

# Summary of ESG Efforts in the 2020 Mid-term Management Plan

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01. NEC's Sustainable Management

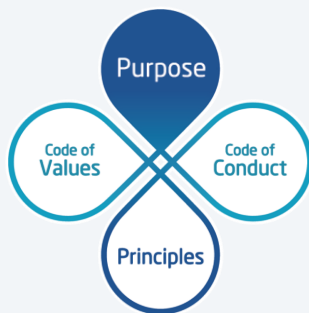
02. Environmental Initiatives

03. Initiatives for Society and Employees

04. Corporate Governance

# NEC's Sustainable Management

# NEC's Sustainable Management



## The "Purpose" of NEC's existence

NEC creates the social values of safety, security, fairness and efficiency to promote a more sustainable world where everyone has the chance to reach their full potential.

### Environment

- As part of its response to climate change, NEC strives to cut the CO<sub>2</sub> emissions from the entire supply chain and provide solutions and services that contribute to solving environmental issues with the goal of reducing CO<sub>2</sub> emissions to "effectively zero" by 2050.

### Social

- "Project RISE"\* - Transformation project aimed at helping employees deliver their full potential for the rebuilding of a robust and flexible corporate culture
- Workstyle reform and a corporate culture that enables employees to perform at their best
- Fostering a corporate culture where diverse human resources can play an active part
- Business operations with respect for human rights in relation to the utilization of AI and other new technologies and extending human rights management to the entire supply chain

\* A general name for the NEC Group's internal transformation project

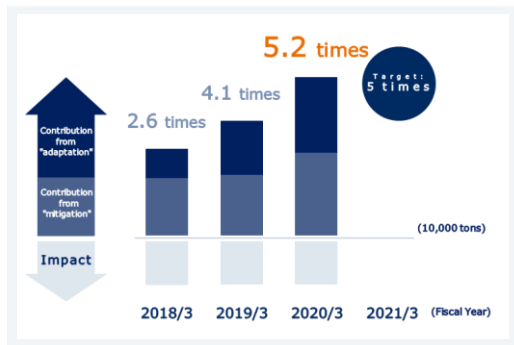
### Governance

- Assures transparency and sound management
- Realizes prompt decision-making and business execution for maintaining good corporate governance

# Environmental Initiatives

# Environmental Initiatives to Realize a "Sustainable Society"

As part of its response to climate change, NEC has set SBTs\* through 2030 and provides solutions and services that contribute to solving environmental issues with the goal of reducing CO<sub>2</sub> emissions to "effectively zero" by 2050.



## 2020

Create 5 times more environmental value through business

(Announced in July 2014)

## 2018

"Environmental Action with a Particular Focus on Climate Change" defined as one of the "materiality," priority management themes from an ESG perspective

## 2030

SBT (obtained in Oct. 2018)

Reduce Scope 1 and 2 CO<sub>2</sub> emissions by 33% from 2017 levels

## 2050

Course of Action for Climate Change Towards 2050

(Announced in July 2017)

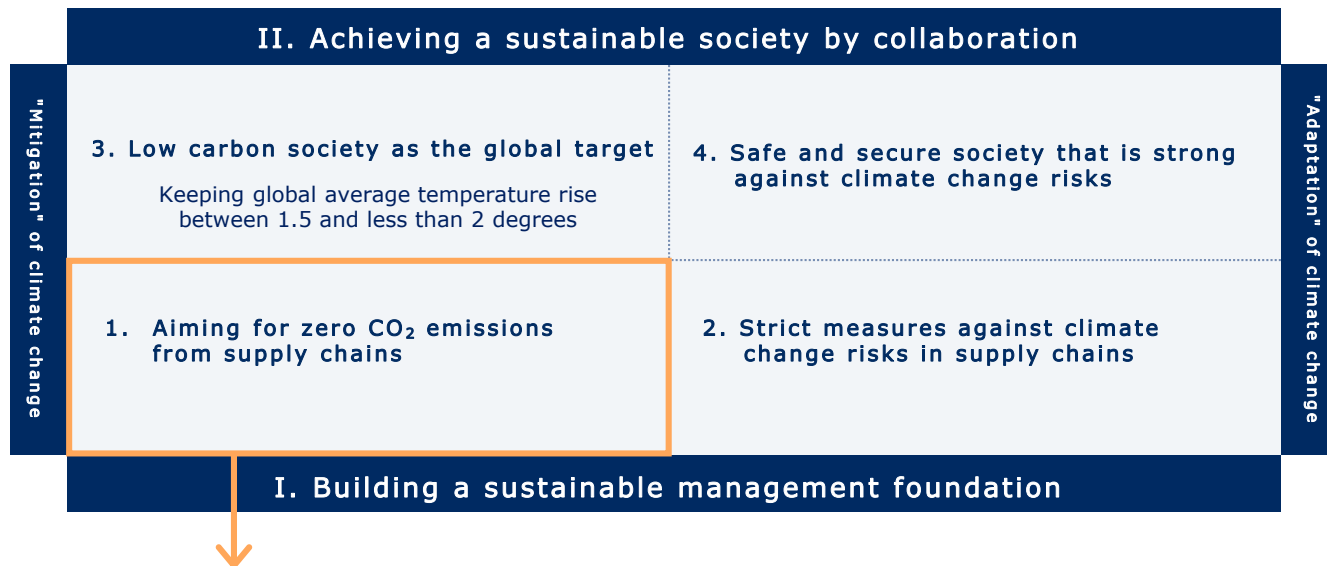
Reduce CO<sub>2</sub> emissions to effectively zero by 2050



\* Science Based Targets

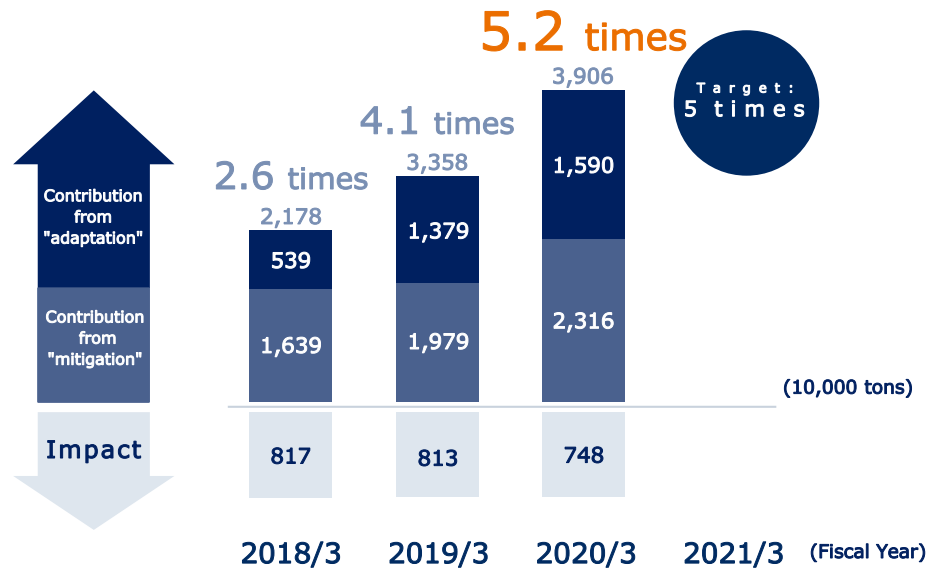
## Course of Action for Climate Change Towards 2050

NEC plans to reduce the CO<sub>2</sub> emissions (Scope 1 and 2) from its business activities to "effectively zero" by 2050. The company has changed its SBT from "Well Below 2°C" to "1.5°C" and is seeking accreditation from the SBT initiative.



# Achieving the Climate Change Mitigation Target for 2020

In FY2020/3, NEC achieved its FY2021/3 target of attaining a level of CO2 reduction that is five times the total volume of CO2 emissions from its entire supply chain.



Contribution from "adaptation"

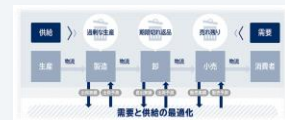
Create safe, secure cities for residents through wide-area disaster prevention

Smart City Takamatsu  
Natural disaster reduction  
and risk reduction



Contribution from "mitigation"

Supply and Demand Optimization Platform



Impact

Install solar power generation equipment on the roofs of all NEC Group facilities where it can be installed

NEC Platforms Thai Company Limited





# Evaluation of NEC's Environmental Activities by External Organizations

External evaluation organizations give NEC high ratings  
in both the climate change, water and supplier engagement categories.

CDP has successively chosen NEC as an "A List" company with the highest rating

Evaluation/rating	2018	2019	2020
<b>CDP</b> Highest rating = A	Climate change: <b>A-</b> Water: <b>B</b>	<b>2 categories</b> Climate change: <b>A</b> Water: <b>A</b>	<b>3 categories</b> Climate change: <b>A</b> Water: <b>A</b> Suppliers: <b>A</b>



## Inclusion in ESG indices

### ● Dow Jones Sustainability Indices (DJSI) World and APAC

An evaluation indices developed by the S&P Dow Jones Indices that evaluates the sustainable practices of major global companies, categorized by a "Governance & Economic Dimension," "Environmental Dimension" and a "Social Dimension."



### ● S&P/JPX Carbon Efficient Indices

One of the global environmental stock indices selected in 2018 by the Government Pension Investment Fund (GPIF). These are used to select companies with excellent track records in carbon efficiency and disclosure of environment-related information.



NEC is included in all GPIF-selected indices.

# Initiatives for Society and Employees

## "Project RISE" – Transformation project aimed at helping employees deliver their full potential for the rebuilding of a robust and flexible corporate culture

### Fair evaluation and feedback



- An evaluation system based on the **Code of Values** is introduced.
- We promote the growth of "people," the very source of growth, based on our HR policy, "NEC, for Those Who Seek Challenge," which is intended to provide various opportunities to tackle challenges and unlimited opportunities for growth.

### Active use of external human resources and younger employees



- To hire effective human resources from outside, a new system is introduced for rewarding employees with compensation levels commensurate with their roles.

### Communication reform



- We conduct employee surveys every quarter to check the progress of our measures and gather real feedback for further improvements.

## Current state of transformation initiatives

Pulse survey: Comparison between Oct. 2018 and Jan. 2021  
(NEC Corporation)

- Degree of implementation of the Code of Values by individuals
- Improvement in work efficiency

12.3 points up ↗

21.7 points up ↗

## (Reference) Code of Values

The Code of Values defines what NEC expects from employees.  
Putting it into practice makes us stronger both as individuals and as a team.

### **Look Outward. See the Future.**

Be curious, take initiative, make a difference. Envision world-changing possibilities for ourselves and our customers.

### **Think Simply. Display Clear Strategy.**

Identify and clearly communicate critical goals and success factors. Leverage NEC's strengths.

### **Be Passionate. Follow through to the End.**

Take ownership of your work. Drive relentlessly towards the end goal, resolving challenges as they arise with passion and determination.

### **Move Fast. Never Miss an Opportunity.**

Be comfortable making decisions and taking actions - even when there is ambiguity. Be agile. Keep moving forward. Embrace the risk, even if it means failure.

### **Encourage Openness. Stimulate the Growth of All.**

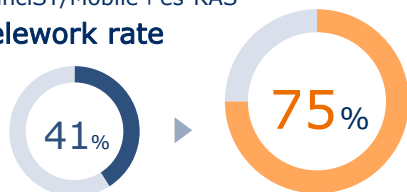
Cross boundaries and hierarchies; inspire and be inspired. Challenge yourself and others to learn more, do more and become more.

# Workstyle Reform and a Corporate Culture that Enables Employees to Perform at Their Best

## Promotion of smart work

ThinclST/Mobile + es-RAS

### Telework rate



<Reference> The past highest rate is 80% recorded on May 18, 2020.

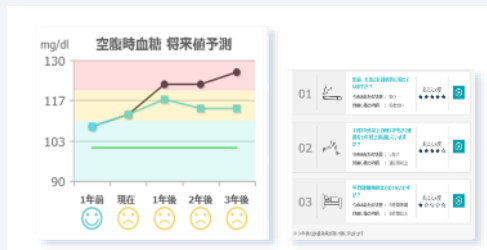
- The company lends PCs and smartphones to all its employees.
- IT-based communication and collaboration
- Environment that allows SEs and others to telework

## Elimination of time and location constraints for work



- Introduction of Super Flex
- More co-working spaces and satellite offices

## Thorough attendance management and well being



- A new attendance management system monitors for long working hours.
- An AI-based health checkup result simulation is introduced.

## Current state of transformation initiatives

Pulse survey: Comparison between Oct. 2018 and Jan. 2021  
(NEC Corporation)

• Degree of implementation of smart work

42.2 points up ↗

# Fostering a Corporate Culture Where Diverse Human Resources Can Play an Active Part

## Promotion of career advancement for women: KPIs are set to implement necessary measures.

### Ratio of female employees

NEC Corporation

18.6%  
Mar.2020

2025 target  
30%

### Ratio of female managers

NEC Corporation

6.4%  
Apr.2020

2025 target  
20%

- Identifying and developing female employees with potential; increase career awareness of women
- Hiring more women:

Ratio of women hired in FY2021/3

new graduates: approx. 34%

mid-career hires: approx. 20%

In April 2020

The ratio of female managers in  
department manager or higher positions  
reached the goal of 5%  
earlier than planned.

## New Comer (mid-career hires): Increasing at all levels in all areas

### Number of mid-career hires

NEC Corporation

Increase by 2.6 times  
compared with previous year

Approx. 270  
employees

Further  
increase

FY2020/3

- Active hiring of mid-career employees for various positions including executive posts to gain diverse perspectives

The number of mid-career hires in  
FY2020/3

Increased by 2.6 times  
from the previous year  
and will continue to grow in FY2021/3.

## Consideration for people with disabilities, LGBT individuals and multi culture resources



The prayer room  
at NEC head office building



- Workshops to promote understanding among employees including executives and managers
- Signatory to The Valuable 500 initiative
- Revision of internal regulations to give de facto marriage partners equal treatment to legally married couples
- Improvement in cafeteria menus and accommodation of environmental needs such as prayer rooms

# Human Rights Initiatives

NEC is promoting human rights initiatives based on the NEC Group Human Rights Policy, and Principles. The human rights issues to be carefully monitored are identified through dialogue with stakeholders. Employees are educated through e-learning to ensure that human rights are respected.

	New technologies and human rights (AI and human rights)	Labor issues in global supply chains	Safety and health of employees
Guidelines	NEC Group AI and Human Rights Principles (established in April 2019)	Guidelines for Responsible Business Conduct in Supply Chains (established in July 2020)	<ul style="list-style-type: none"> <li>● NEC Group Health Declaration (July 2019)</li> <li>● Safe and Healthy Activity Policy</li> </ul>
Initiative status	<ul style="list-style-type: none"> <li>● The <b>Digital Trust Advisory Council chaired by an external expert has been established</b>, and its meetings have been held.</li> <li>● Initiatives in line with the above-mentioned policy have been incorporated in the business execution processes, mainly face recognition-related businesses.</li> </ul>	<ul style="list-style-type: none"> <li>● NEC has asked suppliers to <b>sign a declaration requiring the understanding of and compliance with the above-mentioned guidelines</b>.</li> <li>● NEC has <b>distributed questionnaire forms to top primary suppliers</b>, which account for more than 80% of the amount of procurement.</li> </ul>	<ul style="list-style-type: none"> <li>● COVID-19 countermeasures have been taken for all employees, including the promotion of staggered commuting and teleworking.</li> <li>● <b>The effectiveness of the Human Rights Hotline has been increased</b> (assurance of anonymity and enlightenment of human rights personnel).</li> </ul>

# Corporate Governance



# Corporate Governance Structure

NEC is a company with a board of company auditors.

The Nomination and Compensation Committee, which is a voluntary committee, discusses the assignment of board members and corporate officers as well as their remuneration.

## Board of Directors

<b>Nobuhiro Endo</b>	Chairman of the Board
<b>Takashi Niino</b>	Representative Director and Vice Chair
<b>Takayuki Morita</b>	Representative Director, President and CEO
<b>Norihiko Ishiguro</b>	Member of the Board and Senior Executive Vice President
<b>Hajime Matsukura</b>	Member of the Board, Executive Vice President and CHRO
<b>Motoo Nishihara</b>	Member of the Board, Executive Vice President and CTO
<b>Kaoru Seto</b>	Member of the Board (Special Adviser, Yamato Holdings Co., Ltd.)
<b>Noriko Iki</b>	Member of the Board (President, Japan Institute for Women's Empowerment & Diversity Management)
<b>Masatoshi Ito</b>	Member of the Board (Chairman of the Board, Ajinomoto Co., Inc.)
<b>Kuniharu Nakamura</b>	Member of the Board (Chairman of the Board of Directors, Sumitomo Corporation)
<b>Jun Ohta</b>	Member of the Board (Director President and Group Chief Executive Officer, Sumitomo Mitsui Financial Group, Inc.)
<b>Christina Ahmadjian*</b>	Member of the Board (Professor of the Graduate School of Business Administration of Hitotsubashi University)

\* Candidate for a new board member

## Nomination and Compensation Committee

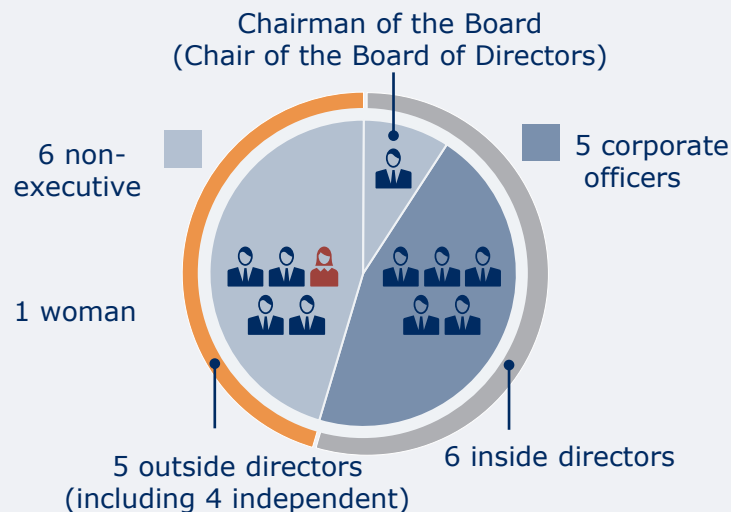
**Kaoru Seto (Chairperson)**  
**Kuniharu Nakamura**  
**Masatoshi Ito**  
**Nobuhiro Endo**

## Reinforcing the Organizational Structure to Promote the New Mid-term Plan and Enable More Advanced Management

To increase the ratio of independent directors and enhance diverse career skills, one outside director will be added, the candidate being Ms. Christina Ahmadjian.

### Board of Directors

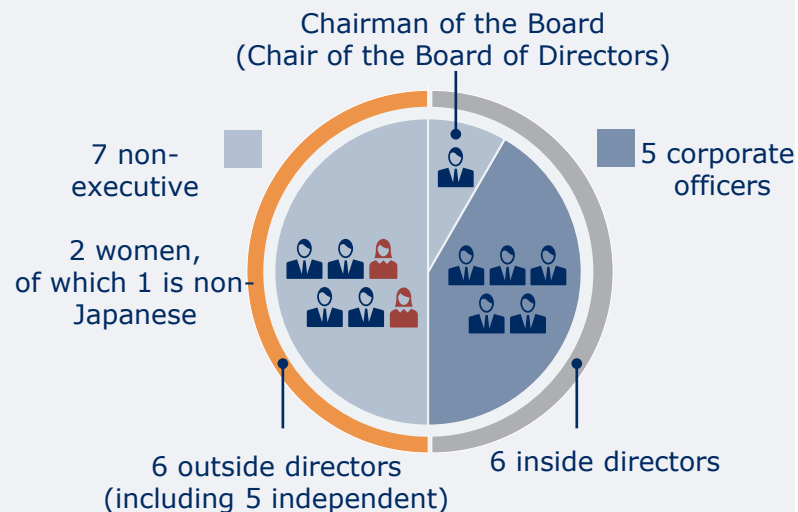
#### Now 11 Directors



**1 member added**

Annual shareholders meeting in June 2021

#### 12 Directors



## Revision of the Remuneration System for Directors

The remuneration levels and structure are changed to those commensurate with a global company to secure excellent human resources and give incentive to boost performance for increased corporate value and competitiveness.

### Basic policy and measures

1. Competitive remuneration levels (Medium levels relative to the benchmark where the necessary internal and external human resources can be secured.)
02. Higher ratio of performance-based compensation (The ratio of fixed remuneration to performance-based compensation is changed from 6:4 to 5:5.)
03. Remuneration strictly reflects evaluation results (The fixed remuneration reflects the evaluation of the individual as well.)
04. Simple evaluation indicators (Clear evaluation indicators are set that ensure remuneration fully reflects evaluation results.)

### Structure

- Fixed remuneration: Performance-based compensation (STI + LTI) = 5 : 5
- A much larger portion of performance-based compensation is linked with performance.
  - The bonus payment rate is from 0 to 200%; the stock compensation payment rate is from 0 to 100%.
- The ratio of stock compensation is raised to increase mid- and long-term corporate value and contribute to shareholders.

Basic remuneration (Base)

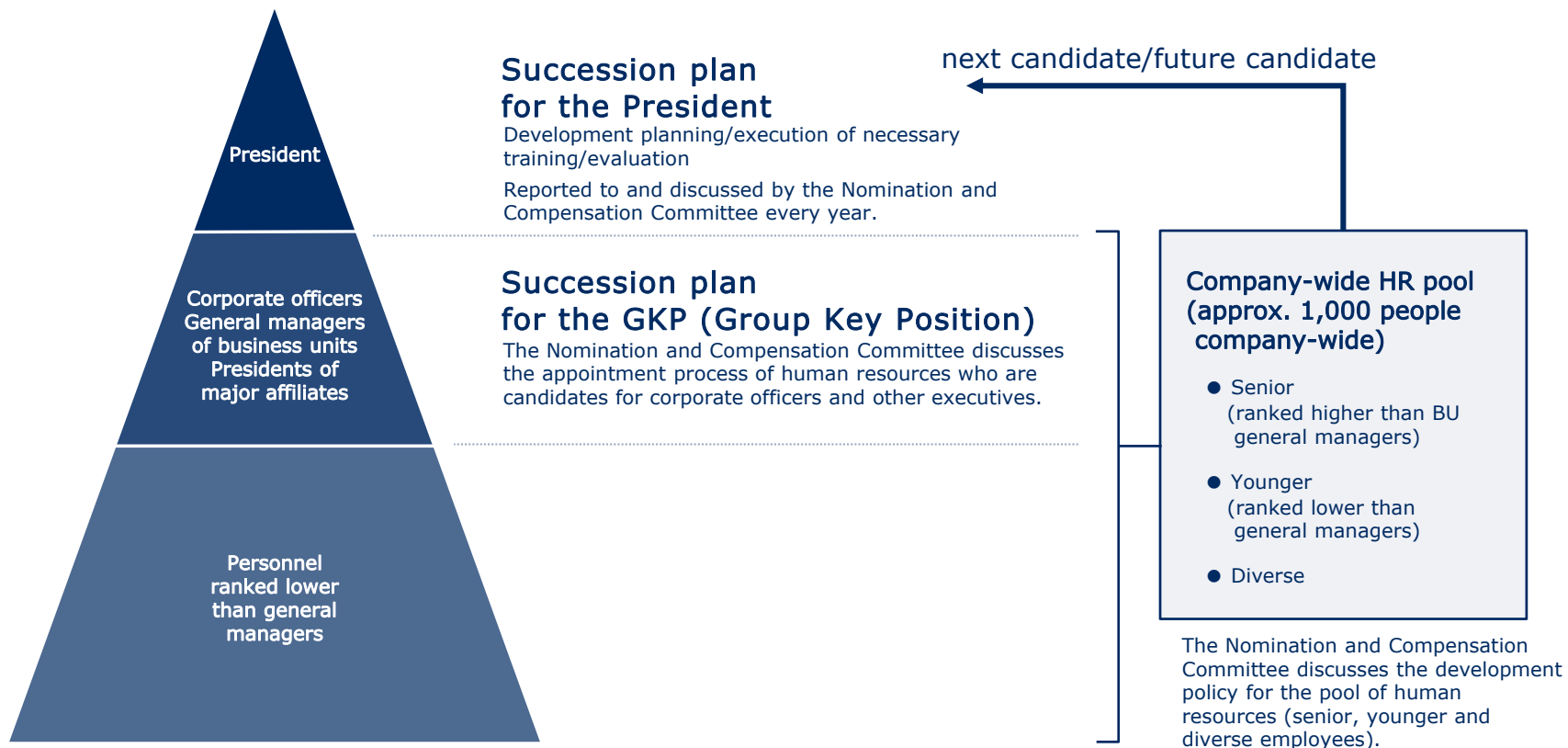
Bonuses (STI)

Stock compensation (LTI)

Fixed remuneration 50%

Performance-based compensation 50%

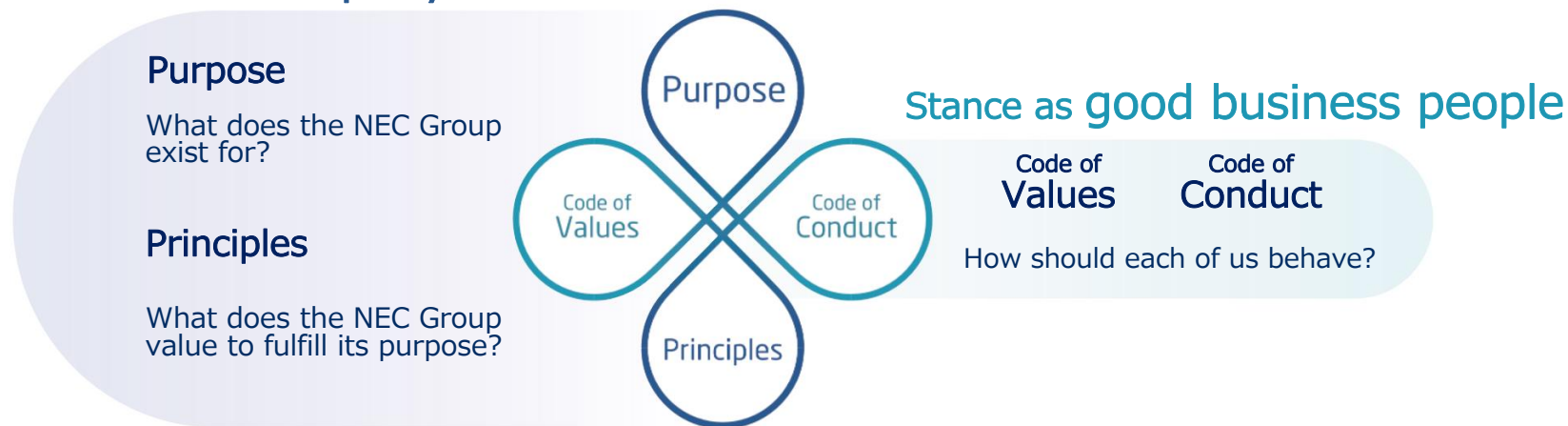
# Overview of NEC's Succession Plan



# Recognition of NEC Way - a Foundation for Purpose-driven Sustainable Management

One year after the revision, NEC Way is widely recognized by employees.

## Stance as a company



# Recognition of NEC Way

Pulse survey: Jan. 2021  
(NEC Corporation)

# 99%

 **Orchestrating** a brighter world

**NEC**