NEC Group Modern Slavery and Human Trafficking Statement

This statement is made pursuant to Section 54 (1) of the United Kingdom (UK) Modern Slavery Act 2015 and identifies the steps that NEC Corporation ("NEC") and its consolidated subsidiaries (collectively, "NEC Group") have taken during the fiscal year ended March 31, 2018 to prevent modern slavery and human trafficking from occurring in NEC Group’s supply chains or business. Although not all NEC Group companies are subject to the UK Modern Slavery Act 2015, NEC has undertaken a group-wide approach to commitments by NEC Group on human rights, and makes this statement on behalf of all NEC Group companies.

1. NEC Group's organization and supply chain

NEC Group is focusing on Solutions for Society businesses that utilize the strengths of ICT to create the social value of safety, security, efficiency and equality that is necessary for people to live more prosperous lives. NEC Group’s primary business consists of five business segments: the Public, Enterprise, Network Services, System Platform, and Global Businesses. The followings are major products and services of each of such business segments.

- The Public Business
  system integration, maintenance and support, outsourcing / cloud services and system equipment for the government and public sector, healthcare and media industry
- The Enterprise Business
  system integration, maintenance and support, outsourcing / cloud services for the manufacturing, retail and services, and finance industry
- The Network Services Business
  network infrastructure, systems integration, and services and management (e.g. operation support system, business support system, service solutions)
- The System Platform Business
  hardware (e.g. servers, mainframes, supercomputers, storages, business PCs, POS, ATMS, control equipment, wireless LAN routers), software (e.g. integrated operation management, application servers, security, database software), domestic enterprise network solutions, and maintenance and support
- Global Business
safety (e.g. biometric solutions, surveillance), software and Services for service providers (e.g. operation support system, business support system, software-defined network, network functions virtualization), network infrastructure, system devices (e.g. displays, projectors), and energy storage system.

NEC, the ultimate parent company of NEC Group, was established in 1899 and is headquartered in Tokyo, Japan. As of March 31, 2018, NEC Group had over 100,000 employees and operated in more than 160 countries. NEC Group’s annual turnover for the fiscal year ended March 31, 2018 is 2,844.4 billion yen. Further details about NEC Group’s business can be found at: https://www.nec.com/en/global/about/profile.html

NEC Group has procured components, devices and other platforms, as well as software, maintenance and other solutions from suppliers all over the world. The ratio of the amount of the procured platforms to the amount of the procured solutions is 50/50. NEC Group has procured 80% from Japan, and the remaining 20% from outside of Japan. Of the non-Japanese procurement, 40% are from China, 30% from APAC (Asia Pacific), and 10% in each from North America, Latin America and EMEA (Europe, the Middle East and Africa).

2. NEC Group’s policies and controls

NEC Group is committed to conduct its business ethically and to prevent modern slavery or human trafficking in its organization or supply chain. NEC Group is aware that coerced labor can occur in many forms, including but not limited to, child labor, forced labor and workplace abuse and believes that NEC Group has a corporate responsibility to identify and help mitigating or preventing such risks to the best of NEC Group’s abilities.

NEC upholds the United Nations’ (UN) International Bill of Human Rights\(^1\), the International Labor Organization (ILO) Declaration on Fundamental Principles

\(^1\) It refers collectively to the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights which were adopted by the UN General Assembly.
and Rights at Work, and the Ten Principles of the UN Global Compact. NEC also seeks to improve its in-house initiatives on respect for human rights by taking into account trends in international standards and laws, such as the UN’s Guiding Principles on Business and Human Rights and Sustainable Development Goals (SDGs). NEC Group aims to contribute to the progression of human rights and promotes compliance with human rights related requirements, as well as with other social responsibility related expectations, pursuing sustainable and ethical procurement activities with the cooperation of its supply-chain partners.

NEC has a variety of policies and procedures that affirm NEC Group’s position against modern slavery:

1. **NEC Group Charter of Corporate Behavior** prohibits the use of child or forced labor and promotes NEC Group companies commitment to ensure responsible conducts in their corporate activities.

2. **NEC Group Code of Conduct** asserts respect for human rights and dignity of any individual.

3. **NEC Group Human Rights Policy** confirms that NEC Group will never accept child labor or forced labor, under any and all circumstances. In addition, NEC Group expects its business partners and other parties in the value chain to apply the same level of respect for human rights and to address any existing measures that would be recognized insufficient. NEC Group’s approach on managing related concerns is disclosed on NEC Group website.

4. **NEC Group Procurement Policy** provides that NEC Group is committed to procuring all goods and services with competitive quality, price and delivery conditions from the global supply market under fair business terms while observing all applicable laws and regulations so that NEC Group will contribute to provide customer-valued products and services. The policy also confirms that NEC Group shall not purchase items which may be associated with modern slavery and human trafficking concerns, involving potential or existing first tier supply-chain partners and/or second and upper-stream suppliers.

5. **NEC Group Supply-Chain CSR Guidelines** helps suppliers understand the

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2 NEC has been a member since 2005. The Ten Principles of the UN Global Compact are based on global agreements such as the Universal Declaration of Human Rights and ILO’s Declaration on Fundamental Principles and Rights at Work and include items such as support for the protection, maintenance and respect for human rights, eradicate forced labor and ban child labor.
CSR requirements which they are encouraged to promote. The guidelines provide that NEC Group supports to prevent modern slavery and human trafficking, and shall not purchase items which may be associated with such concerns. In particular, NEC Group requests suppliers to establish the management system to prevent modern slavery and human trafficking, and also requests them to cascade prevention to upstream tier suppliers.

NEC requires that all NEC Group employees comply with the NEC Group Charter of Corporate Behavior, NEC Group Code of Conduct, NEC Group Human Rights Policy and NEC Group Procurement Policy. NEC Group communicates the NEC Group Supply-Chain CSR Guidelines to its business partners, including suppliers, in order to promote CSR-related activities.

3. NEC Group’s due diligence process and audits of suppliers and supply chain

On December 28, 2017, NEC released the amended NEC Group Procurement Policy and NEC Group Supply-Chain CSR Guidelines, which included new requirements addressing the modern slavery and human trafficking.

From the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2017, NEC Group implemented the “CSR Process Management Review Assessment” as an on-site diagnostic program to improve weaknesses in suppliers’ management by focusing on human rights as well as industrial safety and health. In this program, on-site audits were conducted in various ways, including interviews of suppliers’ top management and employees, as well as factory visits. Although those on-site audits have had certain effect in detecting CSR issues within the supply chain, limitation of resources, such as auditing staff, is an obstacle to maintain or increase the frequency of the audits. This program was therefore suspended in April 2017 and more effective measures were considered to assess the risks of occurrences of modern slavery and human trafficking not only for hardware but also for software and solution suppliers.

In the fiscal year ended March 31, 2018, NEC Group implemented the following actions as those measures:

- the development of the “Supplier Visit Record” (“SVR”), a new assessment tool covering any type of CSR issues, such as human rights, safety and
health. This tool can be used by an NEC Group employee who has not received any prior specific CSR auditing training. In addition, the evidences recorded through this tool can be used to evaluate more precisely the risk exposure of each supplier to CSR issues. NEC Group will start implementation of the SVR to assess its suppliers in the fiscal year ending March 31, 2019.

- the development of the “Supply Chain Human Rights Survey Sheet”, a new self-assessment questionnaire focusing specifically on the detecting of the risks of abuse of human rights. NEC will request NEC Grope’s major suppliers of hardware, software and solution to complete the questionnaire in order to assess the nature and extent of those suppliers’ exposure to the risks of modern slavery and human trafficking and research those suppliers’ action to mitigate or prevent modern slavery and human trafficking. NEC Group will start implementation of the Supply Chain Human Rights Survey Sheet to assess its suppliers in the fiscal year ending March 31, 2019.

The following actions were also implemented within the NEC Group:

- NEC Asia Pacific Pte. Ltd. (“NEC APAC”), NEC Group’s regional headquarters in APAC, and its subsidiaries have added a clause in their general terms and conditions for their purchase of the goods and services that requires the prevention of modern slavery and human trafficking in supply chains. NEC APAC and most of its subsidiaries started to implement such general items and conditions for their purchase orders.

- NEC Europe Ltd. (“NEC Europe”), NEC Group’s regional headquarters in EMEA, and its subsidiaries have updated their general terms and conditions on their purchase orders to include a clearer statement of compliance with all applicable EU and national laws (e.g. the UK Modern Slavery Act 2015), including without limiting any environmental, labor and health & safety legislation, in the provision of any goods and services to them.

4. NEC Group’s training

NEC provides web training on human rights biennially to all of its employees, and its major subsidiaries. The last web training was provided in the fiscal year ended March 31, 2017, and the next web training will be provided in the fiscal year ending March 31, 2019.
In February, 2018, NEC held the NEC Group Diversity Promotion Committee under which NEC Group companies shared progress on implementation of the measures to promote diversity in NEC Group, and explained summary of the UN’s Guiding Principles on Business and Human Rights and the UK Modern Slavery Act 2015 and the current status of NEC’s response to them at the committee.

5. Looking ahead
In addressing the greater challenges of human rights, NEC Group believes that such challenges should be tackled on an ongoing basis to ensure that no violation of human rights, such as modern slavery and human trafficking occurs in its own business activities and supply chains around the world. NEC Group is committed to the mitigation or prevention of the actual or potential negative impact of its business activities and supply chains on human rights, including the prevention of modern slavery and human trafficking.

This statement was approved by the Board of Directors of NEC Corporation.

Takashi Niino
President and CEO
NEC Corporation
September 28, 2018