

Supply Chain Sustainability

NEC endeavors to work not only internally 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, with the intention of gaining the trust of society and helping to create sustainable social value.

Supply Chain Management Policy

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.

For international subsidiaries, we promote sustainable procurement in accordance with the culture and business practices of each country by conducting quarterly operational reviews

with the procurement managers of major local subsidiaries after aligning annual action policies and plans.

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 ensure responsible business conduct and identify the six Priority Risks.

Six Priority Risks at Our Suppliers

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

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 proper 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.

Supply Chain Risk Assessment Results and Corrective Actions

Document Checks

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, the environment, fair trading and ethics, and information security.

In the sustainable procurement check sheets, in addition to the inspection themes for human rights, occupational health and safety, the environment, fair trading, and others, we newly added important inspection themes for foreign national technical intern programs and human rights measures of suppliers at Tier 2 and further upstream suppliers. We received responses from 1,009 companies out of the 1,081 companies we

queried, and evaluated the status of each supplier, ranking them 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.*"

Through supplier engagement, such as promoting an understanding of the conditions and providing correctional guidance, we will support suppliers that received the Z rating, with the aim of correcting identified issues during the first half of fiscal 2024.

* 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

E For more details, please refer to "Supply Chain Management" on page 86 of the *NEC ESG Databook 2023*.

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Respecting Human Rights

In September 2022, the Japanese government formulated and published the Guidelines on Respecting Human Rights in Responsible Supply Chains, 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	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	Identify high-priority business domains while referencing results of international NPO Business for Social Responsibility (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	<p>Conduct third-party audits by an external auditing firm that specializes in human rights and occupational health and safety. We have selected five suppliers based on evaluation of scope and nature of potential impacts while mapping the aforementioned risks across suppliers.</p> <p>Nonconformance incidents identified in these audits (for example, the absence of a human rights policy; the lack of emergency exit signs; and the failure to use proper protective equipment such as safety glasses) will be evaluated and ranked according to the following four categories from the viewpoints of human rights and occupational health and safety under Japanese law and global standards to provide feedback to suppliers and request corrective action.</p> <div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <p>Minor</p> <p>Major</p> </div> <div> <ol style="list-style-type: none"> 1. Response not required 2. Items for improvement 3. Items for improvement (high priority) 4. Items for correction </div> </div>

Stakeholder Engagement

Supplier Education and Awareness Training Activities

NEC provides training opportunities and information to help suppliers promote sustainability.

In fiscal 2023, NEC invited external lecturers to conduct a seminar for the members of senior management of suppliers on the theme of "Business and Human Rights," as well as a lecture for our key software suppliers on the topic

of "Business and Human Rights: Responses Required of ICT/Software Companies." With regard to the environment, NEC holds briefing sessions and provides information on its countermeasures against climate change on an ongoing basis.

Internal Education and Awareness Training 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 Exchange Meeting

NEC holds exchange meetings with its main strategically important supply chain partners each year to promote their understanding and cooperation in the NEC Group's sustainable procurement activities, centered mainly on human rights, labour, occupational health and safety, the environment, and information security.

Moreover, during the meetings, NEC presents Sustainability Awards to suppliers that make significant contributions to advancing sustainability initiatives.

The meeting in June 2022 was held online, and 418 members of the management at 204 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, occupational health and safety, and other topics.

In fiscal 2023, a total of seven reports were issued via the Compliance Hotline about

procurement issues. After verifying the relevant facts, all seven reports were dealt with appropriately.

From fiscal 2023, NEC is participating in an industry-wide initiative for a collective grievance mechanism (JaCER) and is improving the effectiveness of the system in accordance with UNGP requirements.

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 68 companies, mainly hardware suppliers, in fiscal 2023, and provided feedback on the results of the survey.

NEC has been recognized on the CDP's Supplier Engagement Leaderboard, the highest Supplier Engagement Rating,* for the third consecutive year.

* The Supplier Engagement Rating is given by the CDP based on an examination of a company's initiatives for climate change and reduction of greenhouse gas emissions across the entire supply chain.

