



NTT Ltd.

NTT Ltd. TCFD 2023 report

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1. Executive summary

NTT Ltd. recognizes that climate change risks associated with the transition to a low-carbon economy, as well as chronic changes in weather patterns and extreme weather events, could affect the company's business strategy over the next decades. Climate opportunities are also relevant for us as they are critical to building the resilience of our business by increasing our revenue from low-carbon products and attracting new customers.

This year we have taken significant steps to tackle climate change by strengthening our governance structure and risk management processes to properly manage sustainability risks. We have also established appropriate metrics and targets that resulted in significant emission reductions compared with the previous year. We have also received external validation from the Science-Based Target Initiative (SBTi) for our emission reduction targets.

We are committed to transparently disclosing the work done by NTT Ltd. to address climate change in line with recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)¹. We published our first [TCFD report](#) in 2022.

To achieve greater alignment with the TCFD recommendation and prepare for the new IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board², we have also carried out a gap analysis. The objective was to identify gaps in disclosure as well as internal processes and frameworks. We draw on the results of the gap analysis to build a TCFD roadmap, which sets out the priority areas for the company to focus on for the next reporting cycles. A summary of the next steps and future priorities is provided at the end of the report.

The table below summarizes our performance and disclosure for each recommended disclosure, as identified in the gap analysis.

Recommended disclosure	Current performance	Page
2.1. Describe the board’s oversight of climate-related risks and opportunities.	Fully disclosed	6
2.2. Describe management’s role in assessing and managing climate-related risks and opportunities.	Fully disclosed	7
3.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	In progress	8
3.2. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	Partially disclosed	8
3.3. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	In progress	9
4.1. Describe the organization’s processes for identifying and assessing climate-related risks.	Partially disclosed	10

¹ <https://www.fsb-tcfid.org/recommendations/>

² The [International Sustainability Standards Board](#) (ISSB) was established in 2021 by the International Financial Reporting Standard (IFRS) Foundation with the mandate to develop “a comprehensive global baseline of sustainability disclosure standards”. ISSB builds on the work of other sustainability and climate-related initiatives and frameworks (GRI, CDP, SASB, etc.). In June 2023, ISSB has launched two inaugural norms (IFRS S1 and IFRS S2) that integrate the TCFD framework and follow the same four-pillar structure. Starting in 2024, the FSB will transfer the responsibilities of the TCFD to the ISSB.

4.2. Describe the organization’s processes for managing climate-related risks.	Partially disclosed	10
4.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.	Partially disclosed	11
5.1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially disclosed	12
5.2. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Fully disclosed	12
5.3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Fully disclosed	13

Table 1: Recommended disclosure

The report follows the structure of the TCFD recommendations by pillar and recommended disclosure. For some recommended disclosures, we are in the process of internal alignment to provide further information in future reporting years.

2. Governance

NTT Ltd. has a robust governance structure in place to oversee our sustainability strategy, with processes and roles assigned to manage sustainability risks, and approve and implement our sustainability strategic framework and commitments.

Our sustainability governance structure is illustrated in the chart below.



Figure 1: Governance structure

2.1. Describe the board’s oversight of climate-related risks and opportunities

The Audit and Risk Committee, a sub-committee of the Board, is the ultimate body responsible for reviewing and approving NTT Ltd’s principal risks, which includes sustainability on a quarterly basis.

2.2. Describe management's role in assessing and managing climate-related risks and opportunities

New and emerging risks, including sustainability-related risks, are identified, and assessed on a quarterly basis by the Group Risk and Compliance Committee, chaired by the CFO, and attended by the CEO and other executive leaders, including the Group Risk and Sustainability Officer. The Chief Risk and Sustainability Officer was appointed to lead our sustainability strategy.

In addition, the Group Risk and Compliance Committee, which reports to the Audit and Risk Committee, is also responsible for driving risk management initiatives across the business, that includes reviewing and approving risk identification, assessment, and mitigation activities.

Metrics set to monitor sustainability-related risks (e.g. tonnes of CO₂e, % of renewable energy) are reported to both the Audit and Risk Committee and the Group Risk and Compliance Committee on a quarterly basis.

The Sustainability Operations Committee, chaired by the Senior Vice President, Sustainability, meets monthly to develop, and monitor execution plans, and to ensure organization-wide integration. Each region and division meet monthly to execute their plans for their respective areas.

3. Strategy

3.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

We have not yet evaluated how climate-related risks and opportunities might impact our organization over the short, medium, and long term. As a part of the scenario analysis exercise that we are planning to conduct next year, we will select time horizons that are relevant for our business context and growth strategy.

3.2. Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

This year, NTT Ltd. has conducted a high-level exercise to identify the most significant climate risks and opportunities that could impact our operations, as described in the table below. Next year we will concentrate our efforts on conducting a quantitative scenario analysis aligning the approach with NTT DATA.

We have defined three objectives we want to achieve as part of the quantitative scenario analysis:

1. Identify the risks the company is most exposed and vulnerable to, as well as new sources of opportunities for our business.
2. Assess how these risks might change under different climate scenarios and their potential financial implications.
3. Understand the different ways in which we would need to adjust our business strategy to respond to the risks by increasing our preparedness.

The following tables include a preliminary list of climate risks and opportunities that we want to prioritize for the scenario analysis.

Risk type	Risk category	Risk	Potential impact on our operations
Transition risks	Policy	Increased pricing of GHG emissions	Increased energy costs due to carbon pricing regulation affecting utility companies
		Mandates on and regulation of existing products and services	Increased costs and/or reduced demand for products and services that could reduce our revenues
	Technology	Costs to transition to lower emissions technology	Increase in capital expenditure required to adopt lower emissions technologies
	Market	Changing customer behavior	Reduced demand for our products and services due to shift in consumer preferences
Physical risks	Resilience	Participation in renewable energy programs and	Lower operating costs due to energy savings

		adoption of energy efficiency measures	
	Chronic	Rising mean temperatures	Increasing temperatures might impact the labor productivity and increase the cooling costs
	Acute	Heat waves	Increasing temperatures might impact the labor productivity and increase the cooling costs
		Droughts	
		Changes in precipitation patterns and extreme variability in weather patterns	Asset damage and data center downtime

Table 2: Climate risks

Opportunity type	Opportunity category	Opportunity	Potential impact on our operations
Transition opportunities	Energy source	Use of lower-emission sources of energy	Reduced operating expenditure due to efficiency gains
	Products and services	Development and/or expansion of low emission goods and services	A higher demand for lower emissions goods and services might increase our revenues

Table 3: Climate opportunities

3.3. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We have undertaken the first steps in this regarding by modelling our net-zero science-based target in line with a 1.5°C pathway, which helped us understand that we need to decouple our economic growth from our energy consumption to be able to reduce emissions in a consistent way. We plan to conduct a more robust scenario analysis next year and evaluate the resilience of our strategy under different scenarios.

4. Risk Management

Sustainability-related risks are addressed utilizing our Enterprise Risk Management framework. NTT Ltd.'s current risk management processes are illustrated in the following chart.



Figure 2: Risk Governance

The Board and Executive Leadership Team are responsible for ensuring the effectiveness of the framework, relying on adequate functions, as described in the Governance section.

4.1. Describe the organization’s processes for identifying and assessing climate-related risks

Risks that might impact the achievement of the financial, strategic, and operational objectives are identified in a collaborative way, by different units across the organization. Emerging risks are also identified by monitoring external sources and engaging with subject-matter experts. Risks are then assessed in terms of impact and likelihood.

The principal risks are the ones that have the potential to materially and adversely affect the key value drivers of our brand and reputation, governance, financial performance, and operating efficiencies and effectiveness. In 2023, NTT Ltd.’s Board of Directors identified 13 principal risks considered to be of the greatest significance to our business.

Sustainability has been identified as a principal risk that might materialize if the company fails to meet its environmental regulatory obligations or successfully implement the company’s sustainability strategy. Each principal risk has metrics associated with it to track performance and trends, and these are reported to the Group Risk and Compliance Committee and the Audit and Risk Committee on a quarterly basis. We disclose the metrics we established to manage the sustainability risk in the Metrics and targets section.

4.2. Describe the organization’s processes for managing climate-related risks

The sustainability risk is mitigated through our Sustainability Ambition strategy that integrates three interconnected themes (Connected Planet, Connected Economy and Connected Communities) each supported by specific objectives and commitment. In addition, a risk owner is identified, who develops risk and control indicators, implements risk management activities, and monitors the risk against the established

metrics. The risk owners meet in Principal Risk Forums and produce risk reports which are presented to the Group Risk and Compliance Committee and to the Audit and Risk Committee on a quarterly basis.

4.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Sustainability risk is one of our 13 principal risks, and it is fully integrated into our overall risk management framework. NTT Ltd.'s current risk management framework is aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework and the ISO31000 Risk Management Standard.

We follow the same processes for identifying, assessing, and managing sustainability risk as we do for all other significant risks.

5. Metrics and Targets

5.1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

To monitor and manage the sustainability risk, we have established the following metrics.

Metric	Metric description
Tonnes of CO2e	The amount of greenhouses gas emissions reduced from scope 1, 2 and 3 to achieve our net zero public commitments.
% renewable energy	The amount of energy from renewable sources (e.g. solar, wind, hydro, tidal, geothermal, biomass) expressed as % from the total energy consumption in the organization boundaries of control as defined in our basis of reporting.
# sustainable solutions	The number of solutions that are sustainability-related to support clients on their net zero journey, including circularity and smart solutions.

Table 4: Metrics

5.2. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

We began measuring and publicly reporting our Scope 1, Scope 2 and Scope 3 greenhouses gas (GHG) emissions data for FY21. This year, our greenhouses gas (GHG) emissions inventory was externally assured by an independent third party in accordance with the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard (revised edition, Jan 2015) and ISO 14064 – Part 3:2019 for greenhouses gas emissions.

As a result of our emission reduction initiatives, significant emissions reductions were achieved this year compared with FY21, as shown in the table below.

Emissions (tCO2e)	FY21	FY22	Change
Scope 1	14,882	36,831	147%
Scope 2 (market-based)	365,837	338,464	-7%
Scope 3	7,457,431	5,845,238	-22%
Total emissions	7,838,150	6,221,532	-21%

Table 5: Emission

Scope 3 emissions represent the company’s largest sources of emissions, accounting for ~94% of total emissions. Purchased hardware & services represent more than half of our Scope 3 emissions, and strategic engagement with key suppliers and customers is key to meeting our 2040 net zero target.

In addition to our GHG emissions, we have undertaken the first steps to start measuring and reporting metrics related to water and waste, which we plan to start disclosing in the next reporting cycles.

5.3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

In 2023, the Science-Based Initiative (SBTi) validated our commitment to reach net-zero GHG emissions across the value chain by FY2040.

Scope	Base year	Near-term target (FY2030)	Long-term target (FY2050)
Scope 1 and Scope 2	FY21	90%	At least 90%
Scope 3	FY21	42%	At least 90%

Table 6: SBTi

In addition to our SBT, our Sustainability Ambition launched in 2021 includes other public commitments we made to address climate change and ensure that the company’s sustainability strategy is aligned with a 1.5-degree pathway (Paris Agreement).

Commitment	Progress
100% renewable energy in data centres by 2030	35%
100% renewable energy in offices and facilities by 2035	17%

Table 7: Climate change commitments

6. Next steps

We are committed to continuing our efforts to fully integrate the TCFD recommendations in the next years, addressing the areas where we need to improve performance.

We have identified five priority areas to address over the next reporting cycles:

1. Carry out a quantitative scenario analysis to identify, assess, and report the financial impact of climate-related risks and opportunities on our business.
2. Evaluate how the business strategy might be affected by the identified risks and opportunities, and how we can best respond to strengthen our resilience, mitigate risks, and seize opportunities.
3. Integrate into our governance structure and risk management framework the climate risks that might significantly impact our business strategy.
4. Establish additional metrics if needed to manage the climate risks identified as a result of the scenario analysis, and measure and report other metrics related to water and waste.
5. Develop and publish a transition plan.