

Governance

Enhancing corporate value through better corporate governance



—Please tell us your thoughts on how improving corporate governance (CG) can lead to increasing corporate value.

Tim All stakeholders have expectations of good governance, and the Board of Directors considers meeting shareholders' expectations to be our primary responsibility. I believe that the best way to take care of shareholders in the long term is to take good care of employees, to take good care of clients, and to take good care of society.

With regard to CG, in recent years, especially since 2016, we've focused a great deal on the structure of the

Board and have evolved it rapidly. We now have a Board that is a majority of independent outside directors, we have transitioned to a company with three committees, which is very consistent with global standards for good governance. The Group has also created a new position of Global Chief Governance Officer to appoint an executive responsible for achieving CG improvements throughout the organization.

I want to emphasize that it's not the outside directors that are coming in and imposing this. This is something that dentsu management has been actively engaged in to address the questions of "how can we

improve our CG?," and, "how can we give our shareholders more confidence in our ability to supervise and oversee and manage the company?" From good structure, we can build good governance.

But then it must lead to effective practices. And I think that's the stage we're at now, which is how to take this improved structure and implement it into enhanced practices that allow us to better deliver for all our stakeholders, including shareholders, to better implement effective risk taking to help the organization not only feel more comfortable with risk, but also to avoid any unnecessary risks.

Soga CG is a “system” that a company has in place. Specifically, as stated in the CG Code of the Tokyo Stock Exchange, it is a mechanism that encourages “transparent and fair” and “prompt and decisive” decision-making by the Group and its management team, and is essentially a mechanism to maximize the Group’s output in terms of quality and quantity. As stated in our Value Creation Model, there are expected outputs for the various capital inputs that the Group has, and between the inputs and the outputs there is a process of decision-making and action.

CG is not at all something that has a negative impression, such as regulating employee actions, but it is something that is completely positive.

Tim I totally agree. People can misunderstand CG as



simply compliance or rules, or frameworks and restrictions. What you’re not allowed to do. CG, in my view, is the way of doing the things that you do in a consistent pattern to get the maximum output. There’s a process of recognition, acceptance, escalation, and then resolution so that the organization continues to improve.

Clarity of accountability is a product of good governance. It’s very hard to be a well-run, high-performance organization without it.

Improving CG as One dentsu

—How can we work as One dentsu to improve CG?

Soga I believe that the most important thing for the evolution of CG as One dentsu is for everyone to want the same thing: to create a good system.

Tim I think for dentsu, the One dentsu Operating Model and the One Management Team are effective enhancements of CG, and they need to be implemented well because they’ll give much better clarity of roles and responsibilities across the business.

The thought is, as Soga-san said, implementing a way of doing things consistently. If everyone knows what those standards are, it allows you then to implement the PDCA cycle for continual improvement because you can see what the deviations are. As the organization has become bigger, more complex, more multicultural, and more multinational, these are areas of focus and

improvements that will pay great dividends.

Adapting to changes and the willingness to keep learning

—How can we help employees properly understand the benefits of improving CG and make it personal to themselves?

Soga It is necessary to first understand that CG is not a tightening of controls but a mechanism to maximize corporate value, and then to create a common understanding based on appropriate communication.

In addition, training is not only necessary for CG. I believe that it is a prerequisite for employees of dentsu to constantly seek out new things and be open to aligning with changing values and society.

Tim Any compliance issues come at a great cost, impacting our reputation and trust from our stakeholders.

In the future, it is the responsibility of us all to improve our CG. It’s not just a responsibility to stay in compliance, but to also recognize and speak up if employees observe something that’s a little off.

I think it’s a very good thing that management is prioritizing CG since our stakeholders expect us to take it seriously, and we’d like employees to understand that.

If we can all take this as an opportunity to evolve our culture around a common set of values that are driven by good governance, it will help stimulate higher performance in a consistent and sustainable way.

I think communication is important, and I think it's the responsibility of management to effectively communicate both the importance of CG and its practical implementation.

In addition to communication, I think it's a matter of seeing the tone from the top in action; in management's behavior. It's a matter of how they observe leaders' consistent and proper actions.

Soga In the dentsu Leadership Attributes, we have also organized what you need to know as a leader in our company. It is important to create a learning culture and appropriate content.

The pillar of human capital management is the development and growth of employees, and Human Capital Development is one of our material issues.

It goes without saying that strong and continuous communication from top management is important in encouraging employees to understand CG and take action on their own. We believe that it is also necessary to instill the importance of CG through the HR system and other company systems so that employees will be encouraged to act accordingly. For example, by providing comprehensive training programs and fostering a learning culture, I believe that employees will be more willing to learn.

Tim We should also note that Board members do compliance training as well. We all did the Code of Conduct review and I think that's a sign of integrity that it's disseminated throughout the whole organization, and

an effort to reinforce how important the issue is.

It is important that our shareholders benefit from good CG, that our company is attractive to them, and that we build confidence in their investment. I want our employees to have the same awareness of the importance of our stakeholders. This means thinking about how to build confidence with each other, how to build confidence with clients, and how to build confidence in our impact on society with appropriate promotion of DEI, work life balance, and more.

It is essential that all employees at every level recognize these opportunities for establishing the proper way and, if that is somehow violated, that they escalate at speed.

Toward a culture of integrity as a priority

—The first of dentsu's material issues is Business ethics & compliance / Data security. What are your thoughts on this?

Tim The Materiality as it relates to ethics and compliance and items such as data security and cyber security, simply identifying that list of risks alone shows that times are changing. There is much more challenging complexity in marketing and advertising, and new frontiers are coming. Emerging technologies such as generative AI could create conflicts of interest or even



shape our purpose in how we serve clients.

Based on our growing responsibilities and purpose around these new areas, to build trust with our stakeholders, we must do what we say we're going to do.

Soga This is not to say that our traditional approach of working for our client's success is in itself a bad thing.

It is important to always be aware of the Dentsu Group Code of Conduct when conducting business.

I am talking about having a sense of values that we should have always had, and understanding the Dentsu Group Code of Conduct well.

Business ethics is an important value for us. Changing our values and culture will take time, but I am determined to instill a corporate culture that places business ethics and integrity at the top of our values.

Material issues related to governance: Business ethics & compliance / Data security

Establishing and improving the management foundation to address this material issue is extremely important for the Group in earning stakeholder trust. The Sponsor is Representative Executive Officer, Executive Vice President, Global Chief Governance Officer & Global Chief Financial Officer of dentsu Arinobu Soga. In addition, executives including Global General Counsel Alison Zoellner and Global Corporate Secretary & Deputy Global General Counsel Tadashi Nagae have been designated to lead on specific themes.

To bring shape to this material issue, we set a headline goal and organized processes to reach it. We also formulated individual action plans and KPIs related to training, contact points, and third-party evaluations, which can each be measured and visualized in the process.

In addition, we will proceed with overall measures to improve our corporate environment. Progress will be monitored continuously, and reports will be submitted regularly to the Group Sustainability Committee.

Note: To see how this materiality relates to the 2030 Sustainability Strategy, see p. 24.

Headline Goal			
<p>Putting integrity first</p> <p>As a B2B2S enterprise, we aim to equip our people with the correct knowledge and have the appropriate systems in place for them to be putting integrity first in their work.</p>			
Themes			
<ul style="list-style-type: none"> <li style="margin-right: 10px;">• Business ethics & compliance <li style="margin-right: 10px;">• Data privacy <li style="margin-right: 10px;">• Risk management <li style="margin-right: 10px;">• Corporate governance <li style="margin-right: 10px;">• Cyber security • Human rights 			
	Item	Measure	KPI
Individual measures	1. Training	Establish a common training environment	100% of employees receive training
	2. Contact points	Develop skills for key contact points	Contact points and experts established for issue areas
	3. Third-party evaluations	Conduct stakeholder dialogue and information disclosure	Acquire certifications and improve ratings

Corporate governance

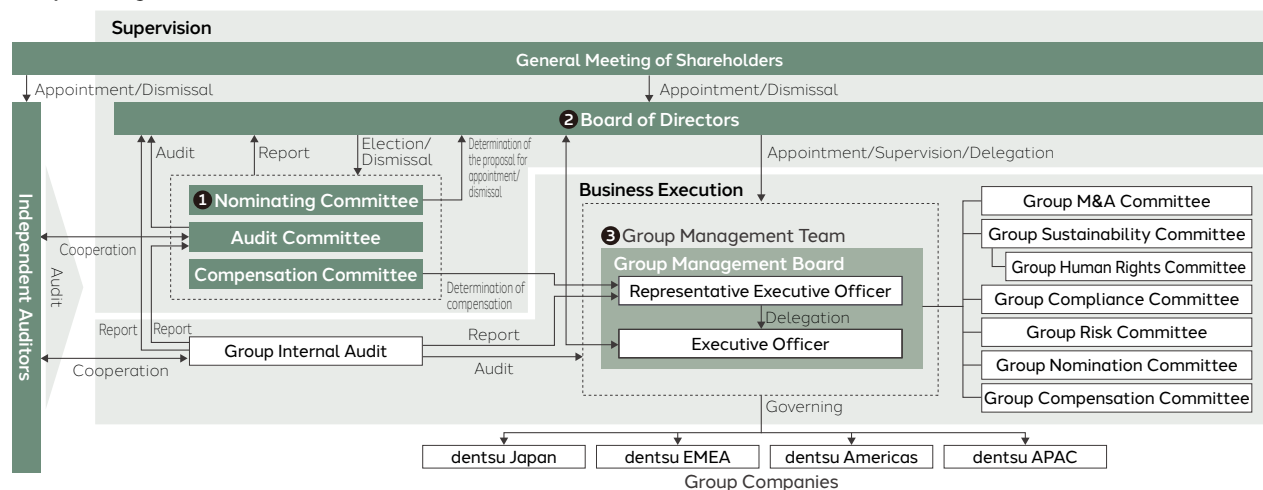
The Group realizes effective corporate governance based on the following basic policy to fulfill its responsibilities to its stakeholders including shareholders, clients, employees, and consumers, to ensure sustainable growth, and enhance its corporate value over the medium to long term.

- (1) To respect shareholders' rights and ensure their equal treatment
- (2) To consider the interests of stakeholders, including shareholders, and cooperate with them appropriately
- (3) To appropriately disclose company information and ensure transparency
- (4) To enhance the effectiveness of the supervisory function over business execution
- (5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the medium- to long-term interests of shareholders

Corporate Governance Evolution

2016	- Transitioned to a company with an Audit and Supervisory Committee - Started BoD Effectiveness Evaluations
2019	- Established Nomination and Compensation Committee (Chairperson: Independent Outside Director) - Introduced Performance-based Stock Compensation Plan
2020	- Transitioned to a pure holding company structure - Clarified the skills for Directors
2021	- Established Succession Plan
2022	- Separated the roles of chairperson of BoD (non-executive director) and CEO - Reached majority non-executive directors
2023	- Transitioned to a company with three committees and One dentsu - Appointed Chief Governance Officer - Published ESG Databook and held ESG Briefing

Corporate governance structure



① Adoption of a board committee structure with three committees

The Group's Board of Directors decided to adopt a board committee structure with three committees as a framework for fulfilling its important role and responsibility to strategically guide the Group in accordance with its purpose and vision.

② Roles of independent outside directors

Independent outside directors are expected to contribute to improving corporate governance, encourage insightful discussions in the Board of Directors by raising pertinent issues and opinions, and help the Board reach sound decisions by expressing viewpoints reflecting their respective fields of expertise.

Independent outside directors also play a part in verifying and evaluating operational results and management performance in

view of the management strategies formulated by the Board. Moreover, they help assess whether management is carrying out its duty to deliver shareholder returns.

③ Framework to ensure sound, effective, transparent management

The Group aims to increase its value by clearly separating management supervision and business execution; facilitating swift and decisive management decisions regarding business execution; and delegating a high level of authority over business execution away from the Board of Directors to members of the Group Management Team, which includes executive officers.

For more information, please refer to the Corporate Governance Report on our website:
https://www.group.dentsu.com/en/about-us/common/pdf/governance_202403_en.pdf

Board of Directors (held 14 times in 2023)

Chaired by a non-executive director, as of March 28, 2024, the Board of Directors comprises nine directors, of whom six are independent outside directors. The independent outside directors include members who have management experience at other companies.

When selecting the Board’s members, consideration is given to ensuring a sound balance of experience, expertise, and skills, as well as diversity in terms of gender, nationality, professional background, and age.

The following initiatives involving the Board were carried out in 2023.

- Meetings between Board members including independent outside directors and global leadership team members were held at dentsu’s New York office
- Unofficial meetings were conducted four times to allow for deeper discussions on important issues
- An ESG Briefing was held for institutional investors
- Independent outside directors attended employee information-sharing meetings and answered questions

• **Main topics of agenda items in meetings of the Board of Directors**
Compliance, internal controls, risk management, sustainability and ESG strategies in view of dentsu’s long-term vision and Medium-term Management Plan, Group competitiveness, business portfolio, the Medium-term Management Plan, investment in human capital, etc.

Nominating Committee (held 10 times in 2023, one time as the ex-Nomination Advisory Committee)

The Nominating Committee comprises four members, including a chairperson with voting rights. Among the three other members, two are independent outside directors and one is an internal director.

• **Actions and results**

The Nominating Committee deliberates on the nomination and succession plans of directors and executive officers, and decides on matters related to directors. Matters related to executive officers are deliberated and reported by the Committee before being submitted to the Board of Directors for decision. In 2023, it mainly deliberated on the following matters.

- The Nominating Committee’s role, operating policy, and main topics of discussion
- Policies concerning director nominations and succession planning
- Policies concerning executive officer nominations and succession planning

• **Policies concerning nomination and succession planning**

1. **Nomination policy**

The Committee shall:

- Nominate suitable candidates who can contribute to enhancing the Group’s value and sustainable growth over the medium to long term, in view of the Group’s

operating environment.

- Select candidates with management-related expertise, experience, and ability, while ensuring a good balance between diversity and fields of expertise with the goal of assembling a management team capable of improving the Group’s competitiveness and quickly generating innovations.
- Select candidates to become the Company’s directors and executive officers in 2024.

2. **Succession planning policy**

- The Committee shall prepare succession plans for the Company’s directors and executive officers.
- The Committee shall consider successor candidates for each position or set of positions, based on priorities and requirements that reflect the Group’s operating environment.
- Discussions regarding human resources (People Discussions) shall be held in all relevant workplaces by executive managers in order to identify promising successor candidates and give consideration to personnel development plans, which process will allow for committee deliberation based on the screened information.
- In addition to selecting and training successors from within the Group, depending on the management position, the Committee shall expand the pool of successor candidates by recruiting people from outside the Group.

Audit Committee (held 14 times in 2023, four times as the ex-Audit & Supervisory Committee)

Chosen by the Board of Directors, the Audit Committee comprises four independent outside directors, three of whom have expertise in finance and accounting. The chairperson is selected by the committee from among the members.

• Actions and results

In accordance with the Companies Act of Japan, the Committee audits the execution of duties performed by directors and executive officers, supervises the activities of the Board of Directors, and, as a basic policy, assists the Board in its supervisory role by monitoring and supervising financial reporting, internal controls, internal audits, and financial audits.

Having taken over the auditing duties of the former Audit & Supervisory Committee, the Audit Committee verified the audits conducted by that committee between January 1 and March 30, 2023 (the date of the Group's 174th Ordinary General Meeting of Shareholders). Key audit matters for the Audit Committee are the following.

- Construction and operating status of the system of internal controls (including internal controls associated with financial reporting)
- The organization and execution of the Group's internal audits
- The appropriateness of audits by the accounting

auditors (including organizations that audit consolidated financial results outside Japan)

- Initiatives to strengthen the compliance framework (including measures implemented by the dentsu Japan Reform Committee in response to issues related to the Tokyo 2020 Olympic and Paralympic Games)

Compensation Committee (held 11 times in 2023, three times as the ex-Compensation Advisory Committee)

The Compensation Committee comprises three members: a chairperson with voting rights and two independent outside directors.

• Actions and results

The Committee deliberates and decides on the compensation of directors and executive officers. In 2023, it mainly debated the following matters.

- The Compensation Committee's role and operating policy
- Reviewing of basic policies concerning officer compensation
- The review of market benchmarking methods for officer compensation
- Establishing targets for performance indicators and evaluation methods
- Setting individual performance targets for executive officers and interim reviews

• Basic policies on executive compensation

1. The Group shall recruit and retain highly capable

personnel by providing attractive compensation and workplace conditions.

- Competitive levels of compensation
 - Opportunities for career advancement
2. The Group shall aim to maximize the performance of the Group Management Team of globally-integrated management to achieve Group-wide strategic goals.
 - Performance-based rewards
 - Ambitious goal setting
 3. The Group shall promote mutually beneficial relationships with stakeholders, starting with shareholders.
 - Creating value for society
 - Accountability

Other bodies involved in business execution

Under the Board of Directors, the Group Management Team directly oversees the Group's four regions of operation. Among the team members, the President & Global CEO and three vice presidents make up the Group Management Board, which was set up as a business execution body that holds deliberations (including prior to Board of Directors' meetings) and makes decisions on important matters concerning budgets, financial results, dividends, earnings forecasts, M&A and investment-related issues, medium-term management plans, key personnel, and the establishment and revision of important rules and regulations.

Further, the Group M&A Committee, Group

Sustainability Committee, Group Compliance Committee, Group Risk Committee, Group Nomination Committee, and Group Compensation Committee are advisory bodies that deliberate on specific issues. This framework is designed to ensure sound, transparent, and effective management, and to contribute to enhancing the Group's corporate value over the medium to long term.

Training for directors

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 2023, directors participated in training programs covering compliance, geopolitical risks, and sustainability, particularly with regard to decarbonization.

Policy on the disposal of strategic shareholdings and actual reductions

The Group's basic policy regarding so-called strategic shareholdings is to validate whether shareholdings are meaningful from perspectives such as whether the benefits of holding the shares are higher than the

Group's anticipated cost of capital and whether the stock ownership contributes to the maintenance and enhancement of the business relationship with the investee company and the promotion of collaboration, and to reduce individual shareholdings where they are not deemed meaningful.

Each year, the Board of Directors examines the purpose and economic rationale for every strategic shareholding from a medium- to long-term perspective and assesses the appropriateness of continuing to hold each stock.

In 2023, the Group sold 17 strategic shareholdings with a total value of approximately 13.0 billion yen in accordance with this policy.

As of December 31, 2023, the ratio of the amount of strategic shareholdings on the balance sheet to the Group's total equity was 9.2%.

Constructive dialogue with shareholders

The Group recognizes that regularly engaging in constructive dialogue with shareholders and investors can contribute to enhancing its corporate value over the medium to long term.

Therefore, the Group has established a Disclosure Policy and discloses to shareholders and investors a broad scope of information in a timely manner through its investor relations activities, spanning from management strategies and financial results to non-

financial matters.

Specifically, a wide range of activities are carried out primarily by the Global CEO and the Global CFO, along with executive officers in charge of investor relations and information disclosure. The activities include periodic meetings with securities analysts and institutional investors, participation in conferences held by securities firms in and outside Japan, investor roadshows to meet individually with investors around the world, conference calls and video meetings with individual investors, as well as the issuing of detailed announcements on the Group's website.

To ensure these activities are effective, the Group IR Office functions as a specialized organization, and works closely with related organizations, including the Group Corporate Planning Office, Group Financial Reporting Office, Group Financial Planning and Analysis Office (accounting function), and Group Corporate Secretary Office. With locations in Tokyo and London, the Group IR Office engages in dialogue with securities analysts, investors, and shareholders from Japan and other countries.

The opinions and requests of shareholders and investors obtained by this management team directly through meetings and other investor relations activities are periodically reported back to the Board of Directors and management, and are incorporated in initiatives aimed at improving corporate management and

shareholder value.

In addition, to properly handle insider information, the Group has set up an Information Management Committee, and also prohibits external discussions about financial information during silent periods. Efforts are also made to verify the Group's shareholder ownership structure, including periodic surveys to identify shareholders with substantial holdings, the results of which are reported to the Board.

Independence of outside directors

As a matter of policy, the Group limits the number of directors on its Board of Directors to a maximum of 15, and of that total, a majority must be independent outside directors. The Board currently comprises nine directors and, to enhance its supervisory role, the Group has appointed six independent outside directors who meet [its standards for independence](#), as well as a non-executive director who functions as Chairman of the Board.

For further details regarding dialogues with shareholders and investors, please refer to the Disclosure Policy section of the Company's website. <https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html>

Evaluating Board effectiveness; measures taken in 2023

Aiming to continuously increase the effectiveness of its Board, the Group has appointed a third-party organization to independently analyze and evaluate how effectively and appropriately the Board performs its management supervisory role, and has each director complete an annual questionnaire about the Board's effectiveness.

In 2023, the Group confirmed that issues identified in the 2022 evaluation had improved, while new tasks and future plans were making progress. It thus implemented measures to increase the Board's effectiveness, in effort

to further improve corporate governance.

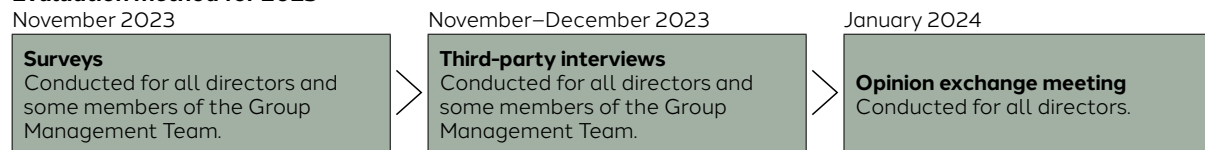
Results of analysis and summary of evaluation

In response to the Tokyo 2020 Olympic and Paralympic Games incident that occurred in 2022 and the financial issue in the DACH region, we recognize with a sense of urgency that strengthening internal controls and transparent disclosure are essential to restore stakeholder confidence and enhance corporate value.

• Summary of 2023 evaluation results, issues from 2022 and progress in 2023

The evaluation for 2023 confirmed the sincere efforts of

Evaluation method for 2023



<p>Items in the survey (11 items, 76 questions)</p> <ul style="list-style-type: none"> - Overall evaluation (effectiveness as a whole, functioning of the monitoring model after the change in institutional design, transparency, fairness, and rationality of decision making) - Strategic alignment and engagement (management strategy, capital policy, business portfolio review, ESG response, business risk, dialogue with shareholders, etc.) 	<ul style="list-style-type: none"> - Board of Directors' processes and practices (board management, organizational design, discussion topics, training, etc.) - Management supervisory functions (monitoring of business activities, risk management, global governance systems) - Board culture and dynamics, Nominating Committee, Compensation Committee, Audit Committee - Issues from the 2022 effectiveness evaluation
--	--

Governance

the Board of Directors to upgrade its corporate governance structure in order to regain the trust of stakeholders. Among other things, the evaluation confirmed the high regard for the open and active discussions at the Board meetings, the time and emotional commitment of each Board member, and the leadership of the Chairman in fostering a forward-looking culture. On the other hand, it was also confirmed that, in light of the high number of risk incidents and the inability to halt the deterioration of business performance, it will be necessary to take measures to get to the root causes of the problems and to reconsider the monitoring of execution. The status of efforts to address issues 1 through 4 below, which were identified in the analysis and evaluation for 2022, and the Group's recognition of this status are as follows.

1. Deliberation on important agenda items and the determination of direction based on the long-term vision and strategies

While reviewing progress towards the Medium-term Management Plan, it was confirmed that the executive side presents specific considerations regarding the long-term vision and strategy to the Board of Directors, and careful and active discussions are held at the Board of Directors' meetings.

2. Establishment of common frameworks for effective monitoring

It was confirmed that while under the new board

structure, efforts are being made to align the point of view of supervisory and executive sides of the Board, the appropriate sharing of management information with the Board and the establishment of a method for monitoring execution by the Board remain issues that require ongoing efforts.

3. Consideration of the approach to monitoring after the transition to One Management Team

It was confirmed that although the formalities related to the One dentsu Operating Model are in place, PDCA management to strengthen the operations is important in order to ensure its substantive aspects.

4. Considerations regarding changes to organizational design

It was confirmed that although the change in the organizational design (from a company with an audit and supervisory committee to a company with a nominating committee, etc.) and the transition of the management structure went smoothly, it is necessary to keep in mind that transition is not a goal, and efforts should be made to strengthen the substantive aspects of operations, including internal controls and internal audits.

• Initiatives for future improvement

The issues to be prioritized by the Board of Directors and the policy for addressing each issue are as follows, in order to achieve the operation of One dentsu with both supervision and execution, and to lead the entire Group

to sustainable growth and increased corporate value while solving the issues at hand.

1. Establishment of a Group Global Governance Structure

Our policy for initiatives: In order to promote the appropriate operation of One dentsu and the establishment of a structure, secure global human resources to support the global headquarters functions, strengthen internal controls, and effectively promote Mindset and Behavior Reform.

2. Accelerate strategic discussions on business portfolio optimization

Our policy for initiatives: In order to promote strategic divestiture and portfolio optimization of businesses, the Board of Directors will discuss the progress of past M&A and business restructuring.









3. Strengthen monitoring of execution by the Board of Directors

Our policy for initiatives: Align the perception of supervisory and executive sides on the roadmap and milestones for addressing execution issues, clarification of KPIs to be monitored, and the content and methods of reporting at Board meetings.

4. Improve quality of materials suitable for discussion at Board meetings

Our policy for initiatives: Examine ways to prepare and present materials suitable for discussion from a supervisory perspective at Board meetings.

Board member skills matrix

	Official position	Committee membership	Business management	Finance/Accounting	Audit	Legal/Compliance	Human resources	Global management	Digital business
 Tim Andree	Director, Chairman of the Board		○					○	○
 Hiroshi Igarashi	Director, Representative Executive Officer, President & Global CEO	Nominating	○					○	○
 Arinobu Soga	Director, Representative Executive Officer, Executive Vice President Global Chief Governance Officer, Global CFO		○	○	○			○	
 Gan Matsui	Independent Outside Director	Nominating Audit, Chair			○	○	○		
 Paul Candland	Independent Outside Director	Nominating Compensation	○					○	○
 Andrew House	Independent Outside Director	Compensation, Chair	○		○			○	○
 Keiichi Sagawa	Independent Outside Director	Nominating, Chair Audit	○	○	○			○	○
 Mihoko Sogabe	Independent Outside Director	Audit Compensation		○	○				
 Yuka Matsuda	Independent Outside Director	Audit		○	○	○			

Messages from the Committee Chairs

Dentsu recognizes the importance of improving corporate governance to enhance the Group's corporate value and achieve sustainable growth over the medium to long term. Accordingly, it adopted a board committee structure with

three committees (nominating, audit and compensation) in March 2023. This structure was established to facilitate prompt decision-making and enhance the Board of Directors' transparency and management supervisory role by clearly separating business execution and management supervision.

Advances in Group-wide business integrity

Gan Matsui

Independent Outside Director
Chairman of the Audit Committee

With its adoption of a board committee structure in March 2023, dentsu established three new committees, made up primarily of independent outside directors as mandated by Japanese law. As a result, the Group has evolved, and its corporate governance is now more solid than ever. Of the new committees, the Audit Committee has greater responsibility than the former Audit & Supervisory Committee; this requires it to maintain a strong focus in its activities.

Alongside this change, the Group began taking new steps regarding its One dentsu framework in 2023. One dentsu aims to succeed not only in business, but also in business-to-business-to-society (B2B2S). This means earning public trust, aiming to be a company that benefits society, and always considering the societal aspects of business activities.

For this reason, I strongly believe that we must rapidly improve whatever elements of our corporate culture that are found lacking, raise awareness of compliance among employees throughout the Group, and advance the multifaceted aspects of our corporate governance.

To meet these challenges, in 2024, the Audit Committee has been monitoring the effectiveness of the 17 measures promoted by the dentsu Japan Reform



(From left) Tim Andree, Non-Executive Chairman of the Board; Gan Matsui, Chairman of the Audit Committee; Keiichi Sagawa, Chairman of the Nominating Committee; Andrew House, Chairman of the Compensation Committee

Committee in charge of Mindset and Behavior Reform. Monitoring has taken the form of an employee awareness survey; the qualitative and quantitative measuring of the degree to which ethical business practices have been embraced by the Group; and assessing whether business process controls are operating impartially and transparently.

We have also been communicating with the Internal Audit Department and independent auditors to determine whether financial accounting and auditing are being carried out promptly and properly. By fulfilling these responsibilities, we hope to meet the expectations of all stakeholders.

Balancing management diversity and expertise to bolster competitiveness

Keiichi Sagawa

Independent Outside Director
Chairman of the Nominating Committee

The Nominating Committee selects director candidates to be proposed at the general meeting of shareholders, and executive officer candidates to be proposed to the Board of Directors. It also formulates succession plans. In 2023, the Committee held further discussions on requirements for successors, and examined candidate information in greater detail. In 2024, we would like to have even more transparent and impartial discussions about these matters.

Key tasks on the Group's management agenda include fundamental business restructuring amid an extremely competitive environment, and corporate

culture reforms stemming from issues related to the Tokyo 2020 Olympic and Paralympic Games.

To make progress on these tasks and meet the expectations of stakeholders, the Group's management team must be highly strategic and innovative, and demonstrate strong leadership. It is also essential to have a board of directors, mainly from outside the company, with the expertise and diversity to properly govern the executives. The Nominating Committee is working to select the most suitable candidates by not only meeting with them, but also collecting relevant information through people networks inside and outside the Group.

When choosing successors to members of the management team, it is essential to take a long-term perspective, specify necessary requirements for the positions, and have a plan to develop the successor. The Nominating Committee will further discuss these matters while obtaining relevant information from executive management. We hope to assemble a management team capable of improving the Group's competitiveness and quickly generating innovation.

More transparent compensation will boost the Group's value

Andrew House

Independent Outside Director
Chairman of the Compensation Committee

With the establishment of a Compensation Committee

as part of a three-committee governance structure, much of our efforts were to develop a compensation system based on the principles of transparency and good governance. The Committee seeks to ensure that dentsu can attract and retain the best talent while also ensuring that management's incentives are better aligned with our stakeholders. This is a critical concern for a company like dentsu, whose most precious resource is its people and their creativity.

As chair I seek to listen to and balance the views of management, of committee members as well as the insights of compensation specialists with whom we work, while also being mindful of the concerns of our shareholders. In this financial year, we will strive to ensure that dentsu's compensation is a tool to increase the Group's competitiveness as it seeks to reinvent itself under the One dentsu Operating Model. We will work hard to ensure that compensation KPIs reflect this ambition as well as the Group's challenging business environment. At the same time, we will also continue to ensure that the Group benchmarks its compensation system carefully and correctly and that we create the right balance of short-term and long-term incentives.

I look forward to building on and improving our system to drive enhanced value for the Group and our stakeholders.

Executive compensation policy for determining the amount of compensation and calculation methods

Basic policy for determining compensation of officers

• Framework for compensating officers

As a company with a board committee structure, dentsu has a Compensation Committee whose members and chairperson are outside directors. The Compensation Committee deliberates and decides on the level and structure of compensation as well as targets for variable compensation for directors and executive officers based

Attract and retain outstanding talent by providing attractive total rewards and environment	Competitive pay
	Career growth opportunities
Achieve the Group's strategic goals by maximizing the performance of the globally-integrated management team	Pay for performance
	Challenging goals
Strengthen alignment with interests of shareholders and all other stakeholders	Creating value for society
	Accountability

on the following compensation framework.

• Compensation levels

To secure globally talented management personnel, the Group sets compensation levels appropriate for each management role based on amounts paid by industry competitors and companies with similar market caps operating in major markets, including Japan, the US, and the UK.

• Compensation system

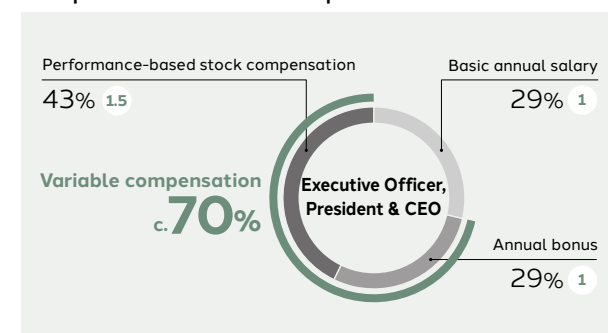
Compensation of executive officers (including those concurrently serving as directors) is composed of basic annual salary, annual bonus, and performance-based stock compensation.

The Group provides outside directors and those inside directors not concurrently serving as executive officers only with a basic annual salary.

To help improve its financial performance and market capitalization over the medium and long terms, the Group has set the medium- to long-term bonus for the President & Global CEO at 1.5 times the amount of the basic annual salary and the annual bonus, respectively. The proportions set for other executive officers are based on their global management responsibilities.

Category	Type	Details
Fixed compensation	Monetary compensation	Basic annual salary Regular fixed amount, paid each month
	Annual bonus	Based on numerical values of indicators for each fiscal year
Variable compensation	Stock compensation	Performance-based stock compensation The Group's stock is awarded, through a trust, in amounts reflecting the number of units allocated on a specific date each fiscal year, and adjusted after three years based on the performance indicator targets reached.

Composition of annual compensation



Note: The diagram shows the final composition of annual compensation assuming that all targets have been accomplished.

Performance-based compensation structure

• Objective of setting indicators

For each type of performance-based compensation, the Group has specified performance indicators and calculation methods to motivate executive officers to promote business transformation and growth strategies, work to maximize corporate value, and fulfill the Group's purpose: an invitation to the never before.

Performance-based compensation structure

Compensation	Performance indicator	Details and objective
Performance-based stock compensation	Total Shareholder Return (TSR) vs. peer group	Increase the Group's stock price and share profits with shareholders
	Total Shareholder Return (TSR) including dividends vs. Tokyo Stock Exchange Stock Price Index (TOPIX)	
	Consolidated underlying operating income compound annual growth rate (CAGR)	Sustainable profit growth
Annual bonus	Organic growth rate, Operating margin	Expand business revenues and growth in each fiscal year
	Individual performance evaluation	Promote business transformation
	Non-financial indicators	Implement ESG and sustainability-related initiatives

Maximize corporate value / Fulfill the Group's purpose: an invitation to the never before.

• Performance targets and compensation breakdown in 2024

Depending on the achievement of the targets shown below, executive officers receive an annual bonus ranging between 0 and 200% of their annual salary, and performance-based stock compensation ranging between 30 and 170% of their annual salary.

Compensation governance

• Malus and clawback clauses

The Group has set the Officers Stock Benefit Regulations

Annual bonus

Category	Performance indicator	Target	Upper limit target	Ratio
Financial indicators	Organic growth rate	3.1%	8.3%	50%
	Operating margin	15.3%	16.1%	20%
Individual performance evaluation		Management targets set for each executive officer		20%
ESG indicators	Employee engagement score (points)	68	—	10%
	Proportion of female leaders*1	34.3%	—	
	GHG emissions (Scope 1+2) vs. baseline*2	79%	—	

*1 Definition of the "female leaders"
<https://www.group.dentsu.com/en/sustainability/common/pdf/third-party-assurance.pdf>

*2 Based on a 2019 baseline. We submitted new GHG reduction targets to the Science-Based Targets initiative (SBTi) in 2024.

stipulating that the Group may withdraw some or all of an executive officer's right to receive performance-based stock compensation (malus) or demand the return of some or all of the stock or cash that has been paid from an executive officer (clawback), by resolution of the Compensation Committee, if the executive officer has caused serious damage to the Group through intent, negligence, inappropriate actions, etc., or where there is an error in financial information with the effect of decreasing the amount payable to the executive officer.

Performance-based stock compensation (Performance evaluation period: 2024-2026)

Category	Performance indicator	Target	Upper limit target	Ratio
Total Shareholder Return (TSR)	vs. peer group*3	Average TSR of 2nd and 3rd highest companies	Average TSR of 1st and 2nd companies	20%
	vs. Tokyo Stock Exchange Stock Price Index (TOPIX)	100%	150%	15%
Consolidated underlying operating profit	Compound annual growth rate (CAGR)	8.1%	12.0%	35%
Fixed compensation	—	—	—	30%

*3 A peer group of six companies has been selected, comprising WPP plc, Omnicom Group Inc., Publicis Groupe SA, Interpublic Group of Companies, Inc., Accenture plc, and Hokuho DY Holdings Inc., which are competitors of the Group.

*4 Depending on the Executive Officer, all base units of performance-based stock compensation may be treated as the "variable portion" and a variable range of 0 to 200% may be applied.

Risk management

Approach

To achieve management goals, the Group identifies and evaluates risks as uncertainties 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 thus 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.

Structure

We have in place a Group Management Team to promote management globally. This enables the Group to transition to a structure that facilitates accelerated business transformation and enhanced management. The result is business growth and the enhancement of sustainable corporate value.

In addition, we have set up the Group Risk Committee, under which four Regional Risk Committees were formed to strengthen Group risk management.

The Group Risk Committee mainly covers medium- to long-term strategic risks. To strengthen the Group's

risk management-related control and monitoring functions, starting this year the Group Risk Committee is chaired by the Representative Executive Officer, President & Global CEO, and the Regional CEOs from Japan, the Americas, EMEA, and APAC have been appointed as committee members.

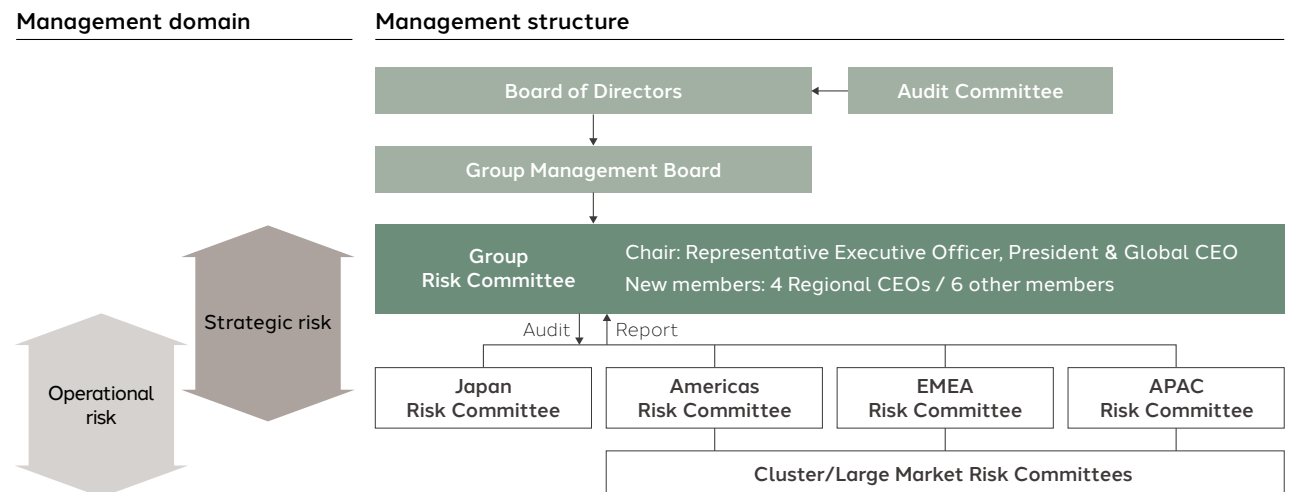
In addition, a new Global Internal Controls & Risk Officer has been appointed from the Group Management Team to enhance the promotion of risk management activities.

The four Regional Risk Committees, under the Group Risk Committee, are in charge of managing

strategic risks at the regional level in cooperation with the Group Risk Committee, as well as identifying and managing major operational risks.

For example, in Japan, the dentsu Japan CEO chairs the dentsu Japan Risk Committee and is responsible for implementing policies and goals set by the Group Risk Committee, as well as for managing risks specific to the Japan business.

The activities of, and responses by, the Group Risk Committee and each of the four Regional Risk Committees are regularly monitored by the Group Management Board and the Board of Directors.



Governance

Specific risk management initiatives

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-year plan to promote more effective and efficient risk management.

To manage the likelihood of risks materializing and 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 (evaluated using a heat map based on Likelihood of Occurrence × Impact) 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.

With regard to emerging risks stemming from climate change and other conditions that were not factors in the past, the Group Risk Committee and the four Regional Risk Committees work together as needed to identify risks, assess potential impacts on management and business strategies, and formulate response plans.

In addition, our risk taxonomy (the comprehensive, common, and stable set of risk categories we use, and their systematic organization) is updated as needed and applied to the entire Group to ensure comprehensive

risk management.

Meanwhile, to foster and disseminate a risk culture throughout the Group, we provide risk management training for senior management and employees as appropriate.

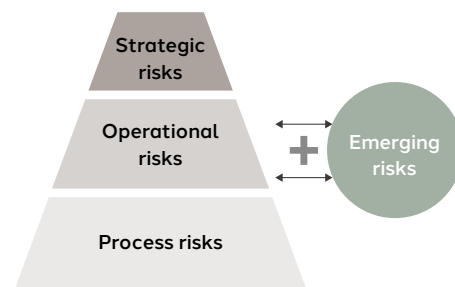
Risk management based on ERM

Regular identification and assessment of, response to, and reporting cycle for major risks



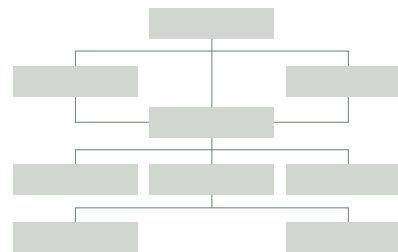
Ascertaining and responding to emerging risks

The four Group risk subcommittees ascertain emerging risks



Risk taxonomy

Systematic organization of terminology ensures that the Group has a rational, comprehensive, common, and stable set of risk management categories across the board



* For details, please see the "Business and Other Risks" section on page 23 of the Financial Report 2024. https://ssl4.eir-parts.net/doc/4324/yo_ho_pdf/S100T4UC/00.pdf (Japanese language only)

Cyber security

Our security program

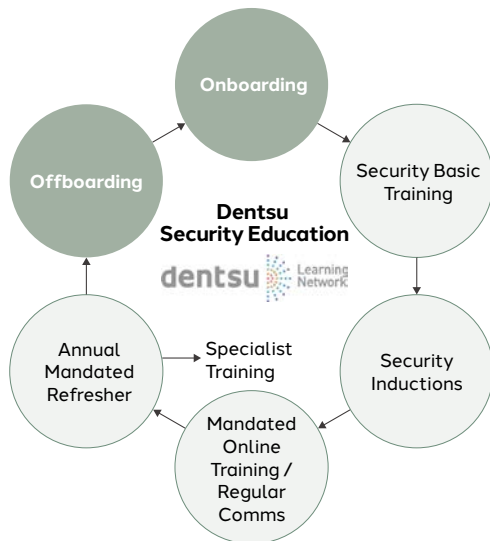
Dentsu has developed a security program with an overarching objective to protect our business and people from threats, enable our colleagues to work securely, and provide assurance to clients and Group leadership.

- Business priority

Security is an integral part of our business processes and recognized as critical to meeting the needs of our internal and external stakeholders.

- Significant investment

We take security seriously and commit resources to



ensure consistent implementation of industry standard safeguards across our business.

- Global consistency

Our team is run by a Group Security Officer who is accountable for Group-wide security with support from a network of regional Chief Information Security Officers.

- Sound governance

Our management is responsible for effective oversight of security processes, including specific accountabilities, policies, and controls.

- Independent assurance

Assessments (internal and external) are conducted for corporate governance, client compliance, and risk management purposes.

Employee awareness

Dentsu promotes a comprehensive security awareness and education program through a number of key initiatives:

- Annual mandatory security awareness training
- Targeted training for high-risk roles and functions
- Regular policy-focused communications
- Periodic simulated phishing campaigns

Governance and risks

Based on the Enterprise Risk Management approach, dentsu aims to minimize the likelihood of identified security risks from materializing. However, should they occur, the Group minimizes their impact by selecting risk sponsors to whom they delegate the formulation and implementation of risk response plans, with the Dentsu

Security Risk Committee regularly monitoring the responses. Furthermore, known security issues arising from second line assurance are also monitored and reported through the same risk management methodology.

Securing our operations

- Advanced threat protection
 - Anti-malware for email, web, and endpoints
 - Next-gen endpoint detection and response system
 - Actionable intelligence to defend against emerging threats
 - Proactive threat hunting across network and devices
- Monitoring & Incident response
 - Expert 24x7 security monitoring
 - Centralized, correlated visibility of activity
 - Capability to quickly contain and respond to threats
 - Regular testing of incident response processes
- Identity & Access management
 - Central oversight of user access and joiner/leavers
 - Real-time auditing of privileged users and domain
 - Multi-factor authentication used for core applications
- Infrastructure & Asset protection
 - Independent testing of network perimeter
 - Detect and fix vulnerabilities before attackers
 - Secure internet gateway used by our endpoints

2024-2026 Focus Areas

- Continuously review and improve security structure
- Continuously strengthen data-centric management systems
- Promote security in product development
- Develop dentsu's security personnel

Supply chain management

Basic stance

Dentsu regards supply chain management as an important issue. In procurement, we have established and disclosed Group policies and put in place the necessary systems.

• Eligible suppliers

Dentsu's suppliers include a wide range of media, production, technology services, goods suppliers, consulting firms, and other professional services firms.

• Structure

Dentsu's Global Chief Governance Officer (GCGO) & Global Chief Financial Officer (GCFO) are the owners and responsible for Group policies. Matters of high importance are brought up for discussion at important meetings, such as the Group Management Board, and are also reported to the Board of Directors as necessary. In addition, dentsu Japan and International each have their own procurement teams responsible for implementing actions in line with policies and supply chain management.

• Clarification of supply chain management policy

Besides disclosing the dentsu Group Procurement Policy, which sets out our approach, we have developed the

dentsu Group Supplier Code of Conduct to set out our expectations for suppliers who do business with us. Guidelines and procedures have also been formulated for each region in accordance with regional business practices and structures, and these are managed by the procurement teams in charge of each region.

• Dealing with suppliers (risk monitoring and decarbonization)

We clearly define the key risks – not only country and sector risks, but also environment, human rights, compliance, information management, anti-corruption, and ESG risks – in our transactions with suppliers, conduct thorough due diligence information gathering for risk management purposes at the start of transactions with suppliers, and conduct necessary monitoring during transactions. Together with our procurement and sustainability teams in Japan and International, we plan to move forward with efforts toward decarbonization in the future.

• Escalation process and external hotlines

Procurement teams in each region, independent of business divisions, collect, analyze, and verify multifaceted information, including information received by hotlines for consultation from external suppliers, and consider and implement necessary measures. We have also established Speak Up@dentsu, a reporting window where suppliers can consult anonymously.

Details of dentsu Japan (hereafter, dJ) initiatives

(1) Establishment and publication of guidelines

In order to build a sustainable supply chain that contributes to the development of our clients and society, we have established and published the dentsu Japan Procurement Guidelines, which we require not only companies belonging to dJ, but also suppliers of dJ companies, to comply with.

(2) Guideline compliance measures

dJ encourages the management of dJ companies to comply with and implement the dJ Procurement Guidelines, and periodically checks the status of implementation and provides support.

(3) Monitoring

Based on reports from business divisions and information collected as needed by the Credit and Procurement Division, when individual cases/issues occur or have the potential to occur at suppliers, internal investigations and hearings are conducted to quickly determine whether transactions may continue.

(4) Escalation

dJ companies and dJ procurement teams work together to share information and resolve issues. Important issues are reported to and discussed by the dJ Trade Committee, which investigates the details of

transactions and makes decisions on whether to continue transactions.

(5) Education and training

The dJ procurement team shares with dJ companies specific implementation methods for contracting, information security, and monitoring related to procurement.

(6) Risk management and due diligence

We manage risk by ensuring that a contract is signed at the start of the transaction, and conduct category specific risk management and investigations to determine feasibility of the transaction.

(7) Examples of supply chain optimization and ongoing initiatives

The dJ procurement team implements a variety of measures. For example, we have appointed a dedicated person for transaction management, which is one of the measures for “Mindset and Behavior Reform” in dJ, and we regularly monitor and analyze our suppliers. We also place great importance on communication with suppliers.

Details of International (outside of Japan) initiatives

(1) Establishment and publication of guidelines

In addition to establishing the Purchase to Pay Policy, we carry out procurement activities in compliance with local business practices and regulations.

(2) Guideline compliance efforts

The International Procurement Team manages high-spend and criticality central or global contracts with third-party suppliers. Beyond this, procurement is managed by either local procurement teams or other functions such as operations or finance. Procurement activity compliance is managed through an Internal Control Framework.

(3) Monitoring

In addition to local monitoring by each company, for global requirements the International Procurement Team supports supplier due diligence and risk management. The team works with the business and supplier as required to resolve any issues.

(4) Escalation

Monthly reports are presented at high-level meetings with finance, legal, and technology representation by the International Procurement Team. These reports include key contract activity, negotiated savings and procurement-related risks and opportunities.

(5) Education and training

International Procurement Team members receive training in commercial negotiation and sustainable procurement, and are supported in studying for procurement qualifications. This is in addition to standard employee training relating to policies such as data protection, security and the Dentsu Group Code of Conduct.

(6) Risk management and due diligence

For new suppliers, due diligence is carried out to confirm acceptance of dentsu’s Supplier Code of Conduct, assess financial viability, regulatory, and compliance risks such as fraud and bribery, and confirm appropriate data security. As good practice we also encourage gathering information on ESG factors.

(7) Examples of supply chain optimization and ongoing initiatives

The International Procurement Team has introduced supplier segmentation to identify key suppliers and ensure appropriate resources are assigned to manage their activity. During 2024, we are introducing a new supplier onboarding tool for global suppliers that will enable greater use of targeted risk related questions appropriate to the supplier.

Compliance

The Dentsu Group Code of Conduct states, “At dentsu we believe we must be a force for good. When we do the right thing as individuals, it becomes who we are as a company. It’s what makes being a force for good possible, and it starts with each and every one of us.” To achieve this, we have established the following

compliance management structure which we are continuously strengthening.

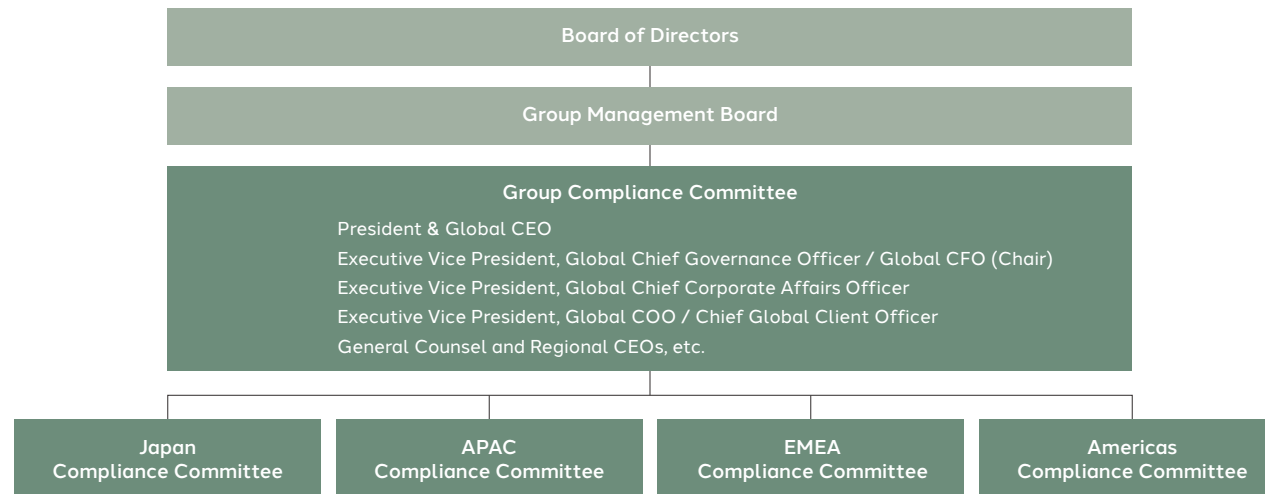
Group Compliance Committee

For dentsu, which aims to become a B2B2S company, ethics and compliance are the foundation of all of our activities. We have established the Group Compliance Committee as a committee under the Group

Management Board, and have also established compliance committees in our four regions (Japan, APAC, EMEA, and the Americas) as supporting organizations.

With the above system, we aim to align under a unified vision across the Group and promote compliance management.

Compliance management



Governance

Compliance Program

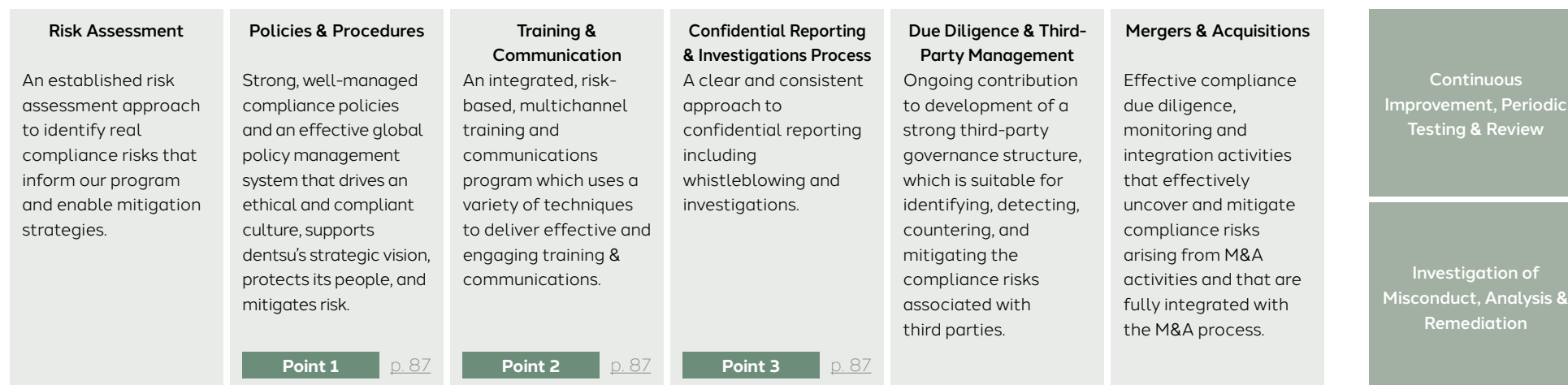
The vision of the Group Compliance Program is to meet global standards of best practice in ethics and compliance and establish a reputation as a governance leader. Realizing the vision requires the Group to ensure

that the Group Compliance Program is well designed, applied with commitment, and operated effectively in practice. This vision requires the responsibility and commitment of top management to compliance both at the Group and regional level, and to proactively promote

doing business with integrity.

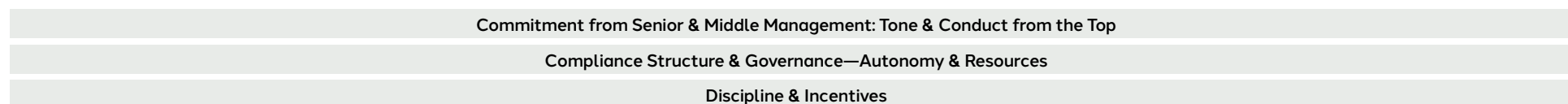
The following chart illustrates an overall picture of the Group Compliance Program.

Program Design



Program Effectiveness

Implementation



Point 1

Policies & Procedures

• **Establishment of Group Code of Conduct**

The Dentsu Group Code of Conduct establishes a code of behavior that serves as the fundamental philosophy for promoting compliance across the Group. It stipulates the actions to be taken and the principles to be observed as a member of dentsu, including an emphasis on diversity and compliance with laws, regulations, and internal rules.

For the full text of the Dentsu Group Code of Conduct, please refer to our website.

<https://www.group.dentsu.com/en/about-us/governance/codeofconduct.html>

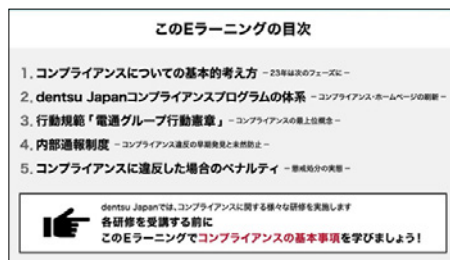
• **Establishment of Group Policies**

To realize the principles of the Dentsu Group Code of Conduct, we have established Group-wide policies including the Group Anti-Bribery & Corruption Policy, Group Legal Policy, and Group Global Data Protection Principles. Going forward, we will further introduce Group-wide policies and promote compliance management under a unified vision across the Group.

Point 2

Training & Communication

We conduct a variety of ethics and compliance training programs across the globe such as e-learning for the Code of Conduct. We also provide employees with a variety of compliance-related information through our intranet for their awareness.



Compliance training in Japan

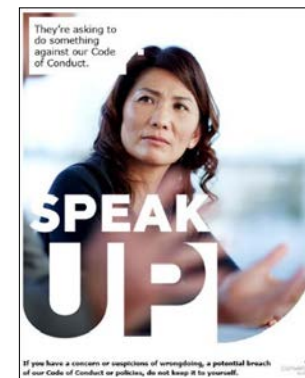


Compliance training outside of Japan

Point 3

Confidential Reporting & Investigations Process

As our whistle-blowing hotline for use by all officers and employees of Group companies, we have Speak Up@dentsu. We also have Compliance Line for Japan. By linking the functions of these hotlines to the early detection and remediation of compliance violations, we are promoting compliance management and the sound growth of our business.



Group-wide whistle-blowing hotline

The dentsu Japan Reform Committee “Mindset and Behavior Reform”

Mindset and behavior reform

On February 28, 2023, a criminal complaint was filed against an employee of dentsu’s Japanese subsidiary by the Japan Fair Trade Commission, and Dentsu Group Inc. was subsequently indicted by the Tokyo District Public Prosecutors Office for an alleged violation of the Antimonopoly Act in connection with the bidding for the test events of the Tokyo 2020 Olympic and Paralympic Games.

We sincerely apologize to our shareholders and all other stakeholders for the inconvenience and concern this has caused.

In the ongoing trial, the Group has admitted that it engaged in unfairly restricting business activities with regard to competitive bidding for “test event planning” services.*

The Group takes this matter very seriously. As a result, dentsu Japan is engaged in Company-wide, compliance-related Mindset and Behavior Reform. These are based on the investigation report and recommendations submitted by the Investigation and Review Committee, which comprises three outside experts. The aim is to ensure operational fairness and transparency, and to prevent the recurrence of issues

resulting from our organizational culture.

* At the same time, it was determined that there were no unfair restrictions of business activities with respect to test event implementation or main event management services, which were subject to negotiated contracts.

Reform Committee background

With the aim of fulfilling our responsibility to all stakeholders by renewing the way we approach our work,

	Member	Responsibility
Chair	Hiroshi Igarashi Representative Executive Officer, President & Global CEO, dentsu	Project lead, Reporting to the Board of Directors
Vice-chair	Arinobu Soga Representative Executive Officer, Executive Vice President, Global Chief Governance Officer & Global CFO, dentsu	Assisting the Chair, Implementation of reforms
Outside Member	Toshihiko Itami, Attorney-at-Law	Advisory
Outside Member	Genta Yoshino, Attorney-at-Law	Advisory
Outside Member	Yasuo Daito, Attorney-at-Law	Advisory
Member	Tadashi Nagae Global Corporate Secretary & Deputy Global General Counsel, dentsu	Implementation of reforms
Leader	Takeshi Sano CEO, dentsu Japan	Drafting the initiatives, reporting progress to the Committee
Leader/ Secretariat Head	Yoshimasa Watahiki COO, dentsu Japan	Drafting the initiatives, reporting progress to the Committee, operation of the Committee

the dentsu Japan Reform Committee was established in May 2023. It is chaired by President & Global CEO Hiroshi Igarashi.

In order to incorporate outside perspectives, three outside attorneys act as advisors, providing guidance regarding the efficacy of reform measures. A former member of the Investigation and Review Committee, Attorney Toshihiko Itami, was appointed to the Reform Committee to ensure the efficacy and consistency of reform measures.

We then formulated three reform pillars and 17 initiatives. While monitoring the progress of the initiatives, the Committee met and held more than 25 discussions, the details of which were regularly reported to the Board of Directors.

About KGIs and KPIs

We use three Key Goal Indicators (KGIs) and incorporate external perspectives to measure the progress of reforms.

The first KGI is the evaluation of employee-related reforms. Since November 2023, we have conducted three awareness surveys of dentsu Japan staff to measure the degree to which reforms have taken root and activities have improved.

The second KGI concerns monitoring evaluations. The three outside committee members regularly conduct a comprehensive determination of our reform efforts.

The third KGI involves evaluation by external

stakeholders. This is designed to improve the Group's image in the eyes of business partners and in consumer surveys.

Specific indicators are also tracked as Key Performance Indicators (KPIs). These include the progress towards our 17 reform initiatives, employee survey results and whistleblowing cases.

The third dentsu Japan employee survey, conducted in May 2024, shows a steady increase in the scores for the perceived need to reform mindset and behavior (91.0%) as well as to prioritize integrity (96.4%).

KGI **1** **Evaluation by employees:** Employee survey
1. Organizational culture
2. Risk management system & legal and compliance functions
3. Fair & transparent transactions

2 **Evaluation by the advisory group:**
 Comprehensive assessment by the outside committee members

3 **Evaluation by external stakeholders:**
 Supplier and consumer survey

KPI **Completion of initiative:**
 Completion of all 17 initiatives

Employee Awareness & Behavior Indicators:
 Employee awareness, understanding and practice of actions in accordance with initiatives
 • **Awareness** • **Understanding** • **Practice**

Fact indicators associated with the initiatives:
 Outcomes and facts associated with each initiative
 • **Number of whistleblowers**
 • **Number of positions dedicated to compliance**
 • **Training participation rates, etc.**

Reform progress

We are promoting three pillars of reform that cover our 17 reform initiatives. This reflects our policy of increasing awareness of the Group's responsibility to society, the need for transparency, and our desire to clarify the rules and ways we must follow.

• **First pillar: Establish an organizational culture that ensures proper corporate activities**

To achieve such a culture, we must take the following six steps:

1. Ensure familiarity with the Dentsu Group Code of Conduct.
2. Increase the dentsu Japan Chief Culture Officer's commitment.
3. Promote dialogue between management and employees regarding proper corporate activities.
4. Take strict disciplinary measures against those involved in the alleged Tokyo Olympic Games-related violation of the Antimonopoly Act.
5. Clarify what is required of leaders. This should be reflected in evaluations and promotions.
6. Optimize and revise HR systems as necessary.

All employees complete Code of Conduct training. In addition, an ongoing, Company-wide dialogue between management and employees takes the form of



meetings and small-group roundtable discussions.

In order to survey management, we will be introducing a dentsu Japan-wide, 360-degree evaluation of management.

• **Second pillar: Strengthen our risk management system and legal and compliance functions**

To do so, we must carry out the following seven actions:

7. Improve the whistleblowing process and provide new whistleblowing platforms.
8. Systemize and enhance compliance.
9. Expand our legal and compliance structure.
10. Strengthen the monitoring function via internal audits.
11. Make the dentsu Japan Risk Committee more flexible.
12. Place a compliance manager in all sections responsible for business execution.
13. Consider having a disciplinary system to restore corporate order.

Speak Up@dentsu is a new whistleblowing portal accessible at all dentsu companies. It is free to use, confidential, and available 24 hours a day, seven days a week via toll-free numbers or at speakup.dentsu.com.

Because the availability of this portal has helped create an environment in which staff feel more comfortable speaking out, the number of reports being made is on the rise.

Further, compliance officers and compliance

managers responsible for promoting compliance awareness and behavior reforms have been appointed at each business site.



- Third pillar: Introduce business processes that ensure fair, transparent transactions

Doing so requires that we undertake four activities:

14. Appoint experts as external advisors.
15. Develop and apply business guidelines.
16. Set up and apply rules for secondment if there is a conflict of interest.
17. Appoint dedicated personnel to manage transactions (procurement, purchasing, etc.).

We have formulated and are working to ensure thorough implementation of guidelines for our dealings with sports businesses and the public sector. This is to prevent our employees from getting involved in improper activities related to, for example, bidding.

Our rules on secondment have been revised and improved, and will be implemented meticulously. At the

same time, we are strengthening transaction management regarding procurement and purchasing. To this end, we have set up a dedicated department to check business processes, formulate procurement guidelines for the entire Group, and reinforce the management system for deliverables.

Although many of the above-mentioned measures have been implemented in part or completely, we will continue to promote mindset- and behavior-related activities.

Website
**Recurrence Prevention Initiatives
 (mindset and behavior reform)**
[Recurrence Prevention Initiatives \(mindset and behavior reform\) - Dentsu Group Inc.](#)