



(NEC Group)Supply-Chain CSR Guideline <For Suppliers>

Supply-Chain BCP Guideline

NEC Corporation

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1. Introduction

Recently, BC (Business Continuity) has been attracting significant social attentions, for instance in Japan, publishing the BC Guideline in the Cabinet Office and disclosing BCP Guideline in METI in Japan, and studying BC standardization in ISO. In UK, the British Standard (BS-25999) was published and is now effective. Therefore a lot of companies in every industry put a priority on promotion of BC activities.

The followings are the extract from BC Guideline published by the Cabinet Office, Japan:

- Even upon disasters, companies are expected to have a capability to avoid the critical business disruptions or to recover the critical business activities as fast as possible;
- BC is perceived as a strategic management subject for companies to defend themselves against an outflow of customers, decline of market share and decline of corporate values.

Extensive preparations for any possible risks are preferable taking account that incidents which threat companies are not only natural disasters and terrorism. However, business resources are limited in reality so that it may be difficult to adopt the safest preparation for all risks. Therefore BC is recognized as a corporate strategy to allot the business resources appropriately for each specific risk.

On the other hand, when we take the globalization and the complex supply-chain into account, BC can be recognized as one of CSR (Corporate Social Responsibility) issue, for the business disruption may cause negative impacts on customer's business continuity, consumer's life and social system.

Accordingly, NEC group places this guideline as a supplement of the existing "Supply-Chain CSR Guideline".

Currently, NEC group has been promoting and working out the BCP programs with our best effort. We deeply believe in the importance of cooperation and collaboration with suppliers in order to acquire customer's satisfaction and to keep on mutual growth with stakeholders.

We hope this guideline helps BC promotion in all supply-chain companies.

2. Aim of Supply-Chain BCP Guideline

This guideline is aimed for mutual BCP promotion with suppliers.

We expect suppliers BCP requests/expectations which NEC group encourages suppliers to promote.

3. Request for Suppliers

According to the BC Guideline published by the Cabinet Office (Japan), business continuity plan is “Typical consideration factors in BCP are system back-up, security of office and human resource, prompt safety verification of people. Such considerations can be corresponding to business matters and company’s own capability, and they don’t cost too much for minimum possible measures. Hence all companies are expected to cope with the business continuity tasks”.

BCP is basically voluntary-basis initiated by each individual company, however the BC promotion through supply-chain is imperative in order for NEC group to fulfill NEC’s BCP programs. Therefore suppliers are encouraged to promote BCP in accordance with the practice of NEC group’s.

Suppliers are requested to take actions as the risk management priorities, described as follows. Suppliers are expected to deploy these actions not only to their own companies but also to their upper stream suppliers.

- Fully Understanding of Business Continuity (BC)

Upon disasters, companies are expected to have a capability to avoid the critical business disruptions or to recover the critical business activities as fast as possible. Therefore it is necessary to determine a recovery plan in advance, for just in case of emergency. Company’s responsibility includes not only safety of employees and minimization of impacts on customers but also improvement of resilience of the organization. Suppliers are expected to inform all relevant people of BC programs so as to uplift the capability.

In addition, suppliers are strongly requested to report to NEC as soon as possible if any disaster should happen.

- Building Business Continuity Management System (BCM)

Preparation for emergency shall be established as a management system. If management system is not established, complication of communication and unintended confusion are probable in case. In succession of such chaos, disruption of critical operations may be prolonged and recovery may be delayed. Therefore suppliers are requested to build a management system such as concrete organization and defined procedures in case.

- Determination of Business Continuity Plan (BCP)

Even BCM is built, the process and procedure shall be clarified as documentation. If such

documents are not available, inconsistent operation and critical omission are probable in case. In succession of such chaos, disruption of critical operations may be prolonged and recovery may be delayed. Therefore suppliers are expected to prepare a BCP documents considering the priorities described on Table 3.1 (Management Priorities and Action Items)

Promoting BC activities, some specific disasters may be assumed. Followings are examples of possible disasters which are considered:

- ✓ Earthquake
- ✓ Typhoon, Hurricane and Flood
- ✓ Fire
- ✓ Infection (ex. Bird Influenza)
- ✓ Terrorism and War
- ✓ Public Infrastructure: Large-scale Power/Gas/Water Failure
- ✓ Public Infrastructure: Airport/Railway/Road Closing and Blockage
- ✓ Public Infrastructure: Telephone/IT Network Failure

Typical BCP should incorporate a determination of communication path with customers.

For supplier's convenient, NEC group has prepared the "Emergent Reporting IT System" which supplier can easily inform of the status of disaster and impact via E-mail using PC or cellular phones. The E-mail address of the system was notified to supplier's persons from NEC's counterpart. Hence suppliers are expected to include this E-mail address in the BCP programs.

For only information, this supplier-side BCP is not a trading mandatory condition at this point. However NEC group will be studying a trading mandatory condition of BCP, looking the social environmental changes and listening to stakeholder's voices.

NEC group may request CSR questionnaires to supply-chain companies in order to score the supplier's BCP programs. Suppliers' cooperation to such questionnaires is highly appreciated.

Table 3-1 Management Priorities and Action Items

Action List (Requirement for Suppliers)

Management Priority	Action Item
Business Continuity Management System (BCM)	Determine BC policy Establish BC management system Determine emergent initial response system Provide BC training and exercise
Business Continuity Plan (BCP)	Plan preparation for: Building, equipment and fixtures Communication infrastructure Information system and ERP Safety verification and assembly of employees Stock of parts/ products and preservation of die/mold Restoration of life-line
Disaster Communication	Establish communication path to customer and other stakeholders

Action Items in Table 3-1

The followings are supplements for each requested action item.

1. Business Continuity Management System

1.1. Determine BC policy

Suppliers are requested to determine business continuity policy declared by top management.

Top management is expected ;

- to make decision of establishing BC plan and publicize it to all employees, and then establish basic policy where its purpose and objective areas are clarified.
- to explain BC activities and try to announce basic policy to all employees ,then install BC activities in routine work flow so that they are penetrated into employees' minds as corporate culture.
- to allocate necessary management resources such as budget and personnel for achieving basic policy and make management reviews regularly.

1.2 Establish BC management system

Suppliers are requested to establish specific organization to promote BC under a defined responsible person.

Suppliers are expected;

- to establish the corporate-wide promotional organization and assign responsible leaders for preparation of unusual emergency actions in case of disaster.
- to consider the skills necessary for responsible leaders at assigning and organize cross-divisional team.

1.3 Determine emergent initial response system

Suppliers are requested to determine an initial response system for just in case of emergency.

Suppliers are expected;

- to set up Emergency HQ for disaster and organize leaders of Emergency HQ, administration staff and emergency representatives from each division and clarify each role and escalation route.
- to determine in advance to whom the power is transferred or its priority order for transfer.

for preparation against unexpected situation such as unsuccessful communication or absence of leaders.

1.4 Provide BC training and exercise

Suppliers are requested to provide appropriate training and exercise so as to penetrate BCM/BCP among employees.

Suppliers are expected;

- to practice emergency education and training regularly so that all level of people from top management to employees could share common recognition of importance of BC.
- to implement various types of training such as image training, decision making training, evacuation drill, fire drill, back-up system operation drill, emergency HQ arrangement drill and so forth, as well as basic knowledge education, then review and correct it so that BC plan could be achieved well and smoothly in case of emergency.

2. Business Continuity Plan

2.1. Building, equipment and fixtures

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for building, equipment and fixtures.

Suppliers are expected;

- to keep buildings and plants earthquake-proof and fire-proof for the purpose of keeping employees safe and preventing further damages such as fire, and helping operation restored within the short period of time.
- to check and reinforce old buildings against earthquake and fire.
- to take measures against tumbling of equipments and tools in the plants due to disaster for shortening recovery time.
- to prepare recovery plan in advance for higher level of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

2.2. Communication infrastructure

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for communication infrastructure such as telephone, fax, e-mail and mobile-phone.

Suppliers are expected;

- to prepare emergency communication equipment and check it if it works well in advance and prepare power generating equipment and its fuel, since information system as communication method is very important infrastructure for escalating the status report of employee casualty and damage to Emergency HQ.
- to prepare recovery plan in advance for higher lever of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

2.3. Information system and ERP

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for operational information infrastructure such as ERP system.

Suppliers are expected;

- to keep back-up of important data and keep it safe at separate location which is not hit by the same disaster.
- to establish back-up system such as duplication or redundancy for key business system.
- to process important business first in case of emergency.
- to take measures to prevent missing of necessary data or system failure when emergency operation is switched to ordinary operation.
- to prepare recovery plan in advance for higher level of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

2.4. Safety verification and assembly of employees

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for safety verification of employees and assembly of human resource for recovery operation.

Suppliers are expected;

- to give priority to confirming employees safety immediately right after emergency.
- to establish escalation rules and procedure for reporting to top management.
- to allocate necessary staff and establish their assembling rule in advance and announce them to all employees in case of emergency.
- to prepare recovery plan in advance for higher level of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

2.5. Stock of parts/products and preservation of die/mold

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for stock of parts/ products and preservation of die/mold, including suppliers and outsource partners.

Suppliers are expected;

- to pay deep attention to stock level of products and parts for preparation of disaster since damage by disaster would give customers severe impact of supply failure.
- to pay same kind of attention to preservation of bottle-necked die/molding tools.
- to collect information on business continuity of your suppliers as well as your own and to ask suppliers and outsource partners for understanding your BC plan in advance since product is manufactured by collaboration of various companies such as manufacturing, logistics, sales where even a single company damaged inside of supply chain would affect your business continuity.
- to prepare recovery plan in advance for higher level of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

2.6. Restoration of life-line

Suppliers are expected to adopt preparatory operations as much as possible and are expected to determine a recovery plan including “recovery time objective (RTO)”, for restoration of life-line such as public services of electricity, gas, water and transportation.

Suppliers are expected;

- to prepare food, water, medicine and toilet necessary enough while employees stay at work before returning home and also another stock for core member for recovery task.
- to keep well-balanced consideration between “work” and “family” while core member and employees are at restoring procedure because they would be most concerned about safety of their family and their assets at disaster.
- to prepare recovery plan in advance for higher level of risk, which is commonly including “recovery time objective (RTO)” and “recovery procedure plan”.

3. Disaster Communication

3.1. Establish communication path to customers and other stakeholders

Suppliers are requested to adopt preparatory operations as much as possible and are requested to adopt an emergent communication path with determined procedure in the initial

response system.

Suppliers are expected;

-to report status of damage and possibility of supply stop immediately since it would affect customers' business continuity.

* NEC group prepare "Disaster damage Report system" for the purpose that suppliers could easily report status. Suppliers could send report with PC or Mobile phone. How to use it is informed by NEC purchasing staff. Suppliers are expected to include this procedure in your BC plan.

Preparation for disaster and how to correspond to it is getting more important from the viewpoint of CSR. Winning better assessment by stockholders, consumers, Government, customers would lead to growth of sales and enhancement of corporation value. Suppliers are expected to establish framework of revealing disaster damage information to stakeholders

4. Summary

Many of the products and services the NEC Group offers to customers are based on materials and services supplied by our suppliers. Guided by the NEC Group Procurement Policy, NEC believes it is essential to deepen collaboration with its business partners, while promoting BC activities together. As a consequence of such activities, NEC hopes a mutual prosperity of business with suppliers, through cultivating the Win-Win relationship.

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