

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. Based on this belief, we will continuously engage in initiatives toward building a better supply chain, as we learn together with our suppliers about critical social issues and the impact of business on society. In May 2021, we newly designated “supply chain sustainability” as a material issue. With this new material issue, we are working to further reinforce initiatives, such as those relating to human rights and environmental due diligence.

Promoting Initiatives in Collaboration with Our Suppliers

Sustainable procurement activities of the entire NEC Group are under the responsibility of the Chief Supply Chain Officer (CSCO). Decisions are made by the Procurement Steering Committee chaired by the general manager of the Purchasing Division. International subsidiaries conduct activities under the Global SCM Leaders Session, which meets annually, as the decision-making body. Guided by the Global SCM Leaders Session, we promote sustainable procurement in accordance with the culture and business practices of each country.

In addition, we request that our suppliers engage in responsible business conduct, including for transactions with upstream business partners.

Specifically, at each stage of basic contracts, dissemination, document check, and on-site assessment, we implement various measures to counter six priority risks, together with our suppliers.

In July 2020, we revised the CSR Procurement Guidelines under the title “Guidelines for Responsible Business Conduct

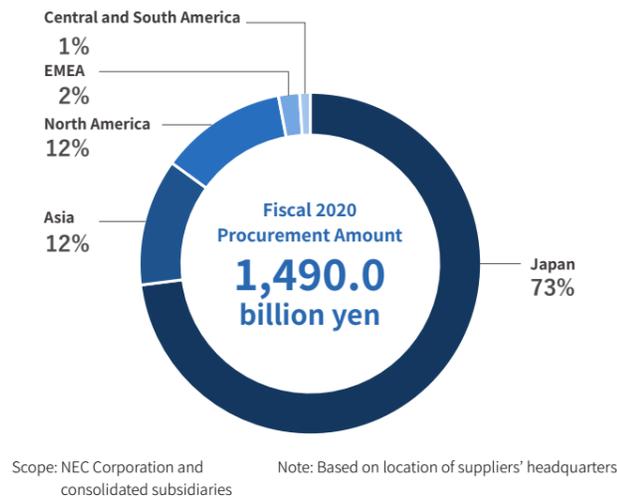


in Supply Chains” and began to acquire signed agreement of “Declarations of Responsible Business Conduct in Supply Chains” from our suppliers. As of March 31, 2021, we have obtained declarations from over 7,000 suppliers in Japan and abroad, including existing suppliers, accounting for 68% of the total procurement amount. Furthermore, we have made it mandatory to acquire declarations at the start of new transactions.

Procurement Amount and Ratio by Region

The graph on the right illustrates the procurement amount and percentage composition by region. Japan accounts for 73% of the total procurement amount; Asia accounts for 12%; North America 12%; EMEA (Europe, the Middle East, and Africa) 2%; and Central and South America 1%.

NEC designates critical suppliers as suppliers that account for a large procurement amount, suppliers of rare products, and suppliers that cannot be easily replaced and engages in sustainable procurement measures, centered on these suppliers.



Document Checks and Feedback on Evaluation Results

To date, we have conducted document checks using the sustainable procurement self-check sheets for our efforts toward the priority risks of “human rights” and the “environment.” In fiscal 2021, we expanded the inspection themes of our document checks to include occupational health and safety and fair trade and increased the number of questions from 69 to 151.

We received responses from 696 companies, mainly critical suppliers, and evaluated the status of each supplier’s efforts on a five-point scale of A, B, C, D, and Z for each theme in light of the following evaluation criteria: score rate and critical points.*

We issued a feedback sheet to all of the suppliers that responded, indicating their score for each inspection theme and a comparison with the average score for each product type, and shared the evaluation results with them. In addition, regarding the 36 suppliers for which we deemed to have potential risks, we created opportunities to communicate with such suppliers on an individual basis and completed efforts to ascertain the conditions of these suppliers and provide improvement guidance in the first half of fiscal 2022.

* Critical points are questions that NEC has identified as potential risks in light of the Guidelines for Responsible Business Conduct in Supply Chains, issued by NEC in July 2020, and other regulations, if initiatives remain unaddressed.

Evaluation Categories	Criteria	Description
A	Score rate between 80% and 100%	Implemented outstanding initiatives
B	Score rate between 60% and 80%	Implemented standard initiatives
C	Score rate between 50% and 60%	Implemented initiatives but only for some issues
D	Score rate below 50%	Initiatives themselves are insufficient
Z	Unable to clear critical points	Risks expected

NEC Awarded the Highest Rating for Supplier Engagement by the CDP

NEC has been acknowledged on the Supplier Engagement Leaderboard, the highest rating in the Supplier Engagement Rating* conducted by the CDP, an environmental NGO.

NEC has received an A List rating for Climate Change and Water Security, which makes a total of three categories in which NEC achieved a top rating in 2020. We recognize that our various efforts to aim for zero CO₂ emissions from supply chains under NEC’s long-term environmental goal, Course of Action for Climate Change Toward 2050, have been highly evaluated. Going forward, we will promote climate change action throughout the entire supply chain through cooperation and co-creation with suppliers.

* The Supplier Engagement Rating examines a company’s initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain and gives a rating based on these efforts.



Responding to the Modern Slavery Acts

With approval from the Board of Directors, since fiscal 2019 NEC Corporation and NEC Europe have published a declarative statement to the effect that they will report on measures in relation to the United Kingdom’s Modern Slavery Act 2015, which is aimed at preventing slave labour and human trafficking.

Further, in fiscal 2021, based on the approval of the Board of Directors, NEC Australia Pty Ltd also published a declarative statement of its intention to comply with Australia’s Modern Slavery Act 2018.

NEC Group Statement on Modern Slavery Acts

For more details on our supply chain management, please see page 92 of *Sustainability Report 2021*.