

Management That Supports Corporate Value Creation

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, in order to gain the trust of society and to help create sustainable social value.

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 Senior Director of the Sourcing and Purchasing Department. 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, the NEC Group Procurement Policy and the Guidelines for Responsible Business Conduct in Supply Chains require our suppliers, including upstream business partners, to implement responsible business conduct and identify the six priority risks.

With regard to human rights, the NEC Group Procurement Policy clearly rejects slavery and human trafficking, and the Guidelines for Responsible Business Conduct in Supply Chains prohibit forced labour and child labour, while respecting workers' right to organize. The policy and guidelines also require appropriate wages and management of work hours.

Moreover, we perform due diligence on human rights in accordance with the Guidance from the OECD, identify and evaluate risks, and take steps to mitigate risks.

Six Priority Risks at Our Suppliers

Human Rights and Labour Practices	Product Quality and Safety
Fair Trading and Ethics	Environmental Requirements
Information Security	Health and Safety

Document Checks, Evaluation of Results, and Feedback

NEC conducts self-assessments in order to assess the status of supplier compliance with requirements and initiatives relating to the fields of human rights, occupational health and safety (OH&S), the environment, fair trading and ethics, and information security.

For one type of these document checks—sustainable procurement self-check sheets—we newly added important inspection themes for foreign national technical intern programs and COVID-19 countermeasures. We received responses from 956 companies out of the 1,015 companies we queried, and evaluated the status of each supplier 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 will implement support for suppliers that received Z ratings aimed at correcting these issues during the first half of fiscal 2023 through supplier engagement, such as understanding the conditions and providing correctional guidance.

* 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 of 50% or below	Initiatives themselves are insufficient
Z	Unable to clear critical points	Risks expected

Human Rights Due Diligence

In October 2020, the Japanese government formulated and published the National Action Plan on Business and Human Rights, and legal frameworks for preventing human rights abuses in supply chains have been updated abroad. With labour in supply chains being identified as a salient human rights issue, NEC improved its efforts at due diligence in human rights, in addition to its ongoing initiatives.

NEC is taking the following steps in accordance with OECD Due Diligence Guidance for Responsible Business Conduct.

Step 1	<ul style="list-style-type: none"> Gather and evaluate information about risks specific to the ICT sector, regions, and NEC companies based on the ICT Sector Guide on Implementing the UN Guiding Principles on Business and Human Rights, the International Trade Union Confederation (ITUC)'s 2020 ITUC GLOBAL RIGHTS INDEX, other external research reports, and internal analysis of our procurement structure
Step 2	<ul style="list-style-type: none"> Identify high-priority business domains while referencing results of international NPO BSR's evaluations of human rights impact (human rights risks to workers in manufacturing processes at overseas plants of suppliers, including outsourced production, human rights risks to foreign national apprentice interns in technical trainee programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development)
Step 3	<ul style="list-style-type: none"> Conduct third-party audits by an external auditing firm that specializes in human rights. We have selected three suppliers based on evaluation of scope and nature of potential impacts, while mapping the aforementioned risks across suppliers. Nonconformance incidents identified in these audits (i.e., foreign national employees have not received employment rule handbooks or explanations; no human rights policy) will be subject to risk mitigation measures based on assessments of the impact from such risks while seeking counsel from outside experts.

Stakeholder Engagement

Education and Awareness-raising Activities

In accordance with internal procurement regulations, NEC Corporation and its subsidiaries conduct regular training for procurement personnel, as well as timely training on individual topics to address new laws and regulations and emerging risks, in order to maintain appropriate business operations.

Strategic Supply Chain Partners Meeting

NEC holds exchange meetings with strategic supply chain partners each year for its main strategically important suppliers. We require these suppliers to understand and cooperate with the NEC Group's sustainable procurement activities, centered mainly on human rights, labour, OH&S, the environment, and information security. Moreover, during the meetings, NEC bestows Sustainability Awards on suppliers that make significant contributions to advancing sustainability initiatives.

The meeting in December 2021 was held online, and 426 members of the management at 194 suppliers from around the world participated.

Update to Grievance Mechanism

NEC has given access to its Compliance Hotline, a means of reporting incidents and seeking consultation, to suppliers since 2003. In August 2021, NEC changed the hotline to include consultations about responsible procurement, including human rights, labour, OH&S, and other topics.

In fiscal 2022, a total of six reports were issued via the Compliance Hotline about procurement issues. After verifying the relevant facts, all six reports were dealt with appropriately.

NEC Awarded the Highest Rating for Supplier Engagement by the CDP

Through the CDP Supply Chain Program run by the CDP, an environmental NGO that NEC partnered with in 2019, NEC surveyed the climate change initiatives of 70 companies, mainly hardware suppliers, in fiscal 2022, and provided feedback on the results of the survey.

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

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.

* 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.

