

Dialogue

Working toward Robust and Resilient Human Rights Due Diligence through Supply Chains

Aiming to realize sustainable supply chains, NEC is advancing engagement with business partners in accordance with its basic philosophy of emphasizing collaboration and co-creation.

In this dialogue, we asked experts to review our efforts over the past year and provide us with their opinions on responses to emerging challenges and geopolitical risks, such as COVID-19 and legislation currently being formulated in Europe that would make due diligence with respect to environmental and human rights risks mandatory.

Note: The following dialogue was held online.

questionnaires and on-site inspections, there do not seem to be any major issues. However, moving further forward with efforts to identify potential risks and taking remedial measures in conjunction with business partners will create a positive impact.

Tanaka In supplier engagement, it is important to focus on developing the capabilities of suppliers and to examine matters from the viewpoint of workers as rights holders.* NEC should assess and

strengthen the suppliers' capabilities in engaging with human rights and labour rights issues that cannot be measured through self-assessment questionnaires alone. Then, when resolving issues, incorporating the opinions of workers is important. Constructive industrial relations between labour and management nurtured by Japanese companies in their operations in Asia provides good examples of practices implemented in light of the ILO MNE Declaration. I hope that NEC continues to value dialogues with local trade unions at its plants in Asia. Although it may seem a little obscure, adequate protection of the right to organize and collective bargaining contributes to corporate and supply chain resilience. There have been reports of cases in which labour-management dialogue overcame challenges faced due to reduced production during the COVID-19 pandemic and thereby secured employment. Industrial relations and social dialogue are very important in times of crisis.

* Rights holders refers to individuals who have rights and whose human rights could potentially be violated.



Ryusuke Tanaka
Programme Officer
ILO Office for Japan

Response to COVID-19

Tanaka During COVID-19, two of the main issues raised by various stakeholders have been business continuity and employment security. Business continuity and employment security require supply chain resilience, which stems from building mutual trust between labour and management that enables adaptation to fluctuations in production demand. In Japan, those belonging to vulnerable groups face the risk of poverty due to inadequate social security. Therefore, companies need to give special consideration to such groups as non-standard form workers and single mothers. Health and safety is another of the most important issues. While efforts to prevent infection are the first priority, measures are also needed to identify and prevent telecommuting-related risks, including unfair treatment and excessive stress.

Nakamura With 80.0% of the personnel of the head office and sales units working from home, at an early stage we encouraged our business partners to develop and secure environments that enabled telecommuting so that employees and business partners who often work in project rooms did not feel unfairly treated. In cases where coming to the office is absolutely necessary, we take thorough infection prevention measures and conduct health management measures. We have received positive feedback from our business

partners regarding the content and promptness of these measures.

Takahashi Due to COVID-19, heightening trust by visiting and talking face-to-face with business partners has been getting harder. How are you dealing with this?

Okimi We are exploring new ways of communicating with our business partners. With existing business partners with that we have established a base of trust, we are able to continue engagement through online communication; however, we need to be creative in how we communicate with new business partners.



Toshiyuki Nakamura
Assistant General Manager,
Purchasing Division
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Kazuhiro Okimi
General Manager,
Purchasing Division
NEC

Initiatives for Human Rights Due Diligence Pursuant to International Standards

Nagai Given that the European Union's legislation for making human rights and environmental due diligence mandatory is likely to be enacted, beginning preparations now is advisable. As due diligence in conformity with the United Nations Guiding Principles on Business and Human Rights is anticipated, I think organizing and extending existing initiatives so that they accord with these guiding principles is important. As for governance, companies will probably be required to institutionalize the type of dialogue we are currently having by, for example, establishing sustainability committees comprising members of the senior management team and external parties.

Takahashi The due diligence legislation is likely to require companies to assess and address the impact of their businesses and supply chains not only on human rights but also on the environment. This is because climate change and extreme weather affects the vulnerable members of local communities. Further, the legislation is expected to emphasize whistleblowing mechanisms that play a complementary role to supply chain due diligence. In relation to human rights due diligence, I would like NEC to consider giving priority to examining areas where human rights impacts are potentially high. Rather than targeting all business partners from the outset, NEC should begin with those that have a high level of risk. Then, by demonstrating the progress that it has made, NEC will be able to explain more clearly that it is performing due diligence.



Daisuke Takahashi
Partner,
Shinwa Sohgho Law Offices

Tanaka I recommend corporate disclosure focused more on specific human rights and labour issues, in the way that some leading ICT companies are doing. Investors and civil society are paying more attention to sector-specific vulnerabilities and risks, such as recruitment fees charged to migrant workers in the ICT sector. I think it would be good to strengthen disclosure on sector-specific issues while referring to examples from other companies.

Shimizu To advance human rights in a manner that is compliant with international due diligence standards going forward, we want to check and correct potential risks while sharing our aspirations with business partners. Moreover, by disclosing the progress of these efforts we want to ensure transparency.

Attitude and Response to Geopolitical Risks and Other New Issues

Nagai The international situation has become unstable, and problems are occurring in various countries. What I would like to recommend is for NEC to monitor its own business activities in light of external information. When an industry peer is criticized in relation to a particular issue, I would like NEC to examine its own situation, even if criticism is not directed at NEC.

Tanaka It is important to develop a system that provides sufficiently clear evidence and documents of the process by which NEC has conducted dialogues with governments and other stakeholders as well as the protection that it has provided for workers.

Shimizu I would like to thank all of you for providing us with your insights and frankly sharing your feelings about NEC today. There are many issues that need to be addressed, but we will continue monitoring social trends and paying heed to the opinions of stakeholders as we move forward with our initiatives. I would be grateful if you could continue providing us with valuable advice.



Asako Nagai
Managing Director
BSR (Business for Social
Responsibility)



Shigeki Shimizu
Senior Vice President, CS&O,
and General Manager
Sustainability Promotion Division
NEC

Shimizu In realizing sustainable supply chains, it is important not only to encourage business partners but also to ensure that each member of NEC's procurement team takes measures based on an understanding of their significance. To this end, we conducted web-based training for all employees and invited an outside instructor to hold a seminar for about 600 procurement personnel in Japan and other parts of Asia. Now that NEC has a system in place to implement plan-do-check-act cycles for initiatives, I would like to confirm whether measures are being taken where risks are high and further advance initiatives for new issues.

Nagai NEC's inclusion within the scope of engagement of non-permanent, temporary, and contract workers engaged in hardware and software development is excellent. At this point, based on the results of the