario analysis considers how climate-related risks and opportunities would impact dentsu's business over the following time horizons:

- **Short term**: 2025 to 2029. This captures near-term operational risks and immediate policy changes.
- **Medium term**: 2030 to 2039. This reflects the period in which most transition impacts – such as evolving market expectations, changing consumer behaviors, technological innovation, carbon pricing, and decarbonization efforts across our supply chain – are likely to intensify.
- **Long term**: 2040 to 2050. This represents systemic shifts in the economy, physical climate risks, and deep decarbonization trajectories that may fundamentally reshape the business environment.

The climate-related risks and opportunities that could reasonably be expected to affect our prospects – specifically our revenue and operational costs – over the short-, medium- or long-term are as follows:

Physical Risks	• Increased energy costs due to long-term temperature changes • Revenue loss from extreme weather affecting employees' ability to work • Disruption to supply chains due to extreme weather events *(not quantified)*
Transition Risks	• Decreased revenue due to global economic changes • Changes in demand for sustainability-focused services due to regulatory changes • Clients fail to adapt to changes in consumer behavior resulting from the low-carbon transition • Cost of carbon taxes and other climate regulation
Transition Opportunities	• Access to new markets during the low-carbon transition • Adoption of new technologies that reduce emissions intensity in services

The table below summarizes the financial impact and risk rating assigned to each climate-related risk under different climate scenarios. It also highlights how these impacts and ratings change over time, specifically as the time horizon shifts from the short term (2025-2029) to the long term (2040-2050).

Risk categories:

	Category	Financial Thresholds (Underlying Operating Profit)
	Fundamental	>¥18.1 billion
	Major	¥9.1-18.1 billion
	Moderate	¥4.5-9.1 billion
	Minor	¥1.8-4.5 billion
	Insignificant	<¥1.8 billion

	Financial Impact (JPY billion)[1]								
	Net Zero (1.5°C)			Delayed Transition (2.0°C)			Current Policies (3.0°C)		
	SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)	SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)	SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)
Physical Risks									
Increased energy costs due to long-term temperature changes	-0.01	-0.02	-0.03				-0.01	-0.03	-0.06
Revenue loss from extreme weather affecting employees' ability to work	-0.25	-0.91	-1.61				-0.37	-1.36	-2.98
Transition Risks									
Decreased revenue due to global economic changes	-1.6	-4.9	-5.7	-1.5	-6.5	-9.2	-1.5	-6.1	-13.6
Inability to meet demand for sustainability-focused services	-0.2	-0.5	-0.7	-0.2	-0.5	-0.6	-0.2	-0.4	-0.5
Clients fail to adapt to changes in consumer behavior	-0.7	-2.6	-6.0	-0.6	-2.2	-5.1	-0.5	-1.7	-3.5
Cost of carbon taxes and other climate regulation	-2.9	-5.2	-4.9	-2.2	-3.9	-4.4	-1.7	-2.4	-2.4

[1] Underlying Operating Profit. The financial figures represent the median impact during the time horizon, above the 2024 baseline.

Transition Opportunities									
Access to new markets during the low-carbon transition	0.1	0.1	3.3	0.0	0.0	5.2	0.0	0.0	0.0
Adoption of technologies that reduce emissions intensity in services	0.0	9.3	0.0	0.0	4.3	0.0	0.0	3.1	3.2

During this analysis, we also identified the potential for suppliers – particularly those operating in climate-vulnerable regions – to be exposed to escalating physical climate hazards, including extreme heat, flooding, storms, and sea level rise. These risks could affect supplier-owned offices, data centers, production sites, and transport infrastructure, potentially disrupting the delivery of essential services, technologies, or content. In turn, such disruptions could compromise our ability to meet client expectations, maintain business continuity, and generate revenue.

A qualitative assessment of this risk leveraging spend data from suppliers, climate projections, and input from across our business indicates a high likelihood of materialization and the potential for significant financial impact. While we do not yet have the granular data required to fully incorporate this supplier risk into our scenario analysis, we intend to work directly with key suppliers and local market teams to gather more detailed information on asset locations, climate exposure, and specific market vulnerabilities. This forms part of a broader effort to enhance our financial risk modelling and deepen our understanding of how climate change may affect our supply chain, cost base, and long-term operational resilience. As supply chain disruptions become more frequent and severe, proactively identifying and managing these risks will be essential to safeguarding service delivery and maintaining business continuity.

2.3 Effects of identified risks on the Group's business model and concentration of those risks

For each identified climate-related risk and opportunity, we have assessed the potential impacts on our business model and strategic direction. These insights have been integrated into our strategic planning processes to help manage the financial, operational, and reputational implications of climate change. None of these risks had a material impact on dentsu during the current reporting period, and we do not consider there to be a significant risk of material adjustment to the carrying amounts of assets or liabilities in the next annual reporting cycle; however, this assessment is based on current assumptions and available data, and remains subject to change should climate-related conditions or regulatory expectations evolve materially.

The section below outlines the risks that have been assessed, their potential effects on our business model, and the mitigation measures (or opportunity levers) currently in place. Where relevant, we have identified specific geographies and operational areas where climate-related risks and opportunities are most concentrated. The time horizons in the category header indicate when the risk or opportunity is projected – based on our scenario analysis – to exceed the threshold from 'insignificant' to 'minor'. For physical risks, we assess when this threshold is crossed under a high-emissions (Current Policies) scenario, while for transition risks and opportunities this is assessed under a low-emissions (Net Zero) scenario.

The analysis refers to the ISSB's Industry-based Guidance on Implementing IFRS S2[2]. The scenario analysis incorporated data and trend insights from reputable third-party sources, including the Network for Greening the Financial System (NGFS), the Intergovernmental Panel on Climate Change (IPCC), the World Bank, and the International Energy Agency (IEA), alongside internal data and industry benchmarks.

Risk 1: Increased energy costs due to long-term temperature changes
Category: Physical risk
Time horizon: Long term under Current Policies scenario

[2] In conducting our analysis, we reviewed the ISSB's *Industry-based Guidance on Implementing IFRS S2* and the SASB metrics for the advertising and marketing sector. However, as no IFRS S2 industry guidance currently exists for our sector and the SASB metrics do not specifically address climate-related disclosures, we have not applied any industry-specific recommendations or metrics at this stage.

As global temperatures shift, there is a risk that energy consumption for heating and cooling across our network of over 350 global offices will increase, impacting operational costs across the regions in which we operate. To understand the potential impact of rising temperatures, we conducted modelling on 16 representative offices in locations such as Japan, the UK, China, India, Europe, and Southeast Asia. These were selected based on geographic diversity, climate variability, and regional operational significance.

The analysis estimated incremental heating and cooling days relative to a 2024 baseline. Historical energy costs were derived from dentsu's primary business data, alongside projections from the IEA and UK Home Energy Analysis Report. The model included variable energy pricing under NGFS climate scenarios but did not account for potential future energy-saving measures (e.g., smart meters or office consolidation). In the Net Zero scenario, energy prices rise initially due to high carbon costs but eventually stabilize or decline as clean energy scales. In the Delayed Transition scenario, prices rise more sharply and remain volatile due to late, disruptive policy changes and costly system adjustments. In the Current Policies scenario, energy prices stay relatively stable in the short term but face long-term risks from fossil fuel dependency and physical climate impacts.

The results of our analysis indicate that the highest increases in cooling demand – and therefore cost – will occur across our operations in London, Paris, and Milan. These increases are highest in the long term, under a Current Policies scenario. However, overall heating demand is projected to decline across all locations, offering partial cost offsets. Offices in already warm regions, where cooling days are already near a maximum, are expected to experience minimal incremental change. As a result, the overall long-term impact across the 16 sites is considered insignificant. The financial impact of this risk will increase as additional offices and/or other assets, including those operated by our suppliers (e.g., data centers), are added to the analysis.

Risk mitigation: We continue to review our real estate portfolio and engage directly with landlords to promote more sustainable practices. In several key locations, we have achieved environmental performance certifications including ISO 14001, ISO 50001, and BREEAM. We are also implementing energy efficiency measures to limit electricity consumption. As a result, our electricity use declined compared to the previous year.

Driven by falling renewable energy costs[3], we are accelerating our transition to clean energy. Our global renewable electricity ratio rose from 54.5% in 2023 to 79.5% in 2024, supported by initiatives toward our 100% renewable energy goal for 2030. We aim to reduce the impact of acute physical hazards by decarbonizing our operations and actively engaging our value chain on environmental issues. This involves embedding environmental considerations into our operational and supply chain risk management processes to help mitigate the severity and likelihood of future disruptions.

Risk 2: Revenue loss from extreme weather affecting employees' ability to work
Category: Physical risk
Time horizon: Long term under Current Policies scenario

Over time, physical climate hazards such as heat stress and extreme weather events – including floods and cyclones – pose an increasing risk to dentsu employees' ability to deliver services. These impacts may manifest through reduced productivity, displacement, office inaccessibility, or disruption to IT infrastructure. To better understand these risks, we conducted targeted modelling for three key operational hubs: Tokyo, the UK, and India. We plan to expand this analysis to additional offices as part of our ongoing climate risk assessment efforts. The London office plays a key role in supporting our EMEA operations and is home to agencies such as dentsu Creative, Carat, iProspect, and Merkle. In India, dentsu operates a wide range of agencies specializing in digital creativity, performance marketing, and customer experience, with several offices also providing global operational support.

To estimate the impact of heat stress, scenario data was used to model productivity losses at varying temperature thresholds. These were then translated into estimated daily revenue losses using historical country-level revenue and office-specific headcount as a proxy. Flood and cyclone risks were assessed at the provincial level, and high-resolution flood risk data from a third party was used to assess exposure within a 150-meter radius of each office. Within this radius,

[3] IEA (2024) Renewables 2024

we would expect physical hazards to impact the dentsu office as well as employees' homes and critical network infrastructure (e.g., cell towers, data centers, or fiber-optic cables) on which daily business operations rely.

Physical damage from extreme weather events was converted into 'days of disruption,' during which employees are assumed to be unable to work. The duration of disruption determined the proportion of revenue loss—for instance, five days of disruption results in a 50% loss of daily revenue, while disruptions exceeding 10 days are assumed to result in full daily revenue loss for the affected period. Revenue loss arises from teams being unable to deliver creative campaigns, meet client deadlines, or maintain business continuity, potentially leading to delayed or lost contracts and weakened client relationships.

The analysis shows that physical climate risks are insignificant in the short term but increase over time as climate events increase in frequency and severity. In the long term, these risks become 'minor' under a Current Policies scenario. This is primarily driven by rising heat stress in Indian offices, including Maharashtra, Karnataka, and Tamil Nadu. In London, flooding poses the most significant long-term risk.

Risk mitigation: We maintain a dedicated Resilience Team within our Internal Control and Risk function, tasked with strengthening organizational resilience across the Group. This team supports the mitigation of both chronic and acute climate-related hazards, with resilience-related controls embedded in dentsu's Internal Control Framework.

In our international operations (outside Japan), our Resilience program is governed by our Resilience Policy and operates in alignment with its ISO 22301-certified Business Continuity Management System and 'Best in Resilience' framework. Acute risks to physical locations are identified through risk analyses leveraging trusted third-party data sources, such as National Weather Service data, accessed via a purpose-built risk management tool. Chronic and sub-chronic environmental risks are assessed at a macro level using sources such as the *Bündnis Entwicklung Hilft World Risk Report*, which accounts for physical exposure, population vulnerability, and infrastructure sensitivity.

We respond to materialized risks through a tiered incident management structure that spans from local sites to executive leadership. Each level maintains scenario-specific response plans and receives tailored training aligned to their responsibilities. Business Impact Analyses (BIAs), conducted in line with industry best practice, inform recovery strategies that prioritize critical business functions and assess potential impacts on people, property, equipment, technology, and suppliers. To build organizational preparedness, dentsu conducts crisis simulations focused on materialized environmental risks, enabling leadership teams to test response procedures and identify continuous improvement opportunities. The Group also maintains, tests, and deploys a two-way emergency communication system to enable rapid and coordinated responses to emerging threats.

Risk 3: Decreased revenue due to global economic changes
Category: Transition risk (Market)
Time horizon: Short term under Net Zero Emissions 2050 scenario

Scenario data shows that the physical impacts of climate change—such as extreme weather, sea-level rise, and long-term temperature shifts—are expected to reduce global GDP over time. As global economic conditions weaken due to these climate-driven impacts, advertising and marketing agencies may come under financial pressure. Historically, advertising spend has closely tracked economic cycles, often declining sharply during periods of GDP contraction. For example, during the 2008 financial crisis, global advertising spend fell by over 10%, and it dropped nearly 6% during the COVID-19 pandemic.[4]

To assess how this could affect our business, we modelled the potential revenue impact if global GDP slows and clients reduce their investment in advertising and marketing services. Projected changes in GDP due to physical damages from climate change are taken from external projections, under different climate scenarios. Impacts are expected to be greatest in the long term and under less-ambitious climate policy pathways.

[4] Financial Times (2020) Global ad market set for rebound after weathering Covid storm

In our model, we assume that different service categories are affected to varying degrees by macroeconomic conditions: Based on this, we've modelled traditional advertising, media planning and buying, and digital marketing to respond in distinct ways to economic shifts.

As there are no established studies directly linking climate change to future advertising spend, these assumptions are based on the historical trends outlined above, and internal professional judgment. They consider the fact that, unlike more abrupt shocks such as the 2008 financial crisis and COVID-19 pandemic, climate-related economic impacts will unfold gradually, and during this period businesses will need to communicate their actions and value throughout the transition.

The risk materializes in the short-term but is most severe in scenarios where climate action is delayed or insufficient, particularly under the Current Policies pathway where economic disruption from infrastructure damage, supply chain interruptions, and productivity losses will be more pronounced. In the long term, this risk remains 'moderate' under Net Zero but increases to 'major' under Delayed Transition and Current Policies.

Risk mitigation: The Group's B2B2S management policy is designed to create sustainable business models and future-proofed products in partnership with our clients. This approach enhances our collective resilience to climate risks and mitigates the potential impact of climate change on GDP and consumer purchasing power. By developing tools that strengthen our clients' ability to adapt to climate-related challenges, we also reinforce our own resilience to these risks.

To stay ahead of emerging trends and opportunities, we continue to invest in research and development. In 2024, dentsu released the *Modern Sustainable Consumer* report, which revealed a significant gap in understanding how consumers perceive, adopt, and engage with sustainable brands and products. The research is designed to help our clients reconnect with their audiences, build trust, and communicate effectively around sustainability to foster long-term brand loyalty.[5]

We publish our *Global Ad Spend Forecast* every six months, offering updated annual and forward-looking projections with detailed insights by media channel and region. This biannual report helps clients refine their media strategies and investment decisions in a rapidly evolving landscape. We also actively support clients in reducing the carbon footprint of their advertising activities. A recent example includes our collaboration with Vodafone to reduce GHG emissions in their media operations.[6]

Risk 4: Inability to meet demand for sustainability-focused services
Category: Transition risk (Market)
Time horizon: Long term under Net Zero Emissions 2050 scenario

Companies are under increasing pressure to meet stakeholder expectations on climate action while complying with new regulations such as the EU's Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. As a result, many organizations are boosting their investment in sustainability-related services and advisory support to meet these obligations efficiently and manage regulatory and reputational risks. In a low-carbon transition, we anticipate that our clients will not only seek consulting and advisory expertise but also look to embed sustainability messaging more deeply into their advertising and media campaigns in response to shifting consumer values.

To understand the potential impact of not responding adequately to this demand, we modelled the missed opportunity to earn revenue from underutilizing our sustainability expertise outside of Japan. Our sustainability services are thriving in Japan, providing a solid foundation for future expansion into other regions where these capabilities have yet to be fully realized.

The model assumes that revenue from sustainability services in Japan will grow in line with external carbon prices. We consider this a useful proxy because rising carbon prices signal stronger policy environments and higher cost pressures, both of which typically drive greater client demand for sustainability-related support. Since the projected growth in carbon

[5] Dentsu (2024) The Modern Sustainable Consumer
[6] Vodafone (2025) Vodafone reduces its advertising and media carbon footprint by a third

price exceeds our overall business growth rate, sustainability services are expected to represent a growing share of our total revenue in Japan.

To estimate the missed opportunity in other markets, such as the UK and Europe, we applied the projected percentage of sustainability-related revenue in Japan to our forecasted revenues in those markets. This approach illustrates the potential additional revenue that could be realized if market maturity and service uptake mirrored those in Japan.

The opportunity gap increases over time and is most significant under the Net Zero and Delayed Transition scenarios, where client demand for sustainability support is expected to be both urgent and widespread. While the missed opportunity is projected to increase significantly, rising six-fold between 2025 and 2040, it has a low overall impact due to sustainability-related revenue currently representing a smaller share of our total revenue.

Beyond the quantitative modelling, we also recognize there may be potential reputational risks associated with not being perceived as a climate leader, particularly when benchmarked against our peers. In markets increasingly aligned with net-zero goals, such perceptions may influence client decisions and impact our competitive positioning.

Risk mitigation: Internally, we are fostering awareness and building the capacity of our teams to lead the shift toward sustainable advertising and consumption via employee training programs. Additionally, our business transformation (BX) services, such as dentsu good and Sustainability to Impact in Japan, are designed to support our clients with embedding sustainability into their operations and campaigns, offering bespoke solutions to meet their unique needs.

In 2023, dentsu launched an initiative to promote GHG emission reductions in supply chains associated with marketing communication activities in Japan. With a view toward future collaboration with AdGreen, this initiative will drive the development of a Japanese industry-standard GHG emissions visualization tool that will be evaluated more precisely and globally in the medium- to long-term for various service lines of marketing communications in Japan, including advertising and content production, media delivery, digital solutions, and events.

In 2024, dentsu Japan launched a new Sustainability Promotion Support Program that weaves together integrated solutions that help shape people's attitudes and behaviors towards sustainability. Through this program, dentsu Japan aims to support client companies in increasing their corporate value by achieving sustainability goals. The Group also launched dentsu's Business Transformation Practice, Dentsu BX, in India to collaborate with businesses to co-create transformation strategies that accelerate sustainable business growth.[7]

Risk 5: Clients fail to adapt to changes in consumer behavior resulting from the low-carbon transition
Category: Transition risk (Market)
Time horizon: Medium term under Net Zero Emissions 2050 scenario

In the low-carbon transition, we would expect companies that are in high-emitting sectors and/or failing to adapt to climate-related risks and regulations are more likely to face declining revenues, shrinking customer bases, and limited growth prospects. As consumers, investors, and policymakers increasingly favor sustainable business models, late adopters risk being outperformed and excluded from emerging markets. In this context, our clients' risks will become our own risks, as those who fail to adapt adequately will become less able to spend their budget on our services.

Our modelling assumes that some of the sectors we serve - particularly those with high emissions intensity - present a disproportionate level of climate-related risk. This is especially the case for legacy companies within these sectors that are not yet actively addressing their own climate risks. Some of our clients operate in these high-risk sectors, which we have included in our analysis due to their elevated exposure to transition and reputational risks.

To estimate the total revenue at risk in each sector we considered the percentage of companies that, as of today, are failing to report adequately on climate risks. This is based on secondary research that assesses both the coverage and

[7] Dentsu (2025) Dentsu BX Expands Footprint to India

quality of climate-related disclosures across various sectors. A weighted average (putting more emphasis on quality) showed that between 29% and 35% of companies are not reporting adequately on climate risks, depending on the sector.

We also considered the percentage of consumers (across all sectors) that are both climate conscious and action oriented, as we would not expect all consumers to make their purchasing decisions based on their concern for the climate. The percentage of consumers that are climate conscious is based on extensive dentsu research and grows over time in line with carbon prices. Carbon pricing serves as a reasonable proxy for climate consciousness among consumers because it reflects the increasing societal and political pressure to account for the environmental impact of goods and services. The percentage of consumers that are action oriented is based on secondary research.

Our analysis shows that this risk has only a minor impact on dentsu in the short term under a Net Zero scenario. However, it grows to a moderate impact in the long term under both the Net Zero and Delayed Transition scenarios, as climate pressures intensify and consumer expectations rise.

Risk mitigation: We hold regular review meetings with stakeholders involved in advertising and other marketing communications aiming to discuss our ideal vision for the entire industry toward the realization of a low-carbon society. Across our global markets, we actively engage with our clients, peers, and industry partners on new initiatives to accelerate the transition to a low-carbon society.

The Group has partnered with GoodNet, an ethical media and intelligence company, to launch a new Ethical Media Index (EMI) in the UK, enabling brands to plan and measure the ethical performance of their digital campaigns.[8] This is the latest tool dentsu can offer clients to help them drive more ethical media campaigns, sitting alongside our existing solutions such as a cross-channel media carbon calculator, offering further support to brands wishing to deliver against sustainability-related KPIs. The EMI was initially rolled out in the UK, before being taken to global markets later in 2024.

Going forward, dentsu will continue to contribute to the sustainable development of marketing communications to connect consumers and society, and work to resolve societal issues through closer collaboration with our clients as well as by implementing our B2B2S management policy.

Risk 6: Cost of carbon taxes and other climate regulation
Category: Transition risk (Policy and Legal)
Time horizon: Short term under Net Zero Emissions 2050 scenario

Companies such as dentsu have increased operational expenses related to carbon taxes and regulatory compliance in markets where climate policy is among the most advanced and stringent globally. This pressure is expected to expand into other key markets where dentsu operates—such as Japan, Australia, and parts of Asia—as governments adopt similar measures to meet international climate goals. These developments are likely to drive up both operational and reporting costs across our business.

To better understand this risk, we conducted modelling to estimate potential carbon tax liabilities for our operational (Scope 1 and 2) and upstream value chain (Scope 3) emissions, along with the projected increase in regulatory compliance costs.

Our modelling assumes that GHG emissions will decline in line with our science-based GHG emission reduction targets. We also assume that all taxes paid on upstream emissions will be fully passed on to dentsu from our suppliers, in the form of higher cost of purchased goods and services. Upstream activities accounted for approximately 92% of our total Scope 3 emissions footprint in 2024.

We further assume that operating costs related to compliance with climate regulation will increase in line with carbon prices. Historical costs related to compliance include fees for preparing and submitting external disclosures and publication of related reports, assurance, software/tools, and cost of engaging external support. Carbon pricing serves as

[8] Dentsu (2024) Dentsu partners with GoodNet to launch Ethical Media Index

a useful proxy for these costs, as it reflects the overall stringency of climate policy—often accompanied by increased reporting, auditing, and operational requirements.

This risk is expected to remain minor in the short term under all climate scenarios. However, under the Net Zero pathway, it escalates to moderate risk from 2030 onward, reflecting the sharp rise in regulation and carbon prices that will be needed to drive rapid decarbonization.

Risk mitigation: To mitigate the financial impact of current and emerging carbon taxes and climate regulations, we are enhancing internal capabilities to anticipate and respond to policy developments. As part of our adaptation strategy, we are investing in capacity-building across teams, aligning our client offerings with evolving low-carbon regulatory expectations, and engaging with policymakers and industry groups to help shape pragmatic, forward-looking climate policy. These efforts not only help reduce potential cost burdens but also position us as a trusted partner to clients who are also navigating increasingly complex regulatory environments.

We are continuously enhancing our emissions reporting processes to ensure compliance with various regulatory requirements in a cost-efficient manner. This includes developing a robust reporting strategy focused on improving data quality and accuracy, including our Scope 3 activities, to reduce emissions and mitigate potential costs associated with carbon taxes if and where they become applicable. In addition, the Group is moving toward more frequent reporting to support market transparency and help stakeholders better manage and meet emissions targets.

This enables real-time monitoring of progress against our targets, supporting our GHG emission reduction efforts and fostering active engagement with business leaders across markets. Looking ahead, we will continue to track emerging regulatory developments across all dentsu markets to ensure ongoing alignment and readiness.

Opportunity 1: Access to new markets during the low-carbon transition
Category: Transition opportunity (Market)
Time horizon: Medium term under Net Zero scenario

During the low-carbon transition, many existing clients will adapt by innovating their products, business models, and sustainability strategies—creating new opportunities for marketing, brand repositioning, and customer engagement. At the same time, entirely new brands and sectors will emerge to meet shifting consumer and regulatory demands for low-carbon solutions. This dynamic environment will drive increased demand for dentsu's services across creative, media, and customer experience management, as businesses seek expert support to communicate their transformation and connect with sustainability-conscious audiences.

We have conducted modelling to estimate the size of this opportunity, by identifying sectors (based on secondary research) that will be positively disrupted during the low-carbon transition. It is assumed that when a sector sees significant, above-average reductions in energy-related emissions, this reflects periods of innovation or market entry; for example, through the rapid adoption of electric vehicles or new companies offering sustainable building materials. In years that NGFS sector emission reductions outpace the global average, we calculate accelerated revenue growth.

The opportunity is expected to materialize in the medium term and grow from a minor to a moderate opportunity in the long term under the Delayed Transition scenario.

Opportunity levers: Dentsu has several key differentiators that position us at the forefront of emerging markets and sectors. These include our expertise in identifying and capitalizing on new business models, expanding advertising and marketing services into high-growth industries, and driving transformation and sustainable growth for our clients. Our strategic initiatives such as our Business Transformation (BX) practices and Innovating to Impact play a crucial role in this differentiation.

BX focuses on helping clients to reimagine their business models, customer experiences, and operational strategies to stay competitive in a rapidly evolving landscape. These capabilities enable us to unlock new opportunities, shape industry trends, and support our clients in navigating transformational shifts while maintaining a strong commitment to sustainability and growth.

Opportunity 2: Adoption of technologies that reduce emissions intensity in services
Category: Transition opportunity (Technology)
Time horizon: Medium term under Net Zero Emissions 2050 scenario

Our sector is increasingly leveraging technology to reduce the emissions intensity of advertising, marketing, and media services, which appeals to clients focused on meeting their own net-zero targets. By adopting tools such as AI-powered campaign optimization, digital twins (to simulate and reduce energy use in creative production), carbon calculators, and cloud-based collaboration platforms, we can lower the carbon footprint of media planning, content production, and team operations.

We have conducted modelling to assess how technology could accelerate our net-zero trajectory and reduce the emissions intensity of our services. The model assumes that by positioning ourselves as a low-carbon, or sustainability - focused, service provider, we can expand our client base – particularly as more companies seek partners that align with their climate goals.

We assume that a small but growing percentage of our clients are 'climate conscious' when selecting a service provider, and that their business will shift to dentsu if our emissions intensity is lower than our competitors.

To assess the additional impact of leveraging technology, we compare how our emissions intensity will compare to the rest of the industry if we follow our planned emissions pathway, versus a decrease in our emissions at the same rate as the EU under the NGFS Net Zero scenario (this represents the most aggressive pathway for emissions reductions and is underpinned by the assumption that technological innovation will play a critical role in achieving deep emissions cuts).

To benchmark dentsu's emissions performance against the wider industry, we reference data from the UK Office for National Statistics (ONS) on baseline Scope 1, 2, and 3 emissions intensity for the motion picture, video, and television program production, sound recording, and music publishing sector — the closest available proxy for the advertising, marketing, and media industry.

This opportunity is expected to materialize in the medium term when technology could significantly reduce our emissions intensity and help differentiate us from our peers. During this period, the share of climate-conscious clients also increases. The opportunity grows fastest and becomes a 'major' opportunity under the Net Zero scenario, driven by rapid decarbonization and higher client demand. In contrast, under the Delayed Transition and current Policies scenarios, slower climate action limits progress, and the opportunity remains minor.

Opportunity levers: In 2023, dentsu launched an initiative to promote GHG emission reductions in supply chain associated with marketing communication activities in Japan. The initiative aligns with global standards and engages all relevant stakeholders across the media ecosystem. Working closely with clients and media partners, we are committed to measuring and reducing the GHG emissions associated with media placement.

Accurately calculating emissions from digital advertising remains a complex challenge due to limited data availability and inconsistent methodologies. To address this, since 2019, we have collaborated with DIMPACT, a web-based tool that models GHG emissions associated with serving media content from production to end-user delivery. This partnership forms part of a broader effort to evaluate and reduce the emissions linked to digital advertising on behalf of our clients. In 2021, we became founding members of the AdGreen initiative, which brings together the UK advertising industry to reduce the environmental impact of creative production. AdGreen has developed a carbon calculator that allows companies to assess the emissions footprint of production activities across the advertising value chain.

We have also developed the proprietary Dentsu Digital Media Calculator, which we expanded in 2023 to cover full-service, all-channel media carbon calculations across different markets, including Europe and Canada (not available in Japan). These tools are now being used by global brands to generate actionable insights and accelerate decarbonization.

Looking ahead, we plan to expand measurement capabilities into new markets and integrate carbon calculator outputs into our proprietary CCS planning platform. We remain committed to collaborating with media partners to refine methodologies, improve data quality, and identify scalable opportunities to drive emissions reductions across the industry.

2.4 Building resilience to climate risks

Reducing Scope 1 and 2 emissions

We have implemented a series of measures to reduce operational emissions, including:

- Investing in energy efficiency initiatives to reduce overall consumption
- Consolidating our office footprint through rationalization strategies
- Switching to hybrid or electric vehicles across our company fleet

At the Group level, our Scope 1 emissions primarily come from company cars, natural gas, and refrigerants. Scope 2 emissions are mainly attributed to electricity use, with heating and steam together accounting for approximately 20% of total Scope 2 emissions.

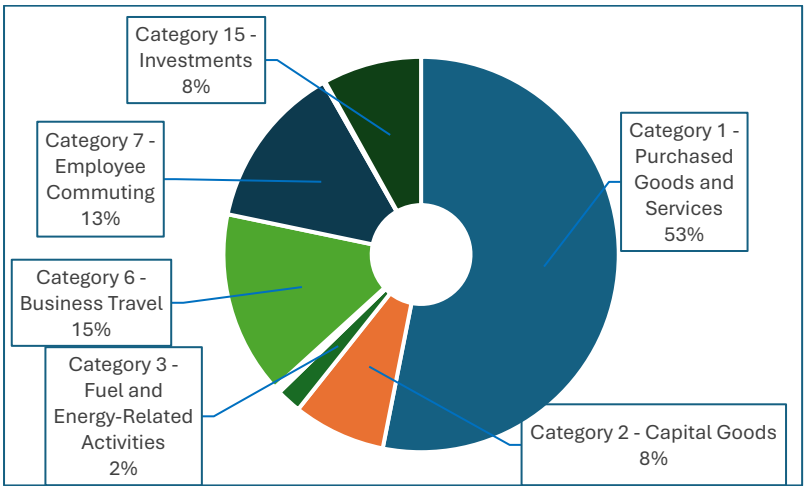
In addition to sourcing Renewable Energy Certificates (RECs) in line with RE100 guidance, we are pursuing long-term solutions such as on-site renewable installations and power purchase agreements (PPAs). In 2024, we installed on-site solar panels at our sites in Ireland and Japan. We are also focused on improving energy efficiency in equipment and building heating systems.

We have made significant progress towards reducing our Scope 1 & 2 emissions, and we are well on track to meet our 2030 targets at the current pace of decarbonization. However, there are many uncertainties that may impact our progress towards our 2040 target, including the ramping up of climate disclosure regulations in some markets with reduced momentum of climate-related regulations and renewable energy commitments in other markets, as well as ongoing discourse around changes to GHG accounting standards. Underlying these strategic actions is the continuous improvement of data accuracy and visibility, including engaging with our value chain partners to analyze and optimize usage.

Tackling Scope 3: Value chain decarbonization

As progress continues toward our operational footprint, we are intensifying our focus on Scope 3 emissions. These account for more than 90% of our total GHG footprint, with the largest contributors being purchased goods and services, business travel, and employee commuting.

Dentsu's 2019 Scope 3 emissions (tCO_2e) by category



Between 2019 and 2024, we reduced Scope 3 emissions by 28%, largely attributed to a reduction in business travel and supply chain emissions. However, under a business-as-usual scenario, the pace of decarbonization across the value chain may not be sufficient to meet our overall environmental goals, particularly in light of expected business growth. We have also identified the following dependencies across our value chain that must be considered as we action our transition plan:

- **Policy:** Emerging climate regulation and policy, and increased reporting requirements. There is a possibility that shifts in government policy or the pace of climate-related regulation in key markets could affect the consistency and timing of global decarbonization efforts.
- **Quality and innovation:** The emergence of new business models, innovation in low-carbon technologies, and development of advertising services in new sectors. Business activities that have limited alternatives to source renewable energy due to delayed grid decarbonization – e.g., markets without access to renewable energy certificates (RECs).
- **Consumer pressure:** Consumer purchasing decisions increasingly driven by environmental and sustainable considerations, focusing on factors such as product durability and waste reduction.

Looking ahead, we acknowledge that significant uncertainties remain in the policy landscape, market conditions, and technological advancements over the next few years, which may affect the feasibility and effectiveness of long-term emissions reduction strategies.

To address this, we are enhancing our global value chain engagement strategy, focusing on scalable, high-impact interventions; strategic partnerships across regions and markets; and data-led emissions tracking aligned with our science-based GHG emission reduction targets. We performed regional- and market-level analyses of the policy landscape, infrastructure readiness, and emissions inventory to lay the groundwork towards reducing emissions from the forecasted 2030 and 2040 figures towards achieving our science-based targets. Based on these analyses, emissions reductions were weighted by contribution to the inventory and allocated to regions and markets, taking into consideration the climate maturity as well as accountability of regions and markets for their contributions to our Scope 3 inventory.

Another key focus area is Scope 3 Category 15: Investments, which amounts to 8% of dentsu's Scope 3 baseline across our Group-wide operations. While most investee emissions in Japan are calculated using investee-specific emissions, investee emissions in other regions rely on revenue-based methodologies. Leading up to 2030, a critical action for dentsu in this area will be to engage with investee companies to collect actual Scope 1 and 2 emissions data for more accurate reporting. Given that only a small number of investee companies exist outside of Japan, we aim to extend these engagements to include target-setting in line with the latest climate science. In addition, we will assess how weather-related risks—such as extreme storms, flooding, and temperature fluctuations—may impact our business operations, supply chain resilience, and overall profitability. At the same time, we will explore opportunities to incorporate these considerations into our investment decisions, including acquisitions and minority investments, with the aim of enhancing

operational resilience, identifying growth areas, and creating long-term value—ensuring our climate ambitions are prioritized alongside business growth.
Due to dentsu's near-term target coverage, emissions reduction initiatives are currently focused on purchased goods and services, business travel, and employee commuting. However, decarbonization efforts across other Scope 3 categories are not stagnant. To achieve our 2040 goals, laying the groundwork as early as possible to reduce emissions across all other Scope 3 categories will be crucial.

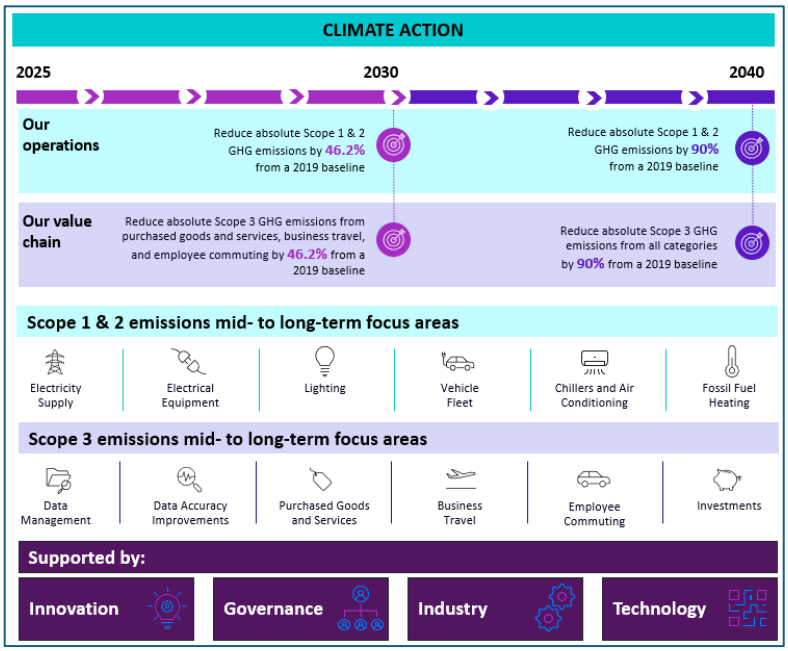
Progress in 2024
Our 2024 progress toward our emissions targets includes:

Category	2019	2024	% change
Scope 1 (tCO_2e)	11,746	3,001	-74%
Scope 2 (market based) (tCO_2e)	24,258	9,583	-60%
Scope 2 (location based) (tCO_2e)	44,261	30,915	-30%
Scope 3 (tCO_2e)	542,042	389,149	-28%
Total* (tCO_2e)	578,046	401,733	-31%

*Scope 1, Scope 2 (market based), and Scope 3

Our Net-zero Transition Plan

We use scenario analysis to assess the potential impacts of climate-related risks and opportunities on our operations, strategy, and financial planning. Insights from this analysis have been embedded into our strategic and business planning processes, enabling us to implement targeted measures that mitigate risks and maximize opportunities.



These efforts are fully supported by our comprehensive Net-zero Transition Plan, which outlines the strategic actions we are taking to achieve our global climate goals and ensure a sustainable future for dentsu. It is aligned with international best practices and was developed in consultation with stakeholders across our business. It will be reviewed regularly to ensure continuous improvement and accountability.

The plan outlines both our achievements to date and the forward-looking actions we will take to support our GHG emissions reduction goals, contribute to broader industry transformation, and empower individuals to make more sustainable choices. As a global leader in media and marketing, we recognize the critical role we play in enabling sustainable business practices across the industry. We are focused on leveraging our platform to support clients in their journey towards implementing low-carbon solutions and reducing their environmental impact.

Our strategic objectives are anchored in ambitious Scope 1 & 2 and Scope 3 emissions reduction targets aligned with the Science Based Targets initiative (SBTi). In addition to reducing emissions within our own operations, we collaborate with clients, partners, and consumers to drive value creation across the value chain and support the journey towards a low-

carbon economy. We are prioritizing the adoption of renewable energy across our global operations and driving energy efficiency through innovative technologies and strategic partnerships. Our approach centers on:

- Switching to 100% renewable electricity
- Lowering emissions from business travel and supply chain activities
- Embedding emissions reduction initiatives into our broader Net-zero Transition Plan, aligned with our long-term value creation goals

Embedding climate-related risks, opportunities, and resilience into our business strategy

We recognize that climate-related risks pose a material threat to long-term business viability. In response, we are committed to proactively identifying, managing, and mitigating these risks through our Net-zero Transition Plan, enhancing our organizational resilience and safeguarding future value creation.

Climate risk considerations are fully integrated into our strategic planning, capital allocation, and enterprise risk management frameworks. This alignment strengthens our ability to navigate an increasingly dynamic regulatory and market environment, while reinforcing our commitment to responsible, climate-aligned growth. We regularly review and refine our emissions reduction targets to reflect shifts in climate policy, advances in low-carbon technologies, and emerging decarbonization opportunities across our sector. This adaptive, forward-looking approach ensures that our climate strategy remains effective, science-aligned, and relevant to the global journey toward a low-carbon economy.

As part of our Net-zero Transition Plan, we conducted a detailed assessment of the investments needed to mitigate transition risks and seize new opportunities. To evaluate capital needs for reducing operational emissions, we developed Marginal Abatement Cost Curves (MACCs) across 12 priority markets, selected based on their contribution to our GHG inventory and revenue. These MACCs were generated at the global, regional, and market levels and assessed the cost-effectiveness of key carbon reduction levers, including:

- Energy efficiency upgrades
- Renewable energy procurement
- Low-carbon technological interventions

The analysis incorporated a range of variables, including implementation timelines, technology costs, and long-term savings potential, providing a robust, data-driven basis for investment planning. For Scope 3 (value chain) emissions, we also estimated annual investment requirements for critical initiatives, including the deployment of digital platforms to enhance supplier data collection and emissions tracking, as well as supplier engagement and capacity-building programs to drive GHG emissions reduction efforts.

Internal Carbon Pricing

At present, dentsu has not adopted an internal carbon pricing mechanism. We continue to monitor its potential as a tool to support the integration of climate considerations into financial and strategic processes. According to leading international financial organizations, internal carbon pricing can:

- Help quantify the financial impact of emissions
- Incentivize internal abatement
- Align corporate strategies with long-term climate goals

We will continue to explore its relevance as our transition plan evolves.

Readiness for carbon markets

As carbon markets mature, we are monitoring developments in global standards and guidance – particularly from the SBTi and related bodies. These frameworks are shaping consensus on the appropriate use of offsets, with an emphasis on integrity, transparency, and climate science alignment.

Consistent with the SBTi guidance, companies may neutralize residual, hard-to-abate emissions (up to 10%) only after achieving a 90% reduction in absolute emissions. We remain committed to reducing GHG carbon emissions within our operations and value chain and do not currently offset our annual GHG emissions. However, we recognize that achieving our long-term goals by 2040 will likely require neutralizing residual emissions through credible and verifiable GHG removal projects. We will continue to:

- Monitor regulatory and voluntary market developments.
- Assess the applicability and readiness of carbon offset mechanisms for dentsu.
- Ensure any future participation in voluntary carbon markets meets the highest environmental and social standards.

Capacity to adjust/adapt the Group's strategy and business model to climate change

Our scenario analysis has enabled dentsu to evaluate how key uncertainties could influence our ability to adapt and respond to climate-related risks and opportunities. These include external factors such as shifts in policy, market transformation, and stakeholder expectations, as well as internal dependencies related to our value chain and service delivery models. Understanding these variables is essential to assessing how different climate pathways may affect dentsu's business strategy, operations, and long-term value creation.

The Group has the global capacity to strategically allocate capital in line with our climate ambition, risk management approach, and medium-term management priorities. As part of dentsu's commitment to long-term value creation through our latest Mid-Term Management Plan, our capital allocation remains flexible and responsive to different climate futures, while supporting client transformation and sustainable growth across key markets.

In a low-emissions scenario where global climate action is effective and transition policies accelerate:

- The Group has the capacity to increase investment in sustainable media, marketing, and business transformation services that enable clients to meet their own net-zero goals, in alignment with our role as an Integrated Growth Partner.
- We can further scale innovation initiatives such as those led by our BX practices to develop low-carbon solutions and data-driven tools that support a just and inclusive future.
- Capital can be directed towards accelerating digital infrastructure and media technology platforms that reduce emissions and promote transparency across the advertising value chain.

In a high-emissions scenario where climate impacts intensify and adaptation becomes a priority:

- The Group has the ability to pivot capital to strengthen service resilience, including the development of tools and campaigns that help clients respond to reputational, operational, and consumer-related risks linked to environmental disruption.
- Investment can be focused on markets where climate adaptation services are most urgently needed, balancing risk exposure with opportunities for long-term growth.
- We may moderate capital investment in less viable GHG emissions reduction services in markets where climate ambition is delayed, reallocating toward enabling solutions that address immediate physical risk and evolving consumer expectations.
- This capital allocation flexibility ensures that dentsu remains resilient across a range of climate outcomes, enabling continued value creation for clients, shareholders, and society through the delivery of sustainable, insight-led solutions.

Effect of the Group's current and planned investments in climate-related mitigation, adaptation, and opportunities for climate resilience

A. Mitigation

As part of our 2030 Value Creation Strategy, we are committed to our GHG emissions reduction goals. In a low-emissions scenario where global climate action accelerates, we expect to increase investment in renewable electricity procurement, alongside other innovative measures to reduce emissions across our value chain. This includes improving our energy efficiency, investing in low-carbon digital infrastructure, and collaborating with partners to decarbonize media and advertising delivery.

In a high-emissions scenario, where the global transition progresses more slowly, we anticipate that renewable energy markets may develop at a slower pace, and energy costs could become more volatile. In such a case, we may need to prioritize investments in operational resilience—such as strengthening our facilities against extreme weather, enhancing digital systems to ensure business continuity, and diversifying our supplier base. These could result in higher operating costs over time and may limit the pace at which we can invest in transition-related opportunities.

B. Adaptation investments

We are investing in adaptation measures to reduce exposure to physical climate risks and ensure business continuity across our global operations. We conduct climate risk assessments across key regions where we operate, considering projected increases in extreme heat, flooding, and other climate-related hazards. These assessments guide the implementation of site-specific adaptation strategies, including upgrading cooling infrastructure, optimizing energy use, and improving building resilience.

Our ISO 22301-certified Business Continuity Management System, governed by our Resilience Policy, provides a structured response to acute climate events. A dedicated Resilience Team within our Internal Control and Risk function monitors physical risks and coordinates crisis response through incident simulations, climate-informed risk mapping, and emergency communication protocols.

We are also strengthening digital resilience through the deployment of early warning systems that enhance our ability to anticipate and respond to climate-related disruptions. These systems help us manage workforce safety and client service continuity in the face of extreme weather. As warming increases, the emphasis on adaptation intensifies. Under high-emissions scenarios, where mitigation options may be less effective or slower to deliver, we expect adaptation spending to rise.

We recognize that effective adaptation is essential not only for our operational resilience, but also for maintaining trust with clients and partners in increasingly climate-affected markets. As we continue to evolve our strategy, we remain focused on balancing short-term adaptation needs with long-term transition goals ensuring we are prepared for a range of plausible futures.

C. Opportunities for climate resilience

We recognize that climate resilience is not only about risk management but also an opportunity to drive strategic growth and innovation. Our ongoing investments in energy efficiency and increasing renewable electricity usage contribute to cost savings and reduce exposure to energy price volatility, strengthening our operational stability.

Protecting our workforce from physical climate impacts, such as heat stress and extreme weather, is central to maintaining productivity and employee wellbeing. By implementing adaptive measures and maintaining robust business continuity plans, we ensure our teams remain engaged and operational even under adverse conditions.

As consumer values shift and regulatory pressures intensify, clients increasingly seek partners who can embed credible climate narratives and solutions into their marketing, advertising, and broader business strategies. Drawing on climate risk models and data analytics, we deepen our insight into our own vulnerabilities, enabling us to better guide clients in developing resilience strategies, conducting scenario assessments, and advancing sustainable business transformation. We see collaboration with our suppliers as a critical component of resilience. Strengthening supply chain visibility and integrating climate risk considerations allows us to mitigate disruptions and innovate jointly on solutions that reduce collective climate exposure.

3. Governance

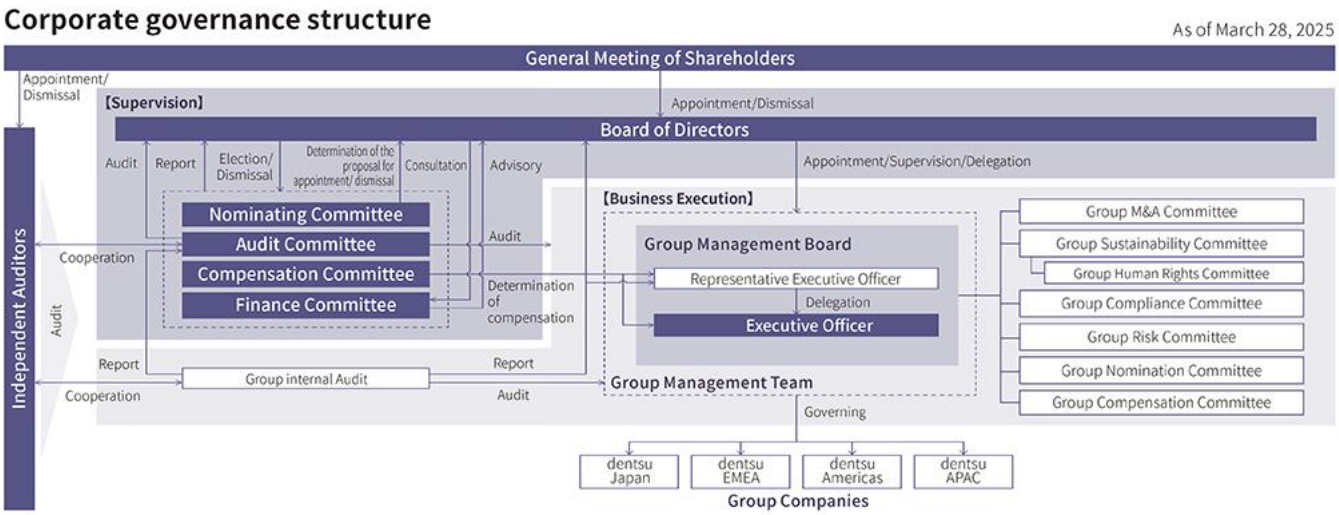
3.1 Management's role in our climate-related approach

Our ability to manage climate-related risks rests on strong governance structures and board-level processes that integrate climate-related risks and opportunities effectively.

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

Governance Group/Role	Description
Board of Directors (BoD)	Our BoD has assigned climate-related responsibilities to our Global CEO and Global CSusO.
Representative Executive Officer, President & Global Chief Executive Officer (Global CEO)	Our Global CEO reports directly to the BoD and is responsible for monitoring progress against our climate targets and integrating climate-related issues into our strategy.
Global Chief Sustainability Officer (Global CSusO)	Our Global CSusO chairs the GSC and is responsible for managing annual budgets for climate mitigation activities, integrating climate-related issues into the strategy, monitoring and managing our environmental performance, and reporting material sustainability and climate-related issues to the GMB.
Group Management Board (GMB)	The GMB is organized as the decision-making body for the Group on the executive side, facing the BoD. The GMB meets in conjunction with the BoD to resolve budgetary and investment decisions, mid-term management plans, appointments, and regulatory considerations. The GMB consists of representative directors and executive directors. The GMB has responsibility for reporting important climate- and sustainability-related matters (including major risks) identified by the GSC to the BoD.
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 on the risk management process can be found in section 4 (Risk Management).
Group Sustainability Committee (GSC)	Our GSC, chaired by the Global CSusO, meets four times a year to monitor and evaluate our progress against our 2030 Value Creation Strategy and any material climate-related risks and opportunities. The committee comprises eight members with wide-ranging expertise and regional backgrounds and provides progress updates to the BoD twice a year. In 2025, the GSC finalized dentsu's 2030 Value Creation Strategy, which includes action plans and KPIs around Environment and other material issues for the Group.

3.2 Corporate governance structure



3.3 Governance of climate strategy and targets

To drive progress toward our GHG reduction targets and reinforce leadership accountability, dentsu has integrated climate-related metrics into executive incentive schemes. Since 2022, the annual bonus for certain directors of Dentsu Group Inc. has been partially tied to environmental performance, specifically the absolute reduction of Scope 1 and 2 GHG emissions from a 2019 baseline. These thresholds are reviewed annually to ensure alignment with our long-term ambition to reach net-zero emissions by 2040.

Under our previous Mid-Term Management Plan, which ran through 2024, 10% of the annual bonus for directors and Executive Officers of Dentsu Group Inc. was linked to non-financial KPIs, including climate performance. In 2024, this included a target to reduce Scope 1 and 2 emissions by 21% compared to 2019 levels.

The integration of climate performance into remuneration reflects the alignment of our incentive structures with our 2030 Value Creation Strategy and our commitment to long-term value creation through GHG emissions reduction activities.

3.4 Climate-related skills and experience

Frequent and deliberate consideration is given to experience, qualifications, background, and skills. The Nomination Policy concerning director nominations and succession planning ensures that the Nomination Committee selects candidates with management-related expertise, experience, and ability while ensuring a good balance between strong representation and fields of expertise.

To ensure they properly perform their roles and carry out their responsibilities, directors are regularly provided with training and opportunities to acquire knowledge essential for performing their duties. When outside directors are appointed, they are provided with information on the Group's businesses and organizational structure, followed by regular opportunities to learn about specific issues and challenges facing the Group's businesses. In recent years, directors participated in training programs covering compliance, geopolitical risks, and sustainability.

The BoD has extensive experience in oversight of strategy in response to risks and opportunities and more recent experience in understanding climate-related risks and opportunities. Many of the skills outlined in the matrix are critical for the oversight of strategies to respond to climate-related risks and opportunities.

4. Risk management

4.1 Risk management and governance

Our Enterprise Risk Management (ERM) framework is designed to address these identified risks and enhance our overall business resilience. Dentsu's climate risk and opportunity analysis identified and assessed the physical and transition risks and opportunities that the Group is facing from climate change.

The Group Risk Committee, responsible for overseeing risks that could hinder future management objectives, identifies and assesses significant risks to dentsu using an ERM approach that includes climate-related risks. The Committee meets bi-annually, with the chair 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.

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. "Failure to meet sustainability targets" has been highlighted as a risk 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 to the GMB) and develop and implement follow-up plans. Risk Committees across the Group meet bi-annually to ensure the timely capture, tracking, and sharing of risk information.

4.2 Risk and opportunity identification

As part of our ongoing commitment to building a resilient business and minimizing the impacts of a changing climate on our business, dentsu has previously conducted climate scenario analyses aligned with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD). In 2024, we undertook a detailed assessment to identify key climate-related risks and opportunities and evaluated how different climate scenarios could impact our current and future exposure to both physical and transition risks.[9]

In 2025, we built on this foundation to ensure our understanding of climate-related risks remains current and to align to the guidance provided for the IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board (ISSB). We reviewed our business operations thoroughly to identify climate-related risks and opportunities complemented by an analysis of TCFD-aligned disclosures from industry peers. This process covered all geographic regions and operational sites, providing a holistic view across our value chain.

A consolidated list of potential physical and transition risks, along with transition opportunities, were assigned preliminary qualitative impact ratings – assessing potential business disruption or financial loss – and likelihood ratings, based on the probability of occurrence. Transition risks and opportunities were evaluated in line with TCFD categories, including regulatory, technological, legal, market, and reputational factors, and considered relevant time horizons. The assessment was supported by secondary research and climate data from the Network for Greening the Financial System (NGFS) and involved an analysis of current and future climate conditions, international regulatory developments, market trends, and stakeholder expectations.

[9] See: dentsu TCFD Report 2024

To validate this preliminary assessment, we conducted internal workshops with colleagues from key business functions across the organization. Feedback from these stakeholders further refined the qualitative scoring and helped prioritize the most material risks and opportunities, which were then carried forward for scenario analysis.

4.3 Risk and opportunity assessment

For each priority risk and opportunity, impact pathway visualizations were developed to illustrate how the potential financial impacts would be calculated. These visual tools also captured the key data sources and business assumptions underlying each assessment. Cross-functional teams were engaged through interviews to review the calculation methodologies, validate assumptions, and ensure access to relevant data aligned with current business operations.

Scenario analysis was a key tool in quantifying the potential effects of both transition and physical risks. Physical risks were evaluated using climate scenario modelling tools grounded in the latest science and informed by authoritative sources such as the NGFS, IEA, IPCC, and the UK Climate Change Committee, in combination with primary business data. These tools assessed a wide range of acute and chronic climate hazards across multiple temperature pathways. We selected two IPCC pathways – SSP5-8.5 (high emissions) and SSP1-2.6 (low emissions) – to explore the impacts under both optimistic and pessimistic climate scenarios.

Transition risks were analyzed using scenario data from credible sources including the NGFS, IEA, and World Bank, across three pathways: Net Zero, Delayed Transition, and Current Policies. Where possible, we incorporated primary business data, industry insights, and market research, supplemented by secondary research to address data gaps. In limited cases, professional judgment was applied and validated with internal experts – for example, when estimating the potential impact of slower GDP growth on future advertising spend. We recognize the value of improved data inputs and will continue to explore ways to enhance our analysis through greater access to primary data.

The financial impact of each climate-related risk and opportunity – relative to a 2024 baseline – was modelled annually from 2025 to 2050. These projected impacts were assessed against predefined materiality thresholds, as outlined in the table below. Each item was classified as Fundamental, Major, Moderate, Minor, or Insignificant, based on the potential scale of impact on our global business. These classifications correspond to minimum operating profit change thresholds expressed in Japanese Yen (¥), ensuring a consistent and objective approach to materiality assessment that is aligned with dentsu's Enterprise Risk Management (ERM) framework.

Dentsu impact thresholds

Impact				Financial *Underlying Operating Profit
		5	Fundamental	>¥18.1 billion
		4	Major	¥9.1-18.1 billion
		3	Moderate	¥4.5-9.1 billion
		2	Minor	¥1.8-4.5 billion
		1	Insignificant	<¥1.8 billion

Risk and opportunity prioritization and monitoring

Risks are prioritized and monitored based on dentsu's Enterprise Risk Management (ERM) framework. To achieve management goals, the Group identifies and evaluates risks the uncertainties and risks we face. By addressing and monitoring high-priority risks, we implement optimal risk responses which include the avoidance and mitigation of risks that may become obstacles to achieving our business objectives. This allows us to maximize the realization of opportunities, either by overcoming or taking risks.

The Group formulates and implements an annual plan for risk management. We are therefore able to identify strategic risks, major operational risks, and emerging risks, as well as to streamline risk management processes and promote the development of a risk culture.

Based on the Enterprise Risk Management (ERM) approach, the Group identifies and evaluates risks that are of major significance to Group management. Further, to steadily improve its quality, we have established a three-tier plan to

promote more effective and efficient risk management. To manage the likelihood of risks materializing and to control their impact should they materialize and reach specified levels, risk sponsors are selected for each risk.

Once the degree of the Group's risk exposure has been ascertained, a response plan and deadline are determined, and progress is reported regularly with the aim of mitigating risks. Overall risk exposure is reviewed annually, while individual risks are reviewed as necessary and appropriate.

To respond to emerging risks — including those related to climate change and other evolving factors — the Group Risk Committee collaborates with the four Regional Risk Committees, as appropriate, to identify potential risks, assess their strategic and operational implications, and develop appropriate response plans. To strengthen risk awareness and embed a proactive risk culture across the organization, we also provide targeted risk management training for senior leaders and relevant employees.

5. Metrics and targets

5.1 Methodology for the calculation of GHG emissions

Following the transition to a global management structure from 2023, SBTi target recalculation and baseline recalculation clauses were triggered. In the first half of 2024, dentsu conducted a baseline recalculation and revalidation exercise in compliance with SBTi requirements. The methodology outlined in this section reflects the methodology and assumption used for baseline recalculation and target re-validation, which was completed and successfully validated in October 2024. As this was after the 2024 reporting cycle for public disclosures such as the Integrated Report, TCFD Report, and our CDP response, there may be discrepancies between what has been reported in those documents and what is reported in this report. In 2025, disclosures on methodologies and assumptions will be aligned with the calculation methodology used in the validation of our science-based GHG emission reduction targets.

Scope 1: Direct GHG emissions
Scope 1 emissions include direct GHG emissions from sources owned or controlled by dentsu, such as combustion of natural gas and fuels from vehicles. These emissions are calculated using activity data from utility bills, metered consumption values, and mileage data, applying the latest conversion factors from the IPCC, the UK Government, and Japan's Ministry of the Environment. In the baseline recalculation, emissions from refrigerant leakage in air conditioning systems were collected for emissions calculations, and average leakage values were used for estimation in markets without refrigerant data where air conditioning usage is expected.

Scope 2: Indirect GHG emissions from electricity consumption
Scope 2 emissions arise from purchased electricity and heating. Dentsu calculates these emissions using two methods: location-based, sourcing from the IEA for grid-based emission factors, and market-based, validating our renewable energy claims through renewable electricity certificates in line with RE100, GHG Protocol, and SBTi requirements.

The relevance of Scope 3 categories and calculation methodology is outlined in the table below.

Category	Description	Calculation Methodology
1 Purchased Goods and Services	Purchased goods from general office equipment and purchased services from technology, professional services sector, including software and hardware purchases; legal, audit or consulting fees and research cost or media rating services.	Spend-based method, using spend extracted from dentsu's finance systems, including spend categories such as IT, professional fees, and advertising expenses. Emission factors were obtained from the US EPA's Environmentally-Extended Input-Output model (USEEIO) and Japan's Ministry of the Environment (MoE) to cover the cradle-to-gate boundary.
2 Capital Goods	Freehold land and building cost, long leasehold & leasehold improvement cost, office furniture and fixtures cost, artwork costs, computer servers & desktops, motor vehicles cost, tangible assets during construction and advertising structures	Spend-based method, using spend extracted from dentsu's systems, including spend categories tagged under 'Software', 'Real Estate' and others. Emission factors were obtained from Japan's MoE to cover the cradle-to-gate boundary.
3 Fuel- and Energy-related Activities	Well-to-Tank (WTT) emissions from energy sources consumed.	Activity data collected for Scope 1 and 2 emissions was used to calculate the WTT emissions. Transmission and Distribution (T&D) emissions for electricity were calculated using the most recent UK Government emission factors for UK sites, Japan's MoE for Japanese offices, and IEA emission factors for all other offices.
4 Upstream Transportation	Postal and courier services collected from entities and Group companies.	Spend-based method, using spend extracted from dentsu's finance systems, including spend on courier and postal services. Emission factors were obtained from USEEIO to cover the cradle-to-gate boundary.

5 Waste Generated in Operations	Commercial waste and general waste from office-based activities. Measured using actual 2024 waste data and usage data for wastewater treatment. Estimates applied to missing International sites using a weighted average.	Primary data on recycling, incineration, landfill, and compost volumes and multiplied by UK government emission factors, applied consistently to offices outside of Japan. In our operations in Japan, primary weight data on waste types were collected as required by local regulations. Emission factors were obtained from Japan's MoE.
6 Business Travel	Air travel, rail travel, and ground travel (including personal car use and taxis). Emissions from accommodations calculated but reported optionally.	Spend-based method, using spend extracted from dentsu's finance systems, including expense claims related to air travel, rail travel, taxi travel, and rental cars. Emission factors were obtained from USEEIO and Japan's MoE to cover the cradle-to-gate boundary.
7 Employee Commuting	Emissions from personal cars, local public transport, or taxis from employee commuting between home and workplace.	Employee survey data was used to obtain average commuting distances and modes at the regional and local levels. Respondents reported their preferred travel method, average commuting distance, and number of days worked in the office. Emissions were calculated using the UK Government's emission factors covering a cradle-to-gate boundary. As our Japanese business reimburses all commuting expenses of employees, a spend based methodology was applied, where emission factors were obtained from USEEIO to cover the cradle-to-gate boundary.
13 Downstream Leased Assets	Dentsu includes sub-leased assets in Category 13, specifically including energy consumed by tenants.	An average tCO_2e/sqm was calculated using the emissions data calculated from dentsu's active site portfolio. The intensity ratio was then multiplied by the floor area for each subleased asset.
15 Investments	Emissions generated from companies that dentsu has an equity share in and that are reported in financial reports. Emissions are allocated to dentsu proportionally to the % share of equity.	We multiplied the annual turnover/revenue of each company by emission factors developed from USEEIO. These emission factors were based on the typical energy usage of the investee company's sector and location. The total emissions calculated were then apportioned based on dentsu's ownership share in the company. For Japan businesses, Scope 1 & 2 data was used for a majority of investee company calculations. Where this was not possible, US EEIO emission factors were multiplied with annual revenue/turnover.

Exclusions from GHG emissions inventory

Category	Rationale for Exclusion
8 Upstream Leased Assets	Not relevant, as all office sites are included in dentsu's Scope 1 & 2.
9 Downstream Transportation and Distribution	Not relevant, as all transportation in dentsu's vehicles are accounted for in Scope 1 & 2, and third-party transportation is included in Scope 3 Category 4, 6, 7.
10 Processing of Sold Products	Not relevant, as dentsu does not produce any intermediate products.
11 Use of Sold Products	Not relevant, as dentsu does not sell any final products that fall within the minimum boundary of the GHG Protocol where direct use-phase emissions are generated in direct use of sold products over their expected lifetime (i.e., the Scope 1 and Scope 2 emissions of end users that occur from the use of: products that directly consume energy (fuels or electricity) during use; fuels and feedstocks; and GHGs and products that contain or form GHGs that are emitted during use. Use phase emissions in media and advertising may include energy consumption in digital advertising infrastructure (such as ad servers, demand-side platforms, supply-side platforms), end-user devices, and any third-party services utilized for tracking, analytics, and ad delivery are considered indirect use-phase emissions, which are currently optional to report.
12 End-of-life Treatment of Sold Products	Any pass through / "outworks" products (i.e., paper products) outsourced are captured under Category 5 Waste Generated in Operations.
14 Franchises	Not relevant, as dentsu does not operate any businesses on a franchising model

Forecasting GHG emissions

GHG forecasting exercises were conducted internally, seeking to investigate dentsu's expected emissions trajectory from the present day to 2040 under two scenarios: a Business-As-Usual (BAU) scenario, where no internal GHG emission reduction measures are applied, and an active scenario focusing on GHG emission reduction efforts, which incorporates dentsu's planned initiatives. The objective is to provide high-level projections of dentsu's emissions profile, identify key emissions hotspots, and quantify the gaps that must be addressed to meet near- and long-term targets.

To achieve this, key emissions sources were identified within each emissions category across dentsu's primary markets. These hotspots include Scope 1 and Scope 2 emissions, as well as Scope 3 emissions from Category 1 (Purchased Goods and Services), Category 6 (Business Travel), and Category 7 (Employee Commuting) and forecasts were developed for all 12 key markets assessed. Desktop research was employed to gather information on external variables influencing emissions trajectories. Key external factors, including national climate policies, clean grid targets, and trends in renewable energy adoption, were analyzed to forecast changes in emission factors over time.

Using these insights, an annualized rate of change was applied to external emission factors under the BAU scenario. This assumed no significant intervention from dentsu and instead relied solely on projected changes in external market conditions, such as clean grid and national emissions-reduction efforts. For the active scenario focusing on GHG emission reduction efforts, internal variables were incorporated into the analysis, reflecting dentsu's planned initiatives. These forecasts played a key role in determining the level of effort and ambition needed by dentsu to meet our near- and long-term targets.

5.2 Target setting process and review approach

The Group's GHG emissions and calculation methodologies have been validated by independent third-party assurance provider KPMG in March 2025. Our climate-related targets were established as part of what is now our 2030 Value Creation Strategy, approved by the Board of Directors, and validated by the SBTi. Our Group Sustainability Committee regularly assesses the objectives, targets, and other elements of the Dentsu Group Environmental Policy. The Committee meets four times a year and otherwise, as required.

5.3 Climate-related targets

1. Reduce absolute Scope 1 & 2 GHG emissions

Metric	Reduce absolute Scope 1 & 2 GHG emissions by 46.2% by 2030 and 90% by 2040 from a 2019 baseline
Objective	Mitigation of Scope 1 and 2 emissions
Scope	Applies to Dentsu Group
Period covered by target	2025-2040
Base year	2019
Milestones and interim targets	46.2% by 2030
Target type (absolute or intensity)	Absolute quantitative target
Progress achieved during the year and status at year end	During the reporting year, absolute Scope 1 and 2 emissions decreased by 7,909 tCO_2e (39%) compared to 2023. This is a 65% decrease from the 2019 baseline.

2. Reduce absolute Scope 3 GHG emissions from purchased goods and services, business travel, and employee commuting

Metric	Reduce absolute Scope 3 GHG emissions from purchased goods and services, business travel, and employee commuting by 46.2% by 2030 from a 2019 baseline
Objective	Mitigation of Scope 3 emissions
Scope	Applies to Dentsu Group
Period covered by target	2025-2030
Base year	2019
Milestones and interim targets	46.2% by 2030
Target type (absolute or intensity)	Absolute quantitative target
Progress achieved during the year and status at year end	During the reporting year, absolute Scope 3 emissions from purchased goods and services, business travel, and employee commuting decreased by 56,773 tCO_2e (15.5%) compared to 2023. This is a 30% decrease from the 2019 baseline.

3. Reduce absolute Scope 3 GHG emissions (all categories)

Metric	Reduce absolute Scope 3 GHG emissions by 90% by 2040 from a 2019 baseline
Objective	Mitigation of Scope 3 emissions
Scope	Applies to Dentsu Group
Period covered by target	2025-2040
Base year	2019
Milestones and interim targets	46.2% reduction in emissions from purchased goods and services, business travel, and employee commuting by 2030
Target type (absolute or intensity)	Absolute quantitative target
Progress achieved during the year and status at year end	During the reporting year, total absolute Scope 3 emissions decreased by 47,412 tCO_2e (11%) compared to 2023. This is a 28% decrease from the 2019 baseline.

The following applies to all emissions targets:

Carbon credits	To achieve net-zero emissions by 2040, we will prioritize emissions reduction activities, only neutralizing the remaining residual emissions (less than 10%) through credible and verifiable GHG removal projects.
Alignment with jurisdictional commitment	Aligned with the decarbonization pathways necessary to meet the jurisdictional climate commitments of the regions in which we operate
Validation	The target and methodology have been validated by the SBTi
Review process	This target is reviewed quarterly by the Group Sustainability Committee and follows the escalation process of the targets as set out in the Governance section
Metrics for monitoring progress	Group-wide emissions reduction to net zero by year end 2040
Revisions	Any revision to the target will be disclosed and explained in the Integrated Report, Securities Report, and future publication of dentsu's climate-related risk disclosures. No revisions have been made to the target in the current period.

Appendix 1: Summary of mitigation actions

Transition Risks

Decreased revenue due to global economic changes	• Business to Business to Society (B2B2S) management policy helps clients build sustainable business models, enhancing mutual resilience • Continuing to invest in research (e.g., Modern Sustainable Consumer report) to guide client engagement • Biannual Global Ad Spend Forecast supports strategic planning • Collaborating with clients to reduce emissions across media operations and reduce advertising-related emissions
Changes in demand for sustainability-focused services due to regulatory changes	• Internal training programs are building employee capacity in sustainable advertising and consumption • Launched an initiative to promote GHG emission reductions in supply chain associated with marketing communication activities in Japan • The Dentsu BX practice in India supports clients in co-creating sustainable transformation strategies
Clients fail to adapt to changes in consumer behavior resulting from the low-carbon transition	• Regular stakeholder meetings held to align on low-carbon goals and industry transformation • Ethical Media Index was launched in the UK to help brands measure and improve the ethical impact of digital campaigns
Cost of carbon tax and other climate regulation	• Enhancing internal capabilities to anticipate and respond to evolving climate regulations • Investing Salesforce Net Zero Cloud for real-time emissions tracking and compliance monitoring • Contributing to public consultations and staying informed through industry associations to support the development of climate-related policies

Transition Opportunities

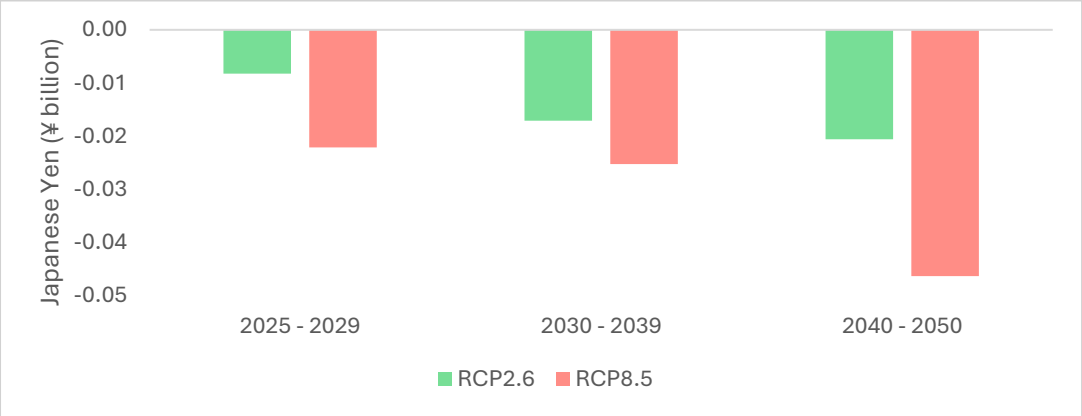
Access to new markets and companies	• Implemented strategic initiatives to position ourselves at the forefront of emerging markets and sectors. For example: • Leveraging the Business Transformation (BX) practices to help clients reimagine business models, customer experiences, and operational strategies
Adoption of new technologies that reduce emissions intensity	• Launched an initiative to promote GHG emission reductions in supply chain associated with marketing communication activities in Japan • Partnering with DIMPACT and AdGreen to model and reduce emissions from digital advertising and creative production • Proprietary tools like the Dentsu Digital Media Calculator help clients assess and reduce media-related emissions • Plan to expand these tools globally and integrate them into its CCS planning platform for broader impact

Physical Risks

Increased energy costs due to long-term temperature changes	• Reviewing our global real estate portfolio and working with landlords to promote sustainable practices • Implementing energy efficiency measures and achieving environmental certifications (e.g., ISO 14001, ISO 50001, BREEAM) in key locations • Renewable electricity usage increased to 79.5% in 2024, moving towards 100% by 2030 • Environmental considerations are embedded into operational and supply chain risk management processes
Revenue loss from extreme weather affecting employees' ability to work	• A dedicated Resilience Team manages climate-related hazards and supports business continuity • The Group's Resilience Program is aligned with ISO 22301 and includes scenario-specific response plans and crisis simulations • Acute risks are monitored using third-party data and a custom risk management tool • Emergency communication systems and Business Impact Analyses (BIAs) are in place to ensure rapid response and recovery

Appendix 2: Charts and tables from quantitative analysis

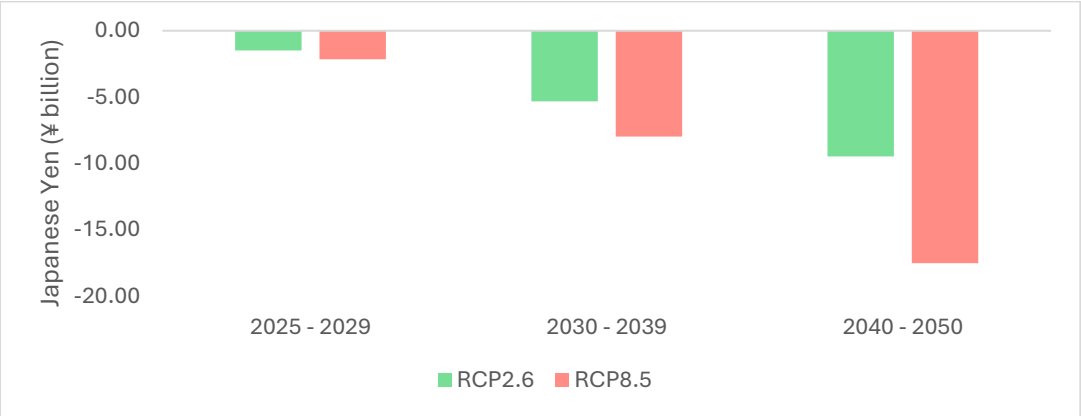
Risk 1 (Physical): Increased energy costs due to long-term temperature changes



Estimated profit loss in each scenario and time horizons

Scenario	2025 – 2029	2030 - 2039	2040 - 2050
RCP2.6	-0.01	-0.02	-0.02
RCP8.5	-0.02	-0.03	-0.05

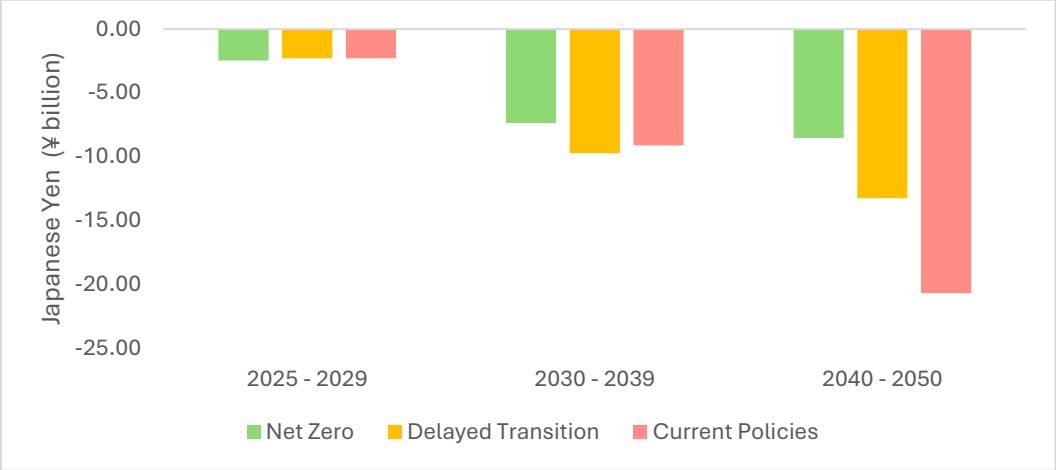
Risk 2 (Physical) : Revenue loss from extreme weather affecting employee's ability to work



Estimated revenue loss in each scenario and time horizons

Scenario	2025 – 2029	2030 - 2039	2040 - 2050
RCP2.6	-1.48	-5.33	-9.48
RCP8.5	-2.15	-7.98	-17.52

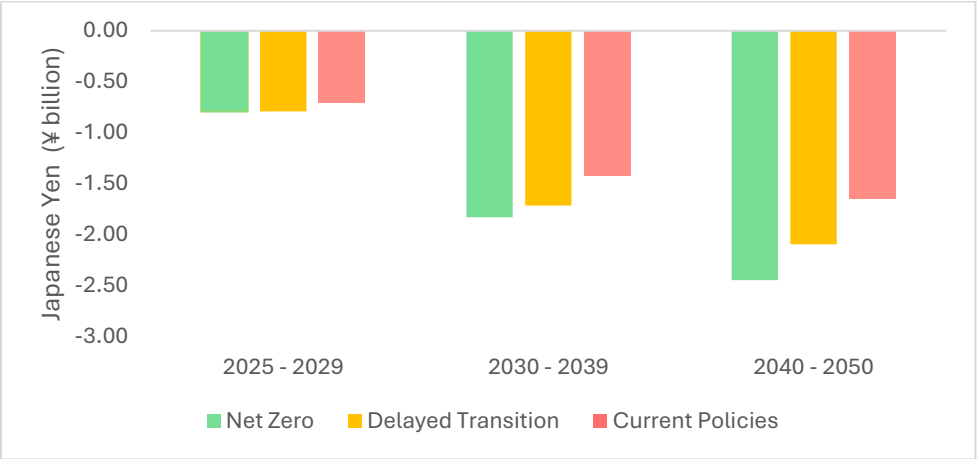
Risk 3 (Transition): Decreased revenue due to global economic changes



Estimated revenue loss in each scenario and time horizons

Scenario	2025 – 2029	2030 - 2039	2040 - 2050
Net Zero	-2.47	-7.36	-8.54
Delayed Transition	-2.29	-9.73	-13.26
Current Policies	-2.29	-9.11	-20.71

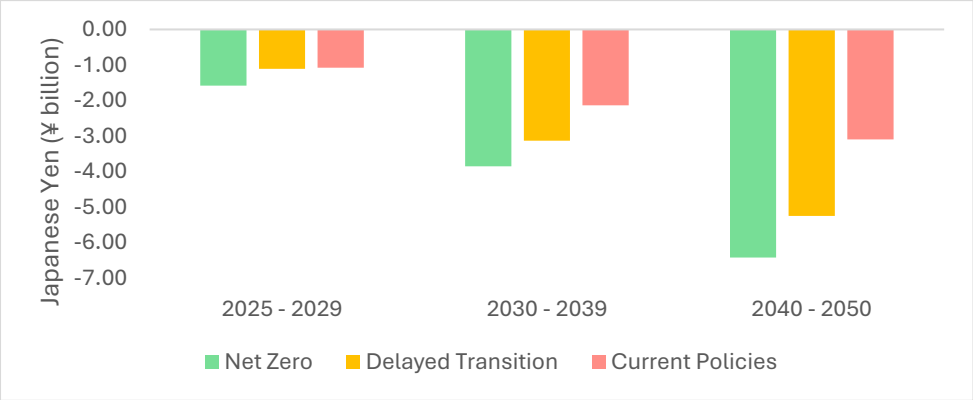
Risk 4 (Transition): Inability to meet demand for sustainability-focused services



Estimated revenue loss in each scenario and time horizons

Scenario	2025 – 2029	2030 – 2039	2040 - 2050
Net Zero	-0.79	-1.83	-2.45
Delayed Transition	-0.79	-1.71	-2.09
Current Policies	-0.71	-1.42	-1.64

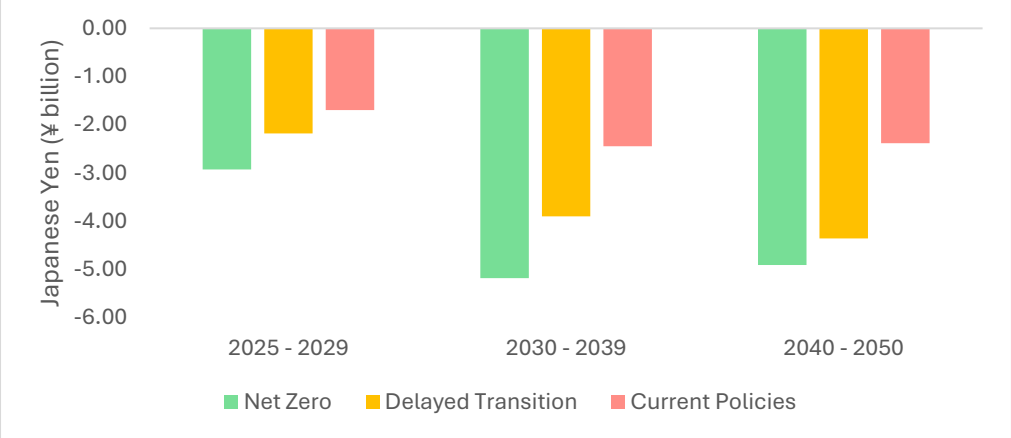
Risk 5 (Transition): Clients fail to adapt to changes in consumer behavior resulting from the low-carbon transition



Estimated revenue loss in each scenario and time horizons

Scenario	2025 - 2029	2030 - 2039	2040 - 2050
Net Zero	-1.58	-3.85	-6.42
Delayed Transition	-1.11	-3.13	-5.25
Current Policies	-1.08	-2.13	-3.10

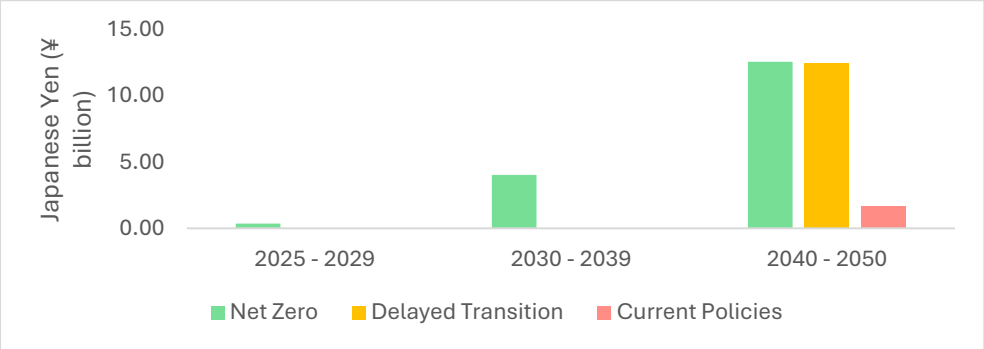
Risk 6 (Transition): Cost of carbon taxes and other climate regulation



Estimated profit loss in each scenario and time horizons

Scenario	2025 - 2029	2030 - 2039	2040 - 2050
Net Zero	-2.93	-5.18	-4.91
Delayed Transition	-2.18	-3.90	-4.36
Current Policies	-1.70	-2.45	-2.38

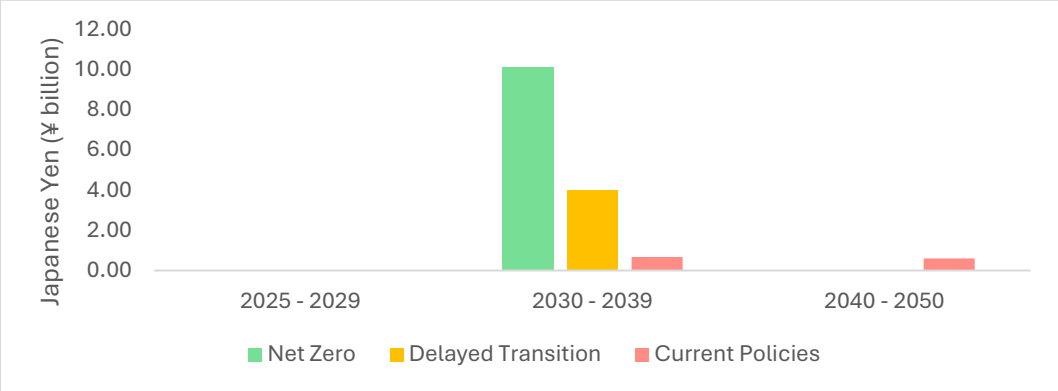
Opportunity 1 (Transition): Increased revenue due to access to new markets, suppliers, and companies that will emerge in the low-carbon transition



Estimated revenue loss in each scenario and time horizons

Scenario	2025 - 2029	2030 - 2039	2040 - 2050
Net Zero	0.36	4.03	12.56
Delayed Transition	0.00	0.00	12.44
Current Policies	0.00	0.00	1.65

Opportunity 2 (Transition): Increased revenue due to adoption of new technologies that reduce energy usage in own operations and in client services



Estimated revenue loss in each scenario and time horizons

Scenario	2025 - 2029	2030 - 2039	2040 - 2050
Net Zero	0.00	10.10	0.00
Delayed Transition	0.00	3.98	0.00
Current Policies	0.00	0.67	0.60

Appendix 3: Detailed risk assessment methodology

Quantification of risks and opportunities

The quantitative assessment within our scenario analysis process is based on estimated impacts of specific risks and opportunities on operating profit, based on a series of high-level financial and non-financial assumptions. Our assessment does not provide accurate forward-looking financial forecasts/statements but is instead used to develop a series of illustrative 'what if?' scenarios for discussion across our business.

The impact on operating profit of any given risk or opportunity in any given year is assigned an 'impact threshold,' based on a minimum Japanese Yen (¥) change in operating profit (see Table 9), aligned with ERM framework.

Table 9: Impact threshold

*Underlying Operating Profit

Impact		Financial
5	Fundamental	>¥18.1 billion
4	Major	¥9.1-18.1 billion
3	Moderate	¥4.5-9.1 billion
2	Minor	¥1.8-4.5 billion
1	Insignificant	<¥1.8 billion

Non-financial assumptions

1. All 'Baseline/Business-as-usual' scenarios assume no climate change and therefore there is no impact on dentsu's external operating or commercial environment.
2. While dentsu's net risk assessment methodology accounts for mitigating activities, each scenario presented here assumes no additional mitigation actions are taken by dentsu aside from those already in the public domain (e.g., dentsu's net-zero targets).

Financial assumptions

1. Where dentsu's revenue was used in the model, the revenue is forecasted to increase according to dentsu's growth factor (2024-2025-2026), and average GDP for the EU, Japan, and the US to grow the revenue after 2027.
2. For scenarios where an increase in operating costs is assessed, that dentsu is unable to pass this on to clients and impacts operating profits, unless a % pass through rate is explicitly stated.

Risk 1 (Physical): Increased energy costs due to long-term temperature changes

The model estimates the additional (above the 2024 baseline) cooling and heating costs at 16 sites selected by dentsu with the following methodologies.

Methodology

1. Obtain the energy consumption and energy price breakdown by energy source for the top 15 offices from dentsu.
2. Forecast the sum of degrees above 18°C for each office location.
3. Project the cooling/heating energy consumption using assumption 4 for each scenario in comparison to the baseline cooling degree days and energy consumption.
4. Calculate the baseline energy consumption for each country and forecast the annual changes in energy consumption.
5. Calculate the financial cost from the changes in temperature based on the consumption and energy prices provided by dentsu and/or NGFS data.

Key assumptions

1. Cooling degree days, which is defined as the annual sum of the number of degrees for which daily average temperatures exceed 18°C at the site, thus requiring cooling, are calculated using EY CAP. Locations experiencing higher daily average temperatures will therefore have a higher sum of cooling degree days.
2. Baseline cooling day is the historical daily average temperatures over 18°C. For a given day, the average daily temperatures over 18°C are calculated and daily average temperatures in excess of 18°C are summed for the entire year. As a result, locations with higher average daily temperatures will have a greater sum of cooling degree days.
3. Baseline heating day is the historical daily average temperatures below 17°C.
4. Assumed portion of total electricity usage for cooling is 20%, heating is 14%. For gas, 77.2% is used for heating, and no gas is assumed to be used for cooling.
5. Only energy costs from cooling and heating in offices are included (i.e., it does not include cost of cooling in data centers, production studios, events, etc.)
6. 100% of the energy costs from leased buildings will be passed on to dentsu.
7. There are no planned changes to dentsu offices until 2050 – i.e., the model does not assume a change in location, office rationalization, or any future energy efficiency measures.
8. Energy prices could be shown as fixed or changing over time. Fixed energy prices will better demonstrate the impact of physical risks, while changing prices reflect the impact of transition risks (changes in energy policies or demand).

Risk 2 (Physical): Revenue loss from extreme weather affecting ability to work

This physical risk is the total of financial damages from 3 different climate drivers (heat stress, floods, and cyclones). These models only include sites in the UK, India, and Japan.

Methodology
(Financial damages from heat stress)

1. Project turnover per region by 2050.
2. Obtain % of productivity loss from heat from NGFS data.
3. Calculate total financial revenue decrease from productivity decrease due to heat stress.

(Financial damages from cyclones and floods)

1. Obtain revenue breakdown by energy source for the UK, India, and Japan markets from dentsu, and identify the daily revenue.
2. Obtain % of damages from tropical cyclones (NGFS) and floods (EY CAP) per region, then estimate the downtime days using FEMA's data.
3. Forecast financial damages per region based on the revenue per day and downtime days.

Key assumptions

1. Only the regions where dentsu's office is located as of 2024 in the UK, India, and Japan were assessed, and it was assumed the location of the office will not change till 2050.
2. Floods, storms, and heatwaves are assumed to be the climate hazards most likely to impact employee homes, dentsu offices, network infrastructure, and/or data centers.
3. Employees at home and in the office will be impacted by climate hazards and/or network downtime (i.e., home workers will not be able to go into the office to work).
4. 0% of revenue lost would is recoverable (i.e., revenue generating opportunities cannot be recaptured after displacement ends or network is restored).
5. Climate impacts for remote workers are estimated based on the average country level scenario results.
6. Working days per year is assumed to be 230 (5 days*52 weeks-30 holidays including national holidays and annual leave).

To estimate the impact of floods and cyclones, 'days of disruption' is calculated based on the level of damage to the location – the % of revenue lost is estimated as follows:

Days of disruption	Revenue lost for traditional business	Revenue lost for media business
1-5	50%	30%
6-9	75%	50%
>10	100%	75%

Risk 3 (Transition): Decreased revenue due to global economic changes

Methodology

1. Based on the Group's revenue in 2024, estimate revenue per service.
2. Calculate dentsu's projected revenue until 2050 and estimate the impacted revenue in year t affected by constraints in growth. Extract from the total.

Key assumptions

1. Relative GDP change from medium chronic physical risk damage estimate is assumed to be a representative factor to capture the impact that climate change and/or new regulations/policies could have on economic growth.
2. It is assumed that an elasticity factor will be applied to mitigate the impact, as the correlation is not one-to-one.

Risk 4 (Transition): Inability to meet demand for sustainability-focused services

Methodology

1. Calculate dentsu's projected revenue in Japan and the revenue from sustainability services.
2. Calculate % of total revenue associated with sustainability.
3. Calculate dentsu's projected revenue across parts of the Group, and estimate % of sustainability service revenue using the % linked to sustainability service revenue in Japan.
4. Extract the potential revenue from the initial value to calculate the difference.

Key assumptions

1. Increased regulations will drive further investment in sustainability services, but dentsu may not capture this if the Group fails to (a) develop relevant solutions, or (b) maintain our reputation as a climate leader.
2. Carbon price for Japan is assumed to be a representative factor to capture the impact of increase in sustainability services market share.
3. The ratio for revenue linked to sustainability services for Japan is assumed to be representing for all regions.

Table 10: % of revenue linked to sustainability services used in the model

Revenue linked to Sustainability (%)	2024	2030	2040	2050
Net Zero	0.06%	0.59%	0.78%	0.86%
Delayed Transition	0.06%	0.58%	0.69%	0.72%
Current Policies	0.06%	0.50%	0.53%	0.54%

Risk 5 (Transition): Clients fail to adapt to changes in consumer behavior resulting from the low-carbon transition

Methodology

1. Estimate % of clients from all sectors that are reporting adequately on climate action and are not at risk of being disrupted by the low-carbon transition.

2. Project revenue growth in sectors that are likely to face negative disruption from low-carbon transition.
3. Estimate revenue from each impacted sector that is from clients who do not report adequately on climate risks.
4. Assess the current and projected share of climate-conscious consumers and their willingness to act on these values.
5. Estimate the potential reduction in client growth due to consumer climate action and apply this to dentsu's at-risk revenue.

Key assumptions

1. Change in climate-conscious consumers is correlated with carbon price changes.
2. Clients/sectors that do not adapt to the low-carbon transition will experience constrained growth, resulting in less budget for dentsu services.
3. Clients likely to be disrupted by change in consumer behaviors include those that do not currently have a science-based target or equivalent target.
4. The revenue at risk from each of these sectors is determined by:
    - % of companies in each sector that are inadequately reporting on climate action (between 29%-35%, based on EY research)
    - % of consumers that are climate conscious AND action-oriented (based on dentsu research)
5. % of climate conscious consumers used in the models are as below:
    - % of consumers that are climate conscious in 2024: 35%
    - % of consumers that are climate conscious in 2050 (NZ): 100%
    - % of consumers that are action oriented 2024: 10%
    - % of consumers that are action oriented in 2050: 35%

Risk 6 (Transition): Cost of carbon taxes and other climate regulation

Methodology

1. Use 2024 Scope 1 and 2 emissions data by region (provided by dentsu) and project emissions to 2050 based on reduction targets.
2. Estimate the percentage of emissions subject to carbon taxes in each region.
3. For each scenario (Net Zero and Delayed Transition), calculate annual carbon costs by:
   Applying regional carbon prices to projected emissions (Scope 1, 2, and 3).
   Adjusting for: Tax coverage rates, dentsu's liability share, proportion of emissions likely included in tax schemes (100% for Scope 1 & 2, 92% for Scope 3).
4. Estimate the increase in dentsu's climate-related regulatory costs by applying the year-on-year increase in carbon price (capped at 100%) to baseline compliance costs.
5. Sum carbon tax liabilities and regulatory compliance costs to determine total climate-related financial impact.

Key assumptions

1. Under NZ, by 2040 all regions will have 100% coverage of emissions being taxed by a carbon pricing mechanism.
2. Scope 1, 2, and 3 emissions are expected to decrease in line with dentsu's forecast.
3. No additional emissions reductions are assumed beyond the reduction plan outlined in dentsu's existing plan.
4. Carbon prices are modelled using a ratio growth of World Bank prices in each region/country.
5. Assumptions are made regarding the coverage of GHG emissions through the relevant carbon pricing mechanism.
6. Emissions growth factor calculated using dentsu-provided data.
7. The amount of emissions liable to a carbon tax (coverage) increases over time and varies per scenario.
8. Dentsu costs attributed to climate-related regulatory compliance in the baseline year (JPY) are assumed to increase in line with carbon prices.
9. Dentsu is assumed to be paying 100% of covered Scope 1 and 2 emissions, upstream Scope 3 emissions, and 0% of downstream emissions.

Opportunity 1 (Transition): Access to new markets, suppliers, and companies that will emerge in the low-carbon transition

Methodology

1. Identify baseline (2024) revenue from sectors that are likely to experience growth and innovation and map to NGFS sectors.
2. Project increase in revenue growth for relevant sectors using growth projections provided by dentsu Finance.
3. Using NGFS projections for each sector, project annual decrease in emissions from energy.
4. Calculate the difference between (a) average global reduction in emissions and (b) sector reduction in emissions. A positive value indicates that the industry is outpacing global averages.
5. Determine annual growth rates for revenue from each sector: a. When the sector's emissions are falling at a slower rate than global averages, the sector grows in line with dentsu projections/GDP b. When the sector's emissions are falling faster than global averages, dentsu/GDP growth rates are increased in line with normalized change in emissions - this assumes that periods of high emissions reductions are also periods of innovation and entrance of new brands.
6. Apply growth projections to each dentsu sector to estimate revenue to 2050 under each scenario.

Key assumptions

1. Clients/sectors that do not adapt to the low-carbon transition will experience constrained growth, resulting in less budget for dentsu services.
2. When a sector sees significant, above-average reductions in energy-related emissions, this reflects periods of innovation or the entry of new companies; for example, through the rapid adoption of electric vehicles or new companies offering sustainable building materials.
3. Clients likely to be positively disrupted by the net zero transition.
4. In years that NGFS sector emission reductions outpace the global average, revenue growth is accelerated.

Opportunity 2 (Transition): Adoption of new technologies that reduce emissions intensity in own operations and in client services

This model highlights the potential differences in emissions outcomes and intensity depending on whether dentsu follows its current emissions reduction plans or a faster reduction pathway aligned with the EU's Net Zero scenario.

Methodology

1. Record data for revenue and extrapolate to 2050.
2. Identify share of climate-conscious clients based on the change in the carbon price and multiply by the baseline proportion of the climate-conscious clients.
3. Identify annual demand shift of clients by comparing the emissions intensity of the industry under each of the given scenarios against the emissions intensity of dentsu when following a decarbonization trajectory aligned with the Net Zero scenario.
4. Multiply proportion of climate-conscious clients and annual demand shift with the revenue.
5. Calculate the difference in increased revenue if dentsu followed its own decarbonization trajectory vs the EU's NZ decarbonization trajectory.

Key assumptions

1. Industry is assumed to decarbonize in line with three scenarios – Current Policies, Delayed Transition & Net Zero.
2. Baseline Scope 1, 2, 3 emission intensity of industry (motion picture, video, and television program production services, sound recording and music publishing) in 2022 as per ONS database.
3. Change in share of climate-conscious clients willing to act is scaled in accordance with the price of carbon.
4. Current Policies: Share of climate-conscious clients in total client base is 8% in baseline year, as found in external study.
5. All scenarios: Share of action-oriented climate-conscious clients expected to act is 10%.

6. Current Policies: Climate-conscious clients that will act is 0.8% in baseline year.
7. The annual demand shift of clients is calculated by comparing the emissions intensity of the industry under for all the scenarios in question against dentsu.
8. Dentsu has been assumed to decarbonize as per the NZ scenario for the EU, which is a very mature market. The opportunity is quantified by calculating this opportunity minus the opportunity already forecasted if dentsu decarbonizes as per its current targets. The difference in the opportunities shown from both trajectories therefore provides the incremental benefit dentsu may reap, should dentsu decarbonize more rapidly as per the EU's NZ decarbonization rate.