

# Disclosure Compliant with TCFD Recommendations

In September 2022, the DENTSU SOKEN Group declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). The Group's information disclosures thus will reflect task force recommendations—concerning governance, risk management, strategy, metrics, and targets—as it continues contributing to the realization of a sustainable society and further enhancing its corporate value.

## Governance and Risk Management

To ensure Group-wide implementation of sustainability-related initiatives, DENTSU SOKEN has set up the Sustainability Promotion Council. Chaired by the President, CEO and COO, it oversees a number of subordinate committees. Through the council we identify and investigate key sustainability issues that affect the entire Group, facilitate decisions regarding policies for addressing sustainability-related issues, and monitor the progress of efforts pertaining to sustainability.

The Council also supervises risk management within the DENTSU SOKEN Group, identifying the most significant risks (those deemed highly likely to have a substantial disruptive impact on business continuity); determining the departments responsible for managing specific risks; appointing individuals in charge of risk management-related operations; formulating risk response plans; and monitoring the progress of risk management efforts in general.

The Council also assesses the impact of significant climate change-related risks by conducting scenario-based analyses in accordance with TCFD recommendations. The Eco Program Committee, which is subordinate to the council, assumes responsibility for addressing these risks.

Note: For more information on risk management, please click [here](#).

DENTSU SOKEN established the Eco Program Committee as a body subordinate to the Sustainability Promotion Council. The committee focuses primarily on ensuring a response to various environmental issues, including climate change. The committee evaluates impacts associated with climate-related risks by conducting scenario analyses according to TCFD recommendations.

At least three times a year, DENTSU SOKEN's Board of Directors receives reports from the Sustainability Promotion Council. Based on the content of the reports, the Board of Directors provides oversight for DENTSU SOKEN's policies and action plans regarding climate change- and other sustainability-related issues. At the same time, the Board of Directors monitors the progress being made.



## Strategy

The Group recognizes that its response to climate change is an important issue with medium- to long-term impact on its corporate value. Thus we see a need for flexible strategies that respond to changing circumstances—such as government policies and legislation, market conditions, and technologies—in all the countries in which we operate.

Reflecting this, we selected two scenarios (assuming warming of 1.5°C and 4°C\*) according to which we have analyzed and assessed climate change-related opportunities and risks, using 2030 and 2050 as base years.

\* To estimate the climate change-related impact we used two scenarios based on data from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). One scenario assumed average warming of 1.5°C and the other of 4°C.

Worldview Underlying the 1.5°C Scenario	Worldview Underlying the 4°C Scenario
<p><b>Potential impact</b></p> <ul style="list-style-type: none"> <li>* Increase in natural disasters due to higher average temperatures (but consistently stable at a relatively fixed level)</li> <li>* Increase in business costs for all companies, due to the introduction of stringent climate change-related measures</li> <li>* Advances in technological innovation (and emergence of new participants in relevant markets) achieved in pursuit of low-carbon and decarbonization solutions</li> </ul>	<p><b>Potential impact</b></p> <ul style="list-style-type: none"> <li>* Significant rise in average temperatures; more frequent, severe natural disasters</li> <li>* Increase in business costs for all companies due to the introduction of climate change-related measures (but consistently stable at a relatively fixed level)</li> <li>* Major impact on coastal areas stemming from sea level rise, flooding, and torrential rains (requiring lifestyle and BCP adjustment, driving up business costs)</li> </ul>

## Key Opportunities and Risks

Item	Primary Opportunities	Time Span	Degree of Impact	Key Response Measures
Opportunities (1.5°C)	Chances to expand delivery of climate change-related solutions and increase earnings	Short- to medium-term	Moderate	<ul style="list-style-type: none"> <li>* Pursue development of solutions that achieve a decarbonized society</li> <li>* Stronger collaboration with Dentsu Group, other companies, and organizations</li> <li>- Jointly create new SDG-targeted businesses, solutions by collaborating with Dentsu Group</li> <li>- Endorsement of the GX League Basic Concept; active involvement in the League's activities</li> </ul>

Item	Business-related Social and Environmental Changes → Primary Anticipated Impact		Time Span	Degree of Impact	Response Policies
Transition risks (1.5°C)	Government policies and regulations	Tighter regulations on CO2 emissions → Higher operating costs from transition to renewable energy	Short- to medium-term	Low	<ul style="list-style-type: none"> <li>* Minimize financial impact by reducing CO2 emissions</li> <li>- Administration of environmental management systems according to ISO 14001 standard</li> <li>- Transition to renewable energy (avoidance of cost increases caused by the introduction of carbon taxes)</li> <li>- Utilization of J-Credit Scheme run by the Japanese government</li> </ul>
		Introduction of carbon taxes, emissions trading → Costs resulting from introduction of carbon taxes and emissions trading	Medium- to long-term	Low	
	Technology and markets	Business requirements resulting from change to decarbonized society → Opportunity loss resulting from delayed response	Short- to medium-term	Moderate	* Further promotion of projects contributing to achievement of a decarbonized society
	Reputations	Increased stakeholder interest in climate change → Drop in corporate value caused by delayed response	Short- to medium-term	Moderate	<ul style="list-style-type: none"> <li>* Enhanced disclosure of information according to TCFD and other organizations' standards</li> <li>* Obtain certification for, improve assessments of, climate change-related initiatives</li> </ul>
Physical risks (4°C)	Acute	More extreme weather events (typhoons, floods, etc.) → Revenue loss due to stoppages affecting developmental and operational environments	Long-term	Moderate	* Maintain, strengthen BCP and crisis management systems
	Chronic	Changes in weather patterns (higher temperatures, more rainfall, etc.) → Higher energy costs due to air conditioning, etc.	Medium- to long-term	Low	* Cost containment achieved through ongoing implementation of office energy conservation measures

Notes 1. Short-term: To occur by 2030; medium-term: to occur 2030–2050; long-term: to occur in 2050 or later.

2. High: Large impact on business and finances; moderate: some impact on business and finances; low: minor impact on business and finances.

The results of these analyses indicate no significant financial impact under either scenario: neither from risks associated with the transition to a low-carbon society, nor from physical risks associated with shifts caused by climate change.

Meanwhile, we have concluded that the 1.5°C scenario would generate opportunities for the Group to expand its lineup of solutions and increase its earnings. Our findings show that its business activities are both sustainable and resilient.

### Key measures to capitalize on opportunities

We aim to uncover new technological possibilities that are generated through business opportunities associated with climate change response. To this end, we are collaborating with Dentsu Group companies, other corporations, and a range of organizations to develop and provide solutions that facilitate decarbonization, help create a circular economy, and support ESG management.

Further, DENTSU SOKEN endorses the GX League Basic Concept announced by the Ministry of Economy, Trade and Industry. The league is a forum of government, academic, and financial leaders, who are committed to green transformation (GX), and can discuss issues related to both the total transformation of socioeconomic systems and practical strategies for the creation of new markets. The Group will contribute to the efforts of the GX League.

## (Examples of Major Initiatives)

Solutions contributing to resolving environmental issues:

- [ISID Establishes “Smart Society Center”—Promoting Smart Cities, Municipal DX, Decarbonization, and Other Projects That Address Societal Issues](#) (Japanese version only)
- [Targeting Food Chain Stabilization through Early Detection of Natural Disasters and Weather Risks—Launch of AI-based Early Weather Risk Detection Service and Evaluative Investigations Targeting Societal Implementation of Predictive Insurance](#) (Japanese version only)
- [Encouraging Behavioral Change through Design and Technology—A New Approach to Promoting the Establishment of a Recycling-oriented Society](#) (Japanese version only)

Collaboration with the Dentsu Group, other companies and organizations:

- [Seven Companies, including Dentsu Group Companies in Japan, Jointly Launch “SDGs Business Solutions”—Full-scale Support for the Construction of a Corporate Circular Economy That Impacts Entire Value Chains](#) (Japanese version only)
- [ISID, Dentsu, and Fujitsu Limited Agree on Strategic Collaboration Aimed at Facilitating Continuous Corporate Business Growth and Solving Environmental and Social Issues—as a First Step, the Three Parties Have Launched a Joint Project Targeting Digital Transformation in Engineering Chains](#) (Japanese version only)

## Primary Risk Mitigation Measures

Our analyses indicate that climate change-related risk will have only a limited financial impact on the DENTSU SOKEN Group. Regardless, we will strive to further reduce climate change-related risk by ensuring that our environment management systems comply with the ISO 14001 standard. In short, we will increase the percentage of energy we obtain from renewable sources, and use carbon credits and other strategies to reduce our CO2 emissions. Our Scope 1 and 2 CO2 emissions amounted to 1,890 t-CO2 in FY2022, and the greater portion of these emissions resulted from our use of electricity in our offices (Scope 2) because we do not have a datacenter.

The table below gives an estimate of the monetary impact on the Group were a carbon tax introduced in 2030 or 2050, under scenarios that assume average warming of 1.5°C and 4°C, and CO2 emissions that are the same as those observed in FY2021.

	1.5°C scenario		4°C scenario	
	Carbon tax (¥/t-CO2)	Higher costs due to carbon taxes (¥/year)	Carbon tax (¥/t-CO2)	Higher costs due to carbon taxes (¥/year)
In 2030	Approx. ¥10,000	Approx. ¥19 mn	Approx. ¥1,500	Approx. ¥2.9 mn
In 2050	Approx. ¥17,000	Approx. ¥33 mn	Approx. ¥3,900	Approx. ¥7.2 mn

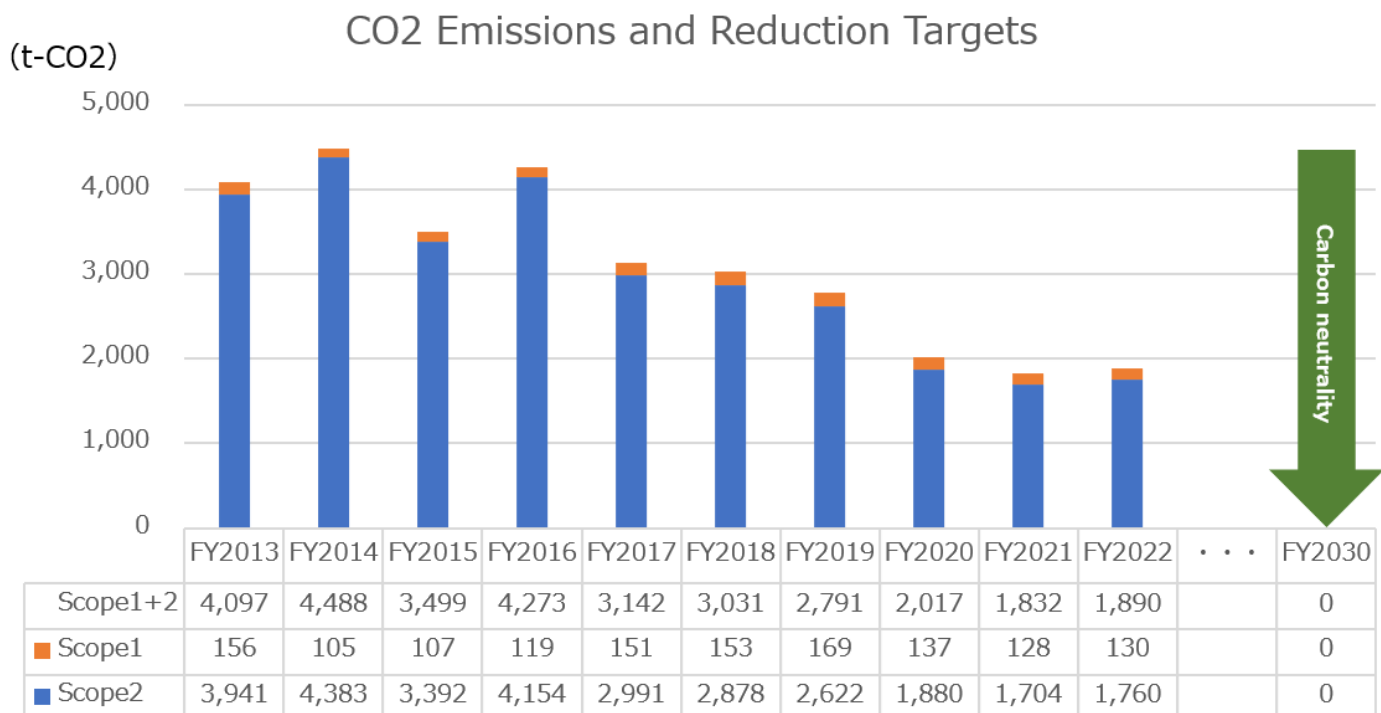
Note: Estimates account for both IEA projections regarding carbon taxes and carbon tax-related circumstances in nations other than Japan.

Starting in 2023, we will further strengthen our disclosure of information, to include our consolidated Scope 1, 2, and 3 CO2 emissions. In addition, we will continue to ensure business continuity and mitigate risks associated with extreme weather events.

## Metrics and Targets

We measure and manage opportunities and risks associated with climate change using CO2 emissions as an indicator, and aim to achieve carbon neutrality (in terms of Scope 1 and 2 CO2 DENTSU SOKEN-generated emissions) in FY2030.

While stepping up our disclosure of information concerning CO2 emissions and pursuing certifications and improved assessments for relevant initiatives, we will continue our efforts targeting the achievement of a sustainable society.



Data included: Scope 1 and Scope 2 CO2 DENTSU SOKEN-generated emissions