

Priority Management Themes from an ESG Perspective – Materiality

NEC Corporation has connected the social and environmental initiatives that it has implemented since its foundation even closer to its business strategies. To link the growth of society to our own, in 2018 with the formulation of Mid-term Management Plan 2020, we defined our “materiality” as priority management themes from an ESG perspective.

From 2020, we revised the NEC Way, a common set of values that form the basis for how the entire NEC Group conducts itself. The six themes below are now defined as the Group’s materiality, separately from “Dialogue and co-creation with our stakeholders,” “Innovation management,” and “Governance and Compliance,” which have been incorporated into the NEC Way.



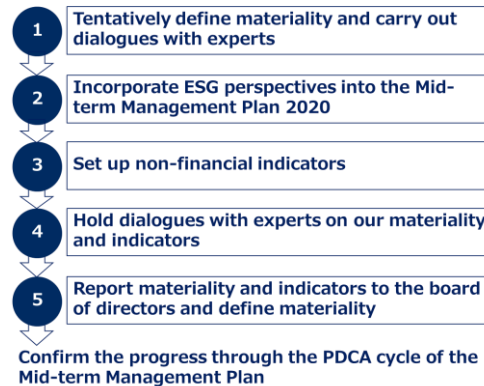
(Fig. 1) NEC’s Priority Management Themes from an ESG Perspective—Materiality (Reset in Fiscal 2021)

In our initiatives for materiality, we conduct a self-evaluation of our sustainability management by recording the details of the initiatives clearly in the role descriptions for each inside director and confirming the progress within the PDCA cycle for the mid-term management plan. In addition, by publicizing our initiatives, we receive evaluations and feedback from society, which we incorporate into making improvements for our initiatives. The feedback also helps to foster employee pride in the company and to increase motivation.

Materiality Definition Process

Definition Process for 2018

In defining our materiality, we referred to ISO 26000, the GRI Standard, the UN Global Compact, and the SDGs, among others, along with holding multiple dialogues with experts in various fields and representative stakeholders. We used the following process, remaining highly conscious of the mid-term management plan.



▶ [NEC Sustainability Report 2018 “Sustainable Management”](#)

The materiality that was defined in 2018 comprised the following nine themes, organized in three levels.



(Fig. 2) Materiality defined in 2018 (fiscal 2019 to fiscal 2020)

- (1) **2020 Growth Focus to Create Social Value (2 themes)**
Growth areas under Mid-term Management Plan 2020, organized from an ESG perspective
- (2) **Engines of Change (2 themes)**
Themes that will serve as engines for minimizing risks to society, maximizing economic and social value
- (3) **Sustainable Growth Enablers (5 themes)**
In addition to carrying out Mid-term Management Plan 2020, themes that management should engage with over the long term as a foundation for a Social Value Innovator

In addition, we set out our vision for each theme and indicators for measuring our achievement and social value (impact on society). For materiality themes whose value cannot easily be quantified, we confirmed the degree of achievement and social value by presenting the background to setting the target and the process for the activities. For example, we measure expansion in market share and other indicators for the two themes under the “2020 Growth Focus to Create Social Value,” because we believe that growing a business with a strong emphasis on providing social value will bring us closer to realizing our vision.

Reviewing Themes in Response to the 2020 Revision of the NEC Way

The NEC Way announced in April 2020 incorporates the following three visions for materiality that had previously been defined as materiality. Therefore, the materiality themes for fiscal 2021 exclude these three, and comprise six themes in two levels (Fig. 1). These were reported and decided in the Board of Directors.

Dialogue and Co-creation with Our Stakeholders

Our commitment to promoting dialogue and co-creation with stakeholders is embedded in the concept of “Orchestrating” stated in our purpose, and we have therefore transferred “Dialogue and Co-creation with Our Stakeholders” from materiality to the NEC Way itself.

In Sustainability Report 2020, we report on the following examples of dialogue and co-creation.

- ▶ [Dialogue Sessions on Materiality with Experts](#)
- ▶ [Dialogue and Co-creation with Diverse Stakeholders](#)
- ▶ [Environmental Action with a Particular Focus on Climate Change](#)
- ▶ [Strengthening Initiatives to Respect Human Rights in Procurement Activities](#)

Sustainable Management	Environment	Governance	Social	5-7	Sustainable Management	13	Sustainable Management Needed in the Post-Pandemic World	22	Dialogue and Co-creation with Our Diverse Stakeholders
				8-11	Priority Management Themes from an ESG Perspective - Materiality	14-16	Respecting Human Rights		
				12	Dialogue Sessions on Materiality with Experts	17-21	Innovation Management		

|| Innovation Management

Since we have positioned “Relentless Pursuit of Innovation” as one of the Company’s Principles, we will manage our progress on innovation management as part of implementing the NEC Way.

In Sustainability Report 2020, amid our various innovations, we have focused on explaining our initiatives to strengthen our technological capabilities and to commercialize them, recognizing that these are NEC’s strengths and the keys for its continued provision of value to society.

▶ [Innovation Management](#)

|| Governance and compliance

The NEC Principle of “Uncompromising Integrity and Respect for Human Rights” expresses the NEC Group’s spirit of uncompromising integrity (high sense of ethical standards, including compliance) in order to remain trusted by society as a Social Value Innovator, and its commitment to respecting human rights. Therefore, we also manage our progress on governance and compliance as part of implementing the NEC Way.

In Sustainability Report 2020, we introduce our initiatives for “Uncompromising Integrity and Respect for Human Rights” below.

- ▶ Initiatives for management transparency
[Corporate Governance](#)
- ▶ Ensuring compliance in areas such as fair trade and anti-corruption
[Compliance and Risk Management](#)
- ▶ Initiatives to respect human rights in NEC’s business activities
[Respecting human rights](#)
[AI and human rights](#)
[Personal information protection and privacy](#)
[Supply chain management](#)
- ▶ Initiatives for maintaining and improving the quality of products and services
[Ensuring Quality and Safety](#)

|| Materiality

The NEC Group’s current materiality comprises the following six themes.

|| 2020 Growth Focus to Create Social Value

In Mid-term Management Plan 2020, we define “NEC Safer Cities,” “Formation of a sustainable, smart supply chain,” and “Safe and comfortable connected cars” as growing businesses. From an ESG perspective, these are organized into “NEC Safer Cities” and “NEC Value Chain Innovation.”

We believe that the social value we provide is increased when NEC products and services are widely used by customers. We therefore use the financial indicators specified in Mid-term Management Plan 2020 to measure our progress. On the other hand, we are also working to quantitatively show what kind of value our products and services provide for society.

|| NEC Safer Cities (Social and Lifestyle DX)

As populations rapidly concentrate in urban areas, new value is created through economic growth and the diversification of life and culture; at the same time, cities also face a wide range of social challenges, such as increasing levels of crime and terrorism. NEC will contribute to realizing safe, secure, fair and efficient cities where individuals can exhibit their potential to the full and live better lives, by utilizing cutting-edge technology such as biometric authentication, AI (artificial intelligence) and the IoT (internet of things).

|| Indicators for measuring progress and initiatives in fiscal 2020

We are promoting our business using our financial indicator of international sales of 200 billion yen for fiscal 2021 as a materiality indicator.

▶ [NEC Safer Cities](#)

|| NEC Value Chain Innovation (Corporate and Industrial DX)

Our society faces various kinds of social issues, such as food waste, labor shortages, changes in the consumption environment, and diversifying threats.

NEC will develop cutting-edge technologies and promote co-creation with customers in order to connect people, goods, and processes, reaching across the boundaries between enterprises and industries to create new value. In addition, NEC will support a more sustainable planet, sustainable growth for companies, a society where people can live in abundance, and a brighter world for the future.

|| Indicators for measuring progress and initiatives in fiscal 2020

NEC aims to amplify the social value it provides by developing and supplying larger numbers of services. For example, we will contribute to reducing food waste from manufacturing and supply chains, which is defined in SDGs Goal 12, Target 12.3, by promoting NEC Value Chain Innovation to optimize the demand-and-supply balance.

For fiscal 2021, we have set out a goal of expanding our domestic sales to 85 billion yen in growth fields including NEC Value Chain Innovation. In fiscal 2020, we expanded the number of situations into which we introduced Value Chain Innovation.

▶ [NEC Value Chain Innovation](#)

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Sustainable Growth Enablers

Environmental Action with a Particular Focus on Climate Change

The negative effects that are brought about by climate change cover a range of different circumstances, such as an increasing number of natural disasters caused by abnormal weather conditions, depletion of water resources, effects on the supply of and demand for food, etc.

NEC has set out a goal of reducing the Company's CO₂ emissions to zero by 2050, and reducing CO₂ emissions from the whole supply chain by cooperating with suppliers and partners. Based on these efforts, NEC is contributing to reductions in greenhouse gases on a global scale.

By offering energy-saving products and services, solutions aimed at preparing for the risks of natural disasters such as floods and landslides, and products and services to cope with environmental issues caused by climate change, NEC will contribute to the efforts our customers and society are making to address climate change.

Non-financial indicators for measuring progress and initiatives in fiscal 2020

NEC aims to not only minimize CO₂ emissions and risks across its entire supply chain, but to also expand the value it offers to customers and society via ICT from the perspectives of mitigation and adaptation. This fiscal year, NEC's ICT-generated value came to a total of 39.06 million tons (CO₂ conversion; year-on-year increase of about 16%), which is approximately 5.2 times the 7.48 million tons of CO₂ emissions from NEC's entire supply chain (year-on-year decrease of 8%) and an increase over last fiscal year (4.1 times).

* As a result of revising the method of calculating Scope 3 emissions, the multiple was corrected from 6 times to 4.1 times. Please refer to the revision of Scope 3 emissions calculations for details.

- Indicator: Rate of contribution to CO₂ emission reductions across the whole supply chain
- Target for fiscal 2021: 5 times
- Result for fiscal 2020: 5.2 times

Furthermore, in fiscal 2020 the Group company NEC Platforms Thai Company Limited introduced a system for optimizing solar power generation equipment and electric power facilities at its production plant. This is expected to

be able to reduce electric power consumption by around 40% compared to a conventional plant. These initiatives have been recognized with NEC's selection as an "A List" company, the highest ranking, in the "Climate Change" and "Water" categories of the international non-profit organization, CDP.*

*CDP: An international non-profit organization that operates a global information disclosure system for investors, companies, municipalities, countries, and regions to manage environmental impacts

Furthermore, in July 2018, we announced our agreement with the TCFD* recommendations, and in October 2018 we received SBT* approval for our target of a 33% reduction in CO₂ emissions by fiscal 2031 (compared with fiscal 2018; sum of absolute values for Scope 1 and 2).

* Task Force on Climate-related Financial Disclosures (TCFD): A recommendation on climate change-related disclosures.

* Science Based Targets (SBT): Corporate CO₂ emission reduction targets that are in scientific agreement with the 2°C global target of the Paris Agreement.

▶ Feature: Response to Climate Change and TCFD

Privacy Policies and Measures Aligned with Societal Expectations

NEC will develop and supply products and services that observe the relevant laws and regulations in each country and region, such as the General Data Protection Regulation (GDPR) that came into force in the European Union (EU) and Japan's Act on the Protection of Personal Information. These products will also be responsive to differences in privacy needs between different countries and regions due to cultural perspectives and are sensitive to human rights issues, such as discrimination. In doing so, NEC is required not only to minimize adverse impacts on society, but also to maximize social value through such initiatives.

The Principles of the NEC Way stipulate "Uncompromising Integrity and Respect for Human Rights," while the NEC Group Code of Conduct, in governing the individual conduct of everyone from officers to employees, clearly requires that human rights be respected in all situations. Furthermore, the NEC Group Human Rights Policy states that the Group will promote initiatives to respect human rights throughout the value chain.

Moreover, we are also responding to growing concerns about adverse impacts on human rights, including violations of privacy and discrimination that have

accompanied the use of AI and the IoT to enrich human life. In 2019, we announced the "NEC Group AI and Human Rights Principles." These principles stipulate that all individuals from officers to employees are to recognize respect for human rights as the highest priority in each and every stage of the NEC Group's business operations in relation to AI utilization, such as social implementation of AI and utilization of biometrics, and to take action accordingly.

Non-financial indicators for measuring progress and initiatives in fiscal 2020

In fiscal 2020, we continued dialogues with multiple stakeholders and confirmed initiatives based on the companywide principles. In addition, we worked to incorporate the companywide principles into the relevant business framework.

- Indicator: Promotion of the NEC Group AI and Human Rights Principles and incorporation into business activities (including dialogues with multiple stakeholders)
- Result for fiscal 2020:
 - We established the Digital Trust Advisory Council, chaired by an outside expert, and held meetings to incorporate the advice and knowledge of outside experts.
 - We incorporated initiatives for respecting human rights under the NEC Group AI and Human Rights Principles into the business execution process.

Moreover, we are making use of initiatives with academia centered on research laboratories to strengthen NEC's proprietary technological capabilities such as secure computation technologies, anonymization technologies, and facial recognition technologies that are considerate of fairness.

- ▶ Respecting Human Rights
- ▶ AI and Human Rights
- ▶ Personal Information Protection and Privacy
- ▶ Innovation Management

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Security to Maximize ICT Possibilities

Security, as well as privacy, is also a theme that NEC needs to take up across the whole value chain, including our customers and clients, in order to provide values such as safety, security and fairness to society through our business activities.

NEC is making efforts to minimize risks in the fields of information security and cyber security in particular, ensuring that our customers are able to securely experience the benefits offered by ICT.

Non-financial indicators for measuring progress and initiatives in fiscal 2020

The following two indicators are used to measure the progress we make in terms of minimizing risks while maximizing value, with the aim of realizing a secure information society.

In fiscal 2020, we continued initiatives led by the CIO and CISO to minimize risk and promote provision of products, systems, and services that contribute to information security and cyber security countermeasures.

- Indicators:

- (1) Minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also strengthening information security measures in order to prevent leakage of information
- (2) Promote products and services that incorporate security measures and case studies taken from NEC Group's own information security practices as a reference

Information Security and Cyber Security

Sustainably and Socially Literate Human Resources

Based on the NEC Way and the Human Resources (HR) Policy, NEC is aiming to develop human resources and an organizational culture that are able to continuously create value for society, constantly acting from a customer-oriented perspective with a high sense of ethical value and a deep understanding of the essential issues faced by customers and society.

Non-financial indicators for measuring progress and initiatives in fiscal 2020

NEC uses the following indicator to confirm whether we are succeeding in developing human resources who possess a higher level of social sensitivity and in outputting the social value created by our personnel, and whether we are succeeding in creating an organization that has a sense of speed embedded in its culture.

- Indicator: Ratio of employees who have a strong sense that NEC is changing to create social value by accepting a diverse range of values
- Target for fiscal 2020:
In a survey of employees of NEC and its domestic and overseas subsidiaries, increase the ratio of respondents who respond "Strongly agree" or "Agree" to having a real sense of change by 7 points from 23% in fiscal 2019 to 30%.
- Result for fiscal 2020:
The ratio increased by 2.3% from fiscal 2019 to 25.3%. Although we did not achieve the target ratio, the response ratio increased, with the number of respondents increasing by a factor of around 1.8 from fiscal 2019.

In fiscal 2020, NEC formulated its HR Policy, which summarizes the Company's approach to implementing the Code of Values at a high level and measures to transform people and the organization. We continued to promote human resource development and training strategies based on strengthening execution capabilities, cultivating professionals, and developing the next generation of leaders.

In fiscal 2021, we will implement measures to promote the following HR Policies: "Diverse opportunities for new challenges," "Fair appraisal and progressive rewards," and "Work environments and culture that bring out your best."

- ▶ Human Resources Development and Training
- ▶ Inclusion and Diversity
- ▶ Creating a Diverse Work Style Environment



HR Policy "NEC, for those who seek challenge."

NEC, for those who seek challenge.

Diverse opportunities for challenge

Our guiding principle is right time, right position, right person. Diverse opportunities for challenge are provided, which employees can take advantage of to flexibly build their own careers.

Unlimited growth opportunities

If your outlook is ambitious, you can continue improving your skills and growing as a professional.

Fair appraisal and progressive rewards :

Performance is evaluated fairly and rewarded with the appropriate pay and subsequent growth opportunities and positions.

Work environments and culture that bring out your best

Systems support good work environments and culture in addition to a fulfilling quality of life, allowing employees to dedicate themselves to taking on challenges.