

Priority Management Themes from an ESG Perspective—Materiality

NEC considers “materiality” as priority management themes from an ESG perspective that we need to adopt to reinforce non-financial (ESG/future financial) evaluation methodologies to underpin the sustainable growth of the Company and society.

In the financial strategies of the Mid-term Management Plan 2025, we aim to continue to be included in the ESG indices used for ESG investment by reinforcing our non-financial initiatives focusing on “materiality” and disclosing information with a high degree of transparency. We believe that this inclusion in ESG indices will lead to the fostering of employees’ engagement in the Company and increase their motivation, in addition to earning the trust of society and capital markets.

In defining our materiality, we referred to ISO 26000, the GRI Standards, the UN Global Compact, the SDGs, and the SASB Materiality Map, among others, along with holding dialogues with experts in various fields and representative stakeholders.

Based on the materiality defined in fiscal 2019 after the formulation of the Mid-term Management Plan 2020, we reviewed the materiality set out in the Mid-term Management Plan 2025 in light of changes to the demand from the business environment and society, through workshops held for managers of growth businesses under the Mid-term Management Plan 2025 and dialogues with external experts.

“Materiality” in the Mid-term Management Plan 2025 (from fiscal 2022)

Key Themes (Materiality)	Main Initiatives	FY2026 KPIs
E Climate change (Decarbonization)	<ol style="list-style-type: none"> Acceleration of environmental management toward achievement of SBT** 1.5 °C by 2030 Contribution to CO₂ reduction through customer DX 	<ol style="list-style-type: none"> 33.6% reduction**¹ (compared with FY2018)
S Security AI & human rights Diverse human resources	<ol style="list-style-type: none"> Development of human resources in advanced security to handle social infrastructure AI provision and utilization prioritizing respect for human rights 	<ol style="list-style-type: none"> Doubling of internationally certified personnel Incorporated initiatives based on the AI and Human Rights Principles
G Corporate governance Supply chain sustainability Compliance	<ol style="list-style-type: none"> Further improvement of transparency of corporate governance Strengthening of collaboration with suppliers from a human rights/ environmental perspective Eradication of serious compliance incidents 	<ol style="list-style-type: none"> Suppliers agreeing to procurement guidelines: 75%*³ No. of serious incidents: 0

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

**2 Scope 1, 2.

**3 Ratio based on procurement amount

The implementation of materiality themes is clearly stated in the job description of internal directors and related officers, and is also incorporated into the performance evaluation KPI of officers to enhance effectiveness. Moreover, through ESG research, direct dialogues, and other methods, we utilize the evaluation and feedback of various stakeholders to make improvements in our initiatives.

Results of materiality initiatives for fiscal 2021

“ESG-Related Objectives, Achievements and Progress, and Degree of Completion.”

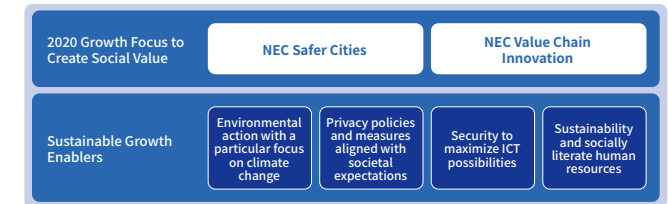
Definition Process

In formulating the Mid-term Management Plan 2025, we reviewed the materiality which we have been working on continuously since fiscal 2019, based on the following criteria.

- Non-financial (ESG/future financial) management foundation themes that have a significant positive or negative impact on society and the environment, as well as on the Company
- Themes where progress can be measured or visualized from a social or environmental perspective

As a result, we have decided to exclude the two businesses in “2020 Growth Focus to Create Social Value” and continue to work on the four themes of “Sustainable Growth Enablers.” Furthermore, at a workshop held for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses, it was confirmed that “corporate governance,” “supply chain sustainability,” and “compliance” are also essential themes for promoting businesses with high social and public value, gaining the trust of society. Accordingly, the seven themes were reported to the Board of Directors as materiality for the Mid-term Management Plan 2025.

“Materiality” we worked on in fiscal 2021



Defining process for fiscal 2019 materiality

“Sustainability Management” on page 3 of *Sustainability Report 2018*.

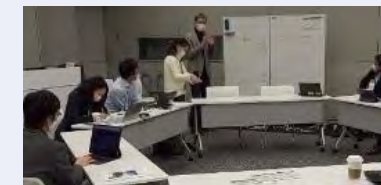
Materiality reset in fiscal 2021

“Priority Management Themes from an ESG Perspective—Materiality” on page 8 of *Sustainability Report 2020*.

Workshop held for managers of growth businesses under the Mid-term Management Plan 2025 to examine the social and environmental value created by their businesses

We held a workshop for the managers, and other related employees, of growth businesses, such as Digital Government/Digital Finance, Global 5G, and Core DX (digital transformation, such as digital ID initiatives), under the Mid-term Management Plan 2025. The purpose of this workshop was to discuss the social and environmental value of our business and priority themes from an ESG perspective that we should focus on. The facilitator was Mr. Peter D. Pedersen, who has been advising us on sustainability promotion at NEC on an ongoing basis.

Participants commented that the social and environmental value they take pride in providing when promoting their business is digital trust and digital inclusion, which is also linked to the SDGs principle “leave no one behind.” Additionally, they have been rethinking their contribution to the environment in light of recent circumstances and have found that there are many areas where digital technology can contribute to environmental issues. They stated that they would like to incorporate an environmental perspective into future business promotion.



Workshop for examining social and environmental value created by businesses

Mr. Peter D. Pedersen's Profile

Dialogue and Co-creation with Our Stakeholders

Environmental Action with a Particular Focus on Climate Change (Decarbonization)

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.

● Mid-term Management Plan 2025: Main Initiatives

Accelerate environmental management toward achievement of SBT 1.5°C by 2030 and contribute to CO₂ reduction by not just implementing DX at our own businesses but also at customer businesses.

In October 2018, we received “SBT well below 2°C” 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). Furthermore, in May 2021 we raised the target level for Scope 1 and 2 and were certified at “SBT 1.5°C,” with the aim of reinforcing the reduction target of 55% by fiscal 2031.

In fiscal 2022, NEC will promote thorough energy conservation and increased use of renewable energy, based on the NEC Eco Action Plan 2025, to achieve “SBT 1.5°C.”

 [NEC Eco Action Plan 2025](#)

● KPI to Be Achieved by Fiscal 2026

The KPI for this initiative is to reduce CO₂ emissions by 33.6% in Scope 1 and 2 compared to the results for fiscal 2018.

 [Response to Climate Change](#)

Security to Maximize ICT Possibilities

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. Furthermore, we are also reinforcing the development of human resources who will promote these efforts.

● Mid-term Management Plan 2025: Main Initiatives

Minimize the effects of major security incidents by ensuring that we enhance cyber security measures while also strengthening information security, and provide products and services that incorporate security measures and case studies taken from the NEC Group's own information security practices as a reference to realize a secure information society.

Additionally, reinforce the development of information security professionals to protect the information assets entrusted to us by our customers and business partners as well as the Group's own information assets.

● KPI to Be Achieved by Fiscal 2026

We aim to double the number of CISSP*⁵ certification holders, which we use as an indicator to confirm that we are developing personnel with advanced security capabilities in supporting social infrastructure and ensuring qualified personnel appropriately conduct “security by design.”

*⁵ Certified Information Systems Security Professional (CISSP) is an internationally recognized information security professional qualification certified by the International Information Systems Security Certification Consortium, Inc.

 [Information Security and Cyber Security](#)

Provision and Utilization of AI with Respect for Human Rights as the Highest Priority (AI and Human Rights)

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.

● Mid-term Management Plan 2025: Main Initiatives

In accordance with the NEC Group AI and Human Rights Principles, we are committed to the following three initiatives:

1. Ensure that all products and services are implemented and utilized by NEC, customers, and partners appropriately
2. Continue to develop advanced technology and talent to further promote AI utilization, with respect for human rights as the highest priority
3. Engage with a range of stakeholders to build partnerships and collaborate with closely

● KPI to Be Achieved by Fiscal 2026

We aim to apply the NEC AI and Human Rights Principles in our business activities.

 [Respecting Human Rights](#)

 [AI and Human Rights](#)

 [Personal Information Protection and Privacy](#)

 [Innovation Management](#)

Diverse Human Resource Development and Cultural Transformation

Based on the NEC Way and the Human Resources (HR) Policy, we have set forth the transformation of people and culture in the Mid-term Management Plan 2025.

● Mid-term Management Plan 2025: Main Initiatives

We will bolster diversity as a source of innovation and implement work-style reforms supporting diverse talent.




● KPIs to Be Achieved by Fiscal 2026

By transforming our culture and how we work, including transformation of people and culture, we aim to achieve a 50%*6 employee engagement score (compared to 25% in fiscal 2021).

In addition, we set out the following targets on a non-consolidated basis for active participation of diverse talent.

Percentage of officers ranked executive officer or higher who are female or non-Japanese (excluding Audit & Supervisory Board Members)	20%
Ratio of female managers	20%

*6 Based on the Kincentric Survey of a 50% score, which is a Tier 1 level and in the Global top 25 Percentile

-  Human Resource Development and Training
-  Inclusion and Diversity
-  Creating a Diverse Workstyle Environment

Corporate Governance

In order to continuously create social value and maximize corporate value, NEC Corporation is promoting corporate governance practices based on the following basic policies:

1. Assurance of transparent and sound management
2. Realization of prompt decision-making and business execution
3. Clarification of accountability
4. Timely, appropriate, and fair disclosure of information

● Mid-term Management Plan 2025: Main Initiatives

Further improvement of transparency of corporate governance

● KPI to Be Achieved by Fiscal 2026

Promote timely and appropriate initiatives to enhance transparency

 Corporate Governance

Supply Chain Sustainability

NEC endeavors to work not only within itself but also through collaboration and co-creation with suppliers to conduct business while giving full attention to its impacts on the environment and society as a whole.

● Mid-term Management Plan 2025: Main Initiatives

We will continue to promote activities to ensure that all suppliers are aware of the “Guidelines for Responsible Business Conduct in Supply Chains” and agree to uphold its contents.

● KPI to Be Achieved by Fiscal 2026

In fiscal 2021, business partners who signed the “Guidelines for Responsible Business Conduct in Supply Chains” agreement accounted for 68% of the total procurement amount. We aim to increase this percentage to 75%.

 Supply Chain Management

Compliance

The NEC Principle of “Uncompromising Integrity and Respect for Human Rights” expresses the NEC Group’s spirit of uncompromising integrity in order to remain trusted by society as a Social Value Innovator and its commitment to respecting human rights. Additionally, we recognize that implementing compliance above all else as a Social Value Innovator is an essential initiative for gaining the trust of society.

● Mid-term Management Plan 2025: Main Initiatives

Have everyone, from employees to officers, sign the Statement of Agreement for the NEC Group Code of Conduct. Each individual recognizes compliance as a personal matter and practices actions based on this code every day.

● KPI to Be Achieved by Fiscal 2026

We will build on daily practices and continue to aim for zero cases of serious involvement with cartels and/or bid-rigging.

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