

Climate Action

Basic thoughts on climate change

Dentsu Group believes climate change will impact business growth over the short, medium, and long term and, thus, will significantly impact clients, suppliers, consumers, and other stakeholders. For this reason, we are committed to helping reduce CO₂ emissions and to encouraging the efficient use of energy throughout the value chain to realize long-term Group business growth. We also support the G20-related Task Force on Climate-related Financial Disclosures, and promote Group-wide information disclosure in line with its recommendations.

Governance

The Board of Directors delegates decision-making on sustainability-related agendas, through the Group Executive Management Committee, to the Sustainable Business Board. This board—whose members chosen also from directors including the Group CEO, the CEOs of Dentsu Japan Network (DJN) and Dentsu International (DI)—formulates Group-wide sustainability-related strategies and plans, while monitoring the attainment of targets.

The chairman (a director) reports important matters to the Board of Directors via the Group Executive Management Committee, which contributes to Board

oversight of climate change-related issues.

Further, to curb adverse impacts on the environment by FY2030, Dentsu Group Inc., DJN, and DI have each set up executive compensation systems that set targets as key performance indicators to clarify executive responsibilities.

Strategy

To ensure that business growth is sustainable, the Group believes that the transition to a low-carbon society should be accelerated by taking action to reduce Group-wide CO₂ emissions. At the same time, the Group should recognize that climate change will impact its strategies and financial planning.

For us to better understand the degree of resilience we have in the face of climate change, we conducted scenario analyses to see how revenue might be affected by various climate-related macroeconomic factors.

Referenced scenarios

To conduct scenario analyses for the Group, it was

necessary to consider macroeconomic data from each country in which the Group has a presence. To do so, we used climate-change-related scenarios developed by the Network for Greening the Financial System—a network of 114 central banks and financial supervisors set up in Paris in 2017—and other risk scenarios, such as Hot House World (+ 3°C), Orderly (+ 2°C), and Disorderly (+ 1.5°C).

Since we plan to transition to a net-zero economy, we also referred to the International Energy Agency Net-Zero Emissions scenario (+ 1.5°C) to cover physical risks and transition risks from short-, medium- and long-term perspectives.

Indices and targets

Dentsu Group has set the target to reduce absolute carbon emissions by 46% by FY2030 (Scope 1+2+3). In FY2021, we recorded a 6%* reduction to 384,427 tons compared with the FY2019 figure. Our emissions data is guaranteed by a third party (see page 64, ESG Data Summary).

| Target Year | Target | Base Year | Base Year Emissions | Target Scope |
|-------------|---|-----------|---------------------|--------------|
| FY2030 | CO ₂ emissions cut 46% (Scope 1 + 2 + 3) | FY2019 | 408,846 tons | Group-wide |

* FY2019 emission was recalculated to align with the extension of the coverage in Scope 3 (LRQA uncertified).

Risk exposure and countermeasures based on scenario analysis results

| Classification | Risks and Opportunities | | Impact | Exposure | Countermeasures |
|----------------------|-------------------------|---|---|-------------|--|
| Transition scenarios | Risks | Policies and legislation | Increased costs associated with the introduction of carbon taxes, emissions trading, other levies on CO ₂ emitted as a result of business activities | Medium | <ul style="list-style-type: none"> Mitigate future business risks by achieving Medium-term Management Plan targets (CO₂ emissions to be cut 46% from FY2019 level; 100% renewable energy to be used by FY2030) Cut costs by promoting decarbonization in the entire value chain. Collaboration should include clients, partners, and suppliers |
| | | Energy mix changes | Some nations may enact energy policies that change the energy mix, raising the cost of procuring electricity, other energy sources | Medium | <ul style="list-style-type: none"> In overseas businesses, commit to net-zero emissions by FY2030; in Japan, use renewable energy Collect, share, apply information on energy policies of other nations Improve education, training of Group staff about climate change, sustainability |
| | | Markets and reputation | Loss of key accounts due to failure to meet clients' expected level of climate change countermeasures | Small | <ul style="list-style-type: none"> Mitigate future business risks by achieving Medium-term Management Plan targets (CO₂ emissions to be cut 46% from FY2019 level; 100% renewable energy to be used by FY2030) |
| | | High-risk sector responses | Increased potential to cut marketing communication costs resulting from rising costs following introduction of new regulations and business model compliance efforts in climate-sensitive sectors, such as the energy, automotive, food and beverage industries | Small-large | <ul style="list-style-type: none"> Support existing client transition to low-carbon society by providing solutions and initiatives focused on diversifying client portfolios Improve education, training of Group staff about climate change, sustainability |
| | Opportunities | Transition to low-carbon societies | Greater availability of solutions as markets shift to a net-zero economy | Large | <ul style="list-style-type: none"> Provide clients with solutions integrating responses to climate change and the resolution of other social issues with business growth strategies. Maximize growth opportunities through business support that integrates client sustainability strategies into products, services, and communications |
| | | Investments in new industries | Creation of business opportunities resulting from new industrial growth following investment in CO ₂ removal technologies | Medium | <ul style="list-style-type: none"> Monitor trends in new industries, find ways to propose solutions |
| Physical scenarios | Risks | Increased severity and frequency of extreme weather | Increasingly extreme weather, frequent natural disasters may impact Group offices and other buildings | Medium | <ul style="list-style-type: none"> Draw up regional resilience policies and BCPs; use resilience management system to get Group-wide support for business continuity Use the Group's risk monitoring platform to monitor and evaluate domestic and international incidents, events that may threaten employees, property, technologies, suppliers Develop cloud-based technology infrastructure to allow data servers to be switched, to maintain stable networks even when there are regional failures |
| | Opportunities | Changes in consumer preferences | New businesses, solutions to meet expectations for environment-friendly products and services | Medium | <ul style="list-style-type: none"> Provide clients with solutions integrating responses to climate change and the resolution of other social issues with business growth strategies. Maximize growth opportunities through business support that integrates client sustainability strategies into products, services, and communications |

Note: Sustainability-related risks, including climate change, are integrated into Group risk management processes, an overview of which is provided on page 52.