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Sustainable Management

NEC's Sustainable Management

NEC has defined the brand statement "Orchestrating a brighter world" and provides solutions to worldwide social issues for the realization of a global society where everyone has the opportunity to lead positive and abundant lives.

In 2014, we announced this brand statement in order to confirm our vision to achieve "Social Value Creation." This statement is rooted in the NEC group corporate philosophy which was established in 1990, "NEC strives through C&C* to help advance societies worldwide toward a deepened mutual understanding and the fulfilment of human potential."

* C&C: the integration of computers and communications

For us at NEC, sustainable management means that every one of us, executives and employees, will seek to operationalize the brand statement and the corporate philosophy through our business activities while listening to the voices of society through dialogue with our stakeholders. Our activities, which include both non-profit social contributions and our core business, will contribute to the creation of social value, impacting society and the environment positively from Environment, Social and Governance (ESG) perspectives. We don't only focus on fulfilling our compliance responsibility, typified by legal compliance and corporate ethics. We also focus on mitigating corporate risks that may adversely affect society or the environment.

At NEC, we are pushing forward the above initiatives in line with the "NEC Way," statements setting out the guiding principles for human resource development and for the mind set which applies to each individual employee. Furthermore, in 2005 NEC signed the United Nations Global Compact, which calls for corporate activities that adhere to 10 principles in the four areas of "Human rights," "Labor," "Environment" and "Anti-corruption," and we periodically undertake self-evaluations of the activities that we are carrying out based on the principles. In these ways, we are driving forward corporate activities which center on contributing to the Sustainable Development Goals (SDGs) adopted by the United Nations (UN) in 2015.

[▶ NEC Way](#)

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Basic Approaches and Process for Redefining “materiality,” the Priority Management Themes from an ESG Perspective

Since its founding, NEC has been working to drive forward initiatives relating to Environmental, Social and Governance (ESG) issues, with the aim of realizing sustainable development for both society and NEC Group itself. In 2007, we defined the CSR initiatives, and in 2014 we announced our brand statement “Orchestrating a brighter world” specifying our direction as a company which aims to take up the revolution of Social Value Creation, and have been making progress with carrying out business activities which originate from social issues.

On the other hand, there is now a trend of using non-financial information to evaluate corporate activities.

Accordingly, in our Mid-term Management Plan 2020, NEC has identified “materiality” as new priority management themes from an ESG perspective in the light of the needs of society including the SDGs, in order to connect our non-financial initiatives more closely with our business strategies so that they can be translated into growth not only for NEC but for society.

The Basic Principles of Sustainable Management and Materiality

We have defined materiality and the indicators used to measure its progress in accordance with the basic principles of NEC’s sustainable management as set out below.

(1) Strengthen risk management and enforce compliance

NEC implements thorough risk management within all of its Group companies and business partners, in order to continually respond to the expectations and demands of our stakeholders and to secure our place in society. To this end, NEC is committed to avoiding and/or mitigating any negative impact or risk of negative impact on its stakeholders, society and the environment, such as the potential occurrence of violations of human rights and environmental damage. In addition, NEC practices compliance with a constant awareness of the need to prioritize this area.

(2) Contribute to solving social issues through our business activities

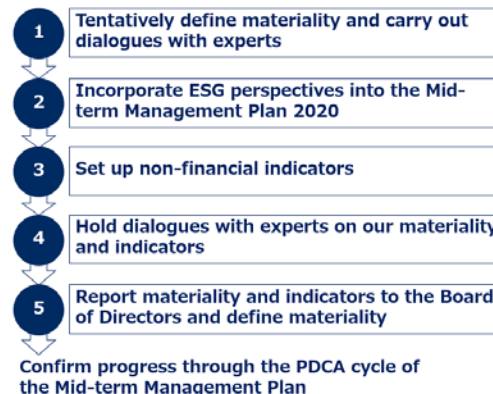
NEC maximizes both economic value and social value through our business activities.

(3) Promote communication with stakeholders

NEC identifies the fundamental issues of customers and society and the values they seek by engaging in communication and dialogue with a wide range of stakeholders. NEC discloses the corporate initiatives taken to solve those issues, the results of these initiatives, and new challenges in Sustainability reports (CSR reports) and other publications. Furthermore, by continuously implementing improvement measures through PDCA cycles that take into account the feedback from society, NEC will continue to build relationships of trust with our stakeholders and society, enhancing corporate value.

Materiality Identification Process

We worked to identify materiality through the following processes, based on being strongly aware of the need to engage in dialogue with experts in a variety of domains and to work in conjunction with the Mid-term Management Plan.



1 Tentatively define materiality and carry out dialogues with experts

NEC created a list of social issues which were considered potential contenders for being set as priority themes, by referring to global guidelines such as the GRI Standard, ISO26000 etc. and the SDGs while taking NEC’s business characteristics into account. We then undertook a questionnaire survey of our employees which asked what priority they would place upon each social issue and state the extent to which they believed NEC’s initiatives would impact society in the mid- to long-term, and, conversely, the extent to which these areas would be impacted by society.

In addition, we then drew up a materiality matrix which centered on the impact that NEC will have on society and the level of importance that various social issues have for society, based on the results of the questionnaire and referring to the SRI International’s survey items and to the SDG goals. Of these social issues, the theme of “materiality” which has a high level of impact (or, a high level of importance) was then identified as the theme which NEC should tackle as a top-priority matter, and priority themes were set out for each of three layers as described below.

- ① Fundamental priority themes for Social Value Creation:
 - Governance and Compliance
 - Climate Change
 - Human Resource Development
 - Security
 - Privacy
- ② Processes connected with maximizing economic value and social value/themes which are strengths for NEC
 - Dialogue and Co-creation with our Stakeholders
 - Innovation Management
- ③ Priority themes for maximizing value

We decided to set out the specific points of this theme when undertaking discussions for the Mid-term Management Plan 2020, for which discussions had begun at that time.

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Based on the approaches set out above, we asked a number of external experts in various areas for their opinions and presented these in the CSR Report 2017 issued in July 2017.

▶ [Dialogue with Stakeholders Aimed at Identifying Materiality](#) (from the CSR Report 2017)

2 Incorporate ESG perspectives into the Mid-term Management Plan 2020

In order to incorporate ESG perspectives into the Mid-term Management Plan 2020, a lecture presentation given by experts on the themes of ESG and the SDGs was held for the top management at NEC, followed by an exchange of opinions, with the aim of ensuring that the mind set required for incorporating the ESG perspectives into management practices could penetrate right through the top levels of management at the company.

Then, discussions on economic value originating from social issues and Social Value Creation were promoted within each business unit, leading to the clarification of the priority themes for ESG aimed at maximizing value that were to be set in the Mid-term Management Plan 2020 which was announced in January 2018.

At the same time, growth areas both inside Japan and overseas as set out in the Mid-term Management Plan 2020 were set as priority themes for maximizing value.

3 Set up non-financial indicators

When setting the non-financial indicators used for measuring the progress of materiality initiatives, NEC aimed as far as possible to quantify outcomes in terms of what level of positive value was provided to society. Whenever it was not possible to quantify impacts on society, we attempted to clarify the processes in terms of what efforts were to be undertaken by what point in time.

Details of the non-financial indicators for each area of materiality are set out below.

▶ [Priority Management Themes from an ESG Perspective — Materiality](#)

4 Hold dialogues with experts on our materiality and indicators

Dialogues were held with experts in several different fields on three themes: “Human resource development,” “Privacy” and “Climate change.” These themes were taken from among the fundamental themes which are to be tackled as priorities for Social Value Creation, and were selected as top priorities in terms for maximizing value as well as minimizing risk. Themes of the dialogues included discussions of why efforts were needed on the above themes, and how progress in each theme was to be measured.

In addition, following on from this in fiscal 2018, dialogue sessions continued to be held on the topic of materiality as a whole among external experts with perspectives on sustainable management, civil society and medium- to long-term investors, alongside chief strategy officer and heads of departments from NEC who are in charge of sustainable management and business departments.

▶ [Dialogue Sessions on Materiality with Experts](#)

5 Report materiality and indicators to the Board of Directors and define materiality

By incorporating the opinions of experts, NEC has worked out the basic approaches that NEC needs to take regarding materiality and non-financial indicators based on the temporarily set themes.

1. Materiality for NEC

Nine themes occupying three layers were defined as follows.

① Sustainable Growth Enablers (5 themes)

NEC has identified the following 5 themes as themes positioned within the foundation of management as a whole.

- Governance and compliance
- Environmental action with a particular focus on climate change
- Sustainably and socially literate human resources
- Privacy policies and measures aligned with societal expectations
- Security to maximize ICT possibilities

② Engines of Change (2 themes)

NEC identified the following 2 themes as processes which will lead to maximizing the economic and social value/strengths of NEC.

- Dialogue and Co-Creation with our Stakeholders
- Innovation Management

③ 2020 Growth Focus to Create Social Value

NEC will create social value through the following growth areas.

- NEC Safer Cities
- NEC Value Chain Innovation

2. Approaches to setting non-financial indicators

As a company which aims to take up the revolution of Social Value Creation, we have attempted to set indicators which measure the feasibility of approaches in terms of whether they actually succeed in creating value. However, in the case of indicators which are hard to quantify in numerical terms, NEC will indicate the processes that make up the initiatives and manage the progress of such processes.

3. Running the PDCA cycle

Based on processes for confirming the state of progress of the Mid-term Management Plan which is reviewed each year on a rolling schedule, NEC will confirm the progress of materiality and the non-financial indicators while continuing to hold dialogues with external experts.



Materiality: Priority management themes from an ESG perspective at NEC

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Promotion Framework

The Corporate Communication Division's Sustainability Promotion Office promotes NEC's sustainable management initiative in close coordination with the related divisions involved in business planning, investor relations, human resources, general affairs, legal affairs, internal controls, management systems, design, the environment, customer satisfaction, quality assurance, procurement, and more, as well as research laboratories, business divisions, and Group companies. Coordination is also conducted with the company's business partners.

We discuss important issues related to the promotion of sustainable management among executives and the CSO (Chief Strategy Officer) who is in charge of corporate management and who adopts those matters and reports at a Board of Directors meeting.

Board of Directors

Reports on sustainability are delivered by the CSO at Board of Directors' meetings on a periodic basis.

Global CSR Promotion Framework

NEC has appointed CSR Promoters in five regional headquarters, namely, North America, Latin America, EMEA (Europe, Middle East, and Africa), China/East Asia, and APAC (Asia Pacific). They work closely with the Sustainability Promotion Office to promote sustainable management globally.

