

## Dialogue

# Advancing Sustainability through Purpose-driven Management

As part of revising the NEC Way in April 2020, NEC defined its “Purpose.” In addition, NEC has placed this Purpose at the core of a new plan announced in the current fiscal year, the Mid-term Management Plan 2025. The new plan sets out a vision of society in the form of the NEC 2030VISION, which we aim to realize by implementing initiatives in accordance with our Purpose. Further, as part of financial strategies, the plan calls for the strengthening of non-financial ESG (environmental, social, and governance) foundations that support the sustainable growth of both companies and society.

At the beginning of this dialogue, Mr. Arai informed us about the latest trends in global sustainable investment. In the discussion, the experts provided us with a range of considered opinions on the advancement of Purpose-driven Management. These included the significance of managing not only the financial impacts but also the social and environmental impacts created by businesses as well as the importance of addressing such human rights issues as AI (artificial intelligence) and human rights specifically, which is one of the non-financial materiality that we should give more attention.

Note: The following dialogue was held online.

## NEC Needs Unique Indicators to Manage the Progress of Purpose-driven Management

**Shimizu** First of all, with reference to NEC’s activities in the past three years, I’d like to hear your opinions about the significance of managing the progress of Purpose-driven management, not only from a financial viewpoint but also regarding the social and environmental impacts. Also, how should we shape our management so that it incorporates non-financial ESG perspectives?

**Pedersen** NEC’s challenge going forward is to transform its purpose and vision into concrete corporate value. **Issues that were until now classified as non-financial are sure to also become financial issues in the future.** The world is developing so rapidly that what we put forward now may not be valid in 2025. NEC will need to keep upgrading its mid-term management plan on a rolling basis. Given future demographic and consumption trends, it is obvious that in executing operations the integration of environmental perspectives will be essential.

In addition, it is only through high motivation and engagement that NEC can expect bottom-up innovation to occur, and here it is important to note that sustainability plays a key roles as a motivator. **I believe that the effectiveness of the new mid-term management plan will be enhanced if NEC can link digital transformation**



**Peter David Pedersen**  
Co-Founder, Next Leaders’ Initiative for Sustainability (NELIS)

**(DX) to the broader sustainability transformation (SX) that the world is in need of.**

**Furuya** NEC’s movement in the direction of Purpose-driven Management and management of progress based on impact is laudable. For example, **how about establishing as indicators initiatives unique to NEC’s core business** that are not found in other companies, such as contributions to the environment and society through the use of digital technology and initiatives for data governance and privacy governance? And, rather than setting out a vision of the future with its own businesses as a starting point, I would like to see NEC set goals that reflect the current global situation, in other words, goals for achieving a circular economy and carbon neutrality. I would then like NEC to establish indicators that show how businesses should pursue and contribute to these goals. I think that coming up with innovative ways of presenting indicators will help investors and citizens see the distinctive nature of NEC’s initiatives.

**Arai** In advancing Purpose-driven Management, I believe managing progress in relation to the social and environmental impacts created by businesses is important. Regarding the realization of NEC’s Purpose and vision, presenting the goals that have been set and the initiatives that are being taken as well as showing **the degree of achievement each year would make NEC’s direction more readily understandable to investors.**

**Matsukura** To realize the new mid-term management plan, I would like to keep it up to date with the changes in society and the market, as well as instill an understanding of the plan among employees. These are essential measures. In particular, I think in-house communication is extremely important, and we will ensure that the new mid-term management plan cascades down to all levels of our in-house organization. In this way, we hope that employees will internalize the plan, and that this will lead to further advances.

**Fujikawa** I am sure employee engagement will be enhanced if they can feel that their activities are leading to the Purpose through the realization of the NEC 2030VISION and the creation of social value. To visualize the relation between employees’ mindsets and our Purpose, I would like to explore what connects our business to environmental or social issues.

**Arai** It is important to ensure that employees thoroughly understand NEC’s direction. To this end, I believe the Purpose is essential. NEC should explain its Purpose to employees and then have them identify what they can do in frontline operations and set goals accordingly. Progress toward these goals should be measured so that they are achieved. In this way, the Purpose will become embedded in day-to-day operations.



**Osamu Fujikawa**  
Executive Vice President and CFO  
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**Yukiko Furuya**  
Executive Director,  
CSO Network Japan



**Hajime Matsukura**  
Executive Vice President and CHRO and Member of the Board  
NEC

**Shimizu** During the process of considering the NEC 2030VISION, executives, business managers, and junior employees discussed what value linking the Purpose to our businesses would have and what kind of impact this would have on society.

**Arai** That is a good initiative. Therefore, I hope you continue such discussions and include even more employees in them.

**Pedersen** The junction between the Purpose, the NEC 2030VISION, and the new mid-term management plan is a value creation field, and an innovation journey will connect them. By analyzing mega-trends and thinking about what society will need in the future while considering the kind of contributions ICT can make, NEC will increase the possibilities for value creation.

## Creating Systems for the Detection of New Global Trends

**Furuya** NEC is proceeding with careful and deliberate consideration of human rights issues, including AI and human rights. The policy of seeking equality of outcomes, which means that those in vulnerable positions are not left behind, is distinctive and progressive. Until now, risks have been viewed from the perspective of privacy. Going forward, however, risks will emerge in different regards, such as the labour conditions and human rights of workers. For this reason, it is important to create a system that flags new risks, too.

**Arai** New ways of thinking about human rights are emerging. So that it can move forward and address these new ideas, NEC needs to enhance in-house knowledge.

**Pedersen** Issues such as AI and human rights are at the very center of ESG materiality for NEC. Given that Japan tends to lag behind on innovative action in these areas, I would recommend that NEC partners with progressive global research institutions in order to quickly incorporate global trends. This will be key to being seen as a progressive and trustworthy company by investors and other stakeholders.



**Masaru Arai**  
Chair,  
Japan Sustainable Investment Forum (JSIF)

## Strengthening the Sustainability Advancement System

**Shimizu** In April 2021, NEC established the Sustainability Promotion Division as an addition to NEC’s corporate planning functions because the implementation of Purpose-driven Management has increased the importance of further integrating sustainability initiatives into business management. We will use the insights received during today’s discussion as guidelines for the activities of the new division. At the same time, we would like to deepen in-house discussions and provide social and environmental value that resonates both with our employees and with our external stakeholders.

Note: CFO (Chief Financial Officer)  
CHRO (Chief Human Resources Officer)  
CSO (Chief Supply Chain Officer)



**Shigeki Shimizu**  
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