NEC Modern Slavery and Human Trafficking Statement

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015, by NEC Corporation (“NEC”) and its consolidated subsidiaries within the scope of its Act (NEC Europe Ltd, NEC (UK) Ltd, NEC Software Solutions UK Limited and SSS Public Safety Limited) to disclose the initiatives made by the companies in its business activities and supply chain in the year ended 31, March 2023, to prevent modern slavery and human trafficking from occurring in the NEC Group’s supply chains or business. This statement was approved by the Board of Directors of NEC held on September 28, 2023.

a) The NEC Group’s structure, business and supply chain
NEC was founded in 1899 and is headquartered in Tokyo, Japan.
NEC Europe Ltd, NEC (UK) Ltd, NEC Software Solutions UK Limited and SSS Public Safety Limited are consolidated subsidiaries of NEC and the entire NEC Group including these four companies has more than 110,000 employees (as of 31, March 2023), and annual turnover for the year ended 31, March 2023 was 3,313 billion yen. For more information on the NEC Group’s business, please see: https://www.nec.com/en/global/about/profile.html
The NEC Group promotes IT services, social infrastructure and other businesses based on its purpose "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."
The NEC Group procures components, electronic equipment, software, maintenance and other solutions from suppliers around the world. The percentage of procurement amounts were 69% for Japan, 11% for Asia, 11% for North America, 8% for EMEA (Europe, the Middle East and Africa) and 1% for Central and South America in fiscal year ended March 31, 2022.

b) The NEC Group’s policies in relation to slavery and human trafficking
The NEC Group has placed respect for human rights as one of the Principles in NEC Way and also in the NEC Group Code of Conduct, which clearly states that each and every officer to employee in the NEC Group need to comply with these principles. In addition, the NEC Group supports the International Bill of Human Rights, the International Labour Organization (ILO) Core Labour Standards, the UN Guiding Principles on Business and Human Rights (UNGPs), the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the
UN Global Compact 10 principles¹, and other internationally recognized national laws and regulations in the relevant region. The NEC Group Human Rights Policy, which states, where national laws in the relevant jurisdiction conflict with internationally recognized human rights, the NEC Group will seek ways to respect the principles of internationally recognized human rights. This Policy applies to all officers and employees of the NEC Group, including fixed-term contract employees, temporary employees, and part-time employees. The NEC Group also encourages its suppliers, business partners, and customers to understand this Policy and share its commitment to respecting human rights. Furthermore, suppliers are required to comply with the "NEC Group Procurement Policy" and “Guidelines for Responsible Business Conduct in Supply Chains”

c) The NEC Group’s due diligence process in relation to modern slavery and human trafficking in its business and supply chain

(1) Promotion framework

- NEC has a Risk Control and Compliance Committee, chaired by the Chief Risk Officer (CRO), which discusses risks related to human rights on a regular basis.
- CEO oversees the initiatives based on the NEC Group Human Rights Policy. CFO, in charge of sustainability promotion at NEC, regularly presents status reports on initiatives to the Board of Directors, which monitors the progress of the initiatives at NEC Group.
- Please see below for initiatives by local subsidiaries,
  - NEC Software Solutions UK Limited https://www.necsws.com/modern-slavery-statement/
  - SSS Public Safety Limited https://sss-publicsafety.com/policies/

(2) Human rights due diligence process

- NEC promotes human rights due diligence in accordance with the UNGP, focusing on salient human rights issues as a core component. NEC sets activity targets and KPIs, manages progress, conducts transparent disclosure, and timely submits reports to the Board of Directors.

¹ NEC has been a member since 2005.
To heighten the effectiveness of its human rights due diligence, NEC revises its human rights impact evaluation as required. NEC utilized the human rights risk data of the international nonprofit organization Business for Social Responsibility (BSR) to compile a list of NEC Group’s human rights issues. From this list, the following themes were identified as salient human rights issues and reported to the Board of Directors in the fiscal year ended March 31, 2021.

- New technology and human rights (AI and human rights)
- Labour in supply chains
- Employee safety and health

In the fiscal year ended March 31, 2021, from a third-party standpoint and with a focus on business divisions, BSR confirmed the specific details of the business activities and management systems of 22 divisions as well as the issues they face in frontline operations and updated the list of human rights issues to better reflect actual situations.

Based on interviews as stated above, in the fiscal year ended March 31, 2022, NEC conducted a gap analysis at the corporate level with the UNGP and leading global companies as part of efforts to visualize issues at NEC Group. Results of the analysis made it clear that NEC Group must respond to human rights risks related to geopolitical situations and conflicts, which are general issues within NEC Group.

From the fiscal year ended March 31, 2022, onwards, the following issues were identified as salient human rights issues for NEC Group. NEC Group has assigned departments responsible for each issue and has been promoting due diligence.

- New technologies and human rights (AI and human rights)
- Human rights risks related to geopolitical situations and conflicts
- Labour in the supply chain
- Employee safety and health

NEC Group recognizes that modern slavery and human trafficking related to employees are part of its salient human rights issue, “Employee safety and health.” In 1997, NEC established the Corporate Human Rights Promotion Committee which are chaired by the Chief Human Resources Officer (CHRO). NEC Group I&D Steering Committee discusses, establishes systems, and implements basic activities and promotes in-house training for human rights awareness, such as elimination of discrimination and prevention of harassment.

NEC has set up contact points such as Human Rights Hotline and Compliance Hotline in order to reduce and prevent negative impacts on human rights caused by
its corporate activities, and to reinforce initiatives to promote respect for human rights. NEC has established a grievance mechanism to enable it to respond swiftly and sincerely and make improvements to any human rights violations.

d) The areas of NEC Group’s supply chains at a risk from modern slavery and human trafficking and the steps of its risk assessment and management

(1) Promotion framework for sustainable procurement

- Sustainable procurement activities of the entire NEC Group are promoted 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 of NEC.
- Regarding international affiliated companies, NEC works with procurement managers at regional headquarters in North America, Latin America, Europe, China, and ASEAN and major local subsidiaries directly controlled by head office to conduct quarterly operational reviews in line with their annual activity policies and plans to promote sustainable procurement in accordance with the culture and business practices of each country, as well as with the basic policies and guidelines mandated by the head office in Japan.
- NEC Group has identified the following six themes as priority risks for supply chain management: Human Rights and Labour Practices, Health and Safety, Fair Trading and Ethics, Environmental Requirements, Product Quality and Safety, and Information Security. NEC Group implements various measures to counter the above six priority risks at each stage of master contracts, dissemination, document check, and on-site assessment. Measures conducted in the fiscal year ended March 31, 2023, are as follows (2) to (5).

(2) Master Contracts

NEC Group ensures implementation and compliance with NEC Group’s policies by suppliers by using the master contracts and obtaining declarations that demonstrate their commitment to responsible business conduct in supply chains.

In the Mid-term Management Plan 2025, NEC has included “supply chain sustainability” as one of the “materiality” which are priority management themes from an ESG perspective that NEC needs to adopt to reinforce non-financial (ESG/future financial) evaluation methodologies to underpin sustainable growth of company and society. As one of the indicators for the materiality “supply chain sustainability”, NEC aims to acquire declarations from suppliers accounting for 75% of the total
procurement amount by the end of the fiscal year ending March 31, 2026. As of the end of fiscal year ended March 31, 2023, NEC had obtained declarations from approximately 11,000 suppliers globally (covering 83% of procurement value). NEC aims to maintain a minimum declaration coverage ratio of 75% of the total procurement amount.

(3) Document check

NEC asks its suppliers to conduct self-assessments in order to assess the status of supplier compliance with NEC Group’s requirements and their initiatives. Measures conducted in the fiscal year ended March 31, 2023, are as follows:

• In the sustainable procurement self-check sheets, in addition to the inspection themes for human rights, occupational health and safety (OH&S), the environment and fair trade and other, NEC newly added important inspection themes for foreign national technical intern programs and human rights measures of suppliers at tier 2 and further upstream. NEC received responses from 1,009 companies out of the 1,081 companies 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.”

• NEC has issued feedback sheets to all of the suppliers that responded, indicating their score for each inspection theme and comparison to the average score for each product type, and shared the evaluation results with them. In this survey, out of 15 suppliers which received Z ratings, 3 suppliers received Z ratings in the human rights section.

• NEC is in the process of implementing remedial actions for suppliers that received Z ratings by the first half of fiscal year ending March 31, 2024, through supplier engagement, such as understanding the conditions and providing correctional guidance.

(4) On-site Assessment

When the Procurement Division makes an inspection of sustainable procurement requirements during its ordinary visits to suppliers, NEC assess sustainable procurement requirements related to human rights, OH&S, and the environment. These on-site assessments are called “Supplier Visit Record” (SVR) and NEC compiles

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2 “Critical points” are questions that NEC has identified as potential risks, in light of the Guidelines for Responsible Business Conduct in Supply Chains and other regulations, if initiatives remain unaddressed. NEC gives Z rating to suppliers whose initiatives related to critical points remain unaddressed regardless of the score rate.
records of these inspections.
NEC performed SVR assessments of primarily critical suppliers\(^3\) in areas that present high risks. NEC collected data on 67 on-site assessments to confirm that there were no issues related to human rights, OH&S, and the environment.

(5) Third Party Assessment based on a risk-based due diligence approach
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 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 NEC’s procurement structure.

- **Step 2**: Identify high-priority business domains while referencing results of international NPO BSR’s evaluations of human rights impact. The risks identified are 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**: NEC has selected 5 suppliers based on evaluation of scope and nature of potential impacts, while mapping the aforementioned risks across suppliers. An external auditing firm audited them from the perspective of human rights and occupational health and safety. Nonconformance incidents identified in these audits (for example, no human rights policy; no emergency exit signs; and not using proper protective equipment such as safety glasses) will be evaluated and ranked according to the four categories (1. Response not required, 2. Items for improvement, 3. Items for improvement; high priority, 4. Items for correction) 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.

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\(^3\) “Critical suppliers” are NEC Group’s suppliers who account for a large procurement amount, suppliers of rare products, and suppliers who cannot be easily replaced and focuses on engaging in sustainable procurement measures.
e) The effectiveness in ensuring that modern slavery and human trafficking is not taking place in NEC Group’s business or supply chains, measured against such performance indicators as it considers appropriate

   NEC sets its goals and evaluate the effectiveness of its initiatives based on the results of the “sustainable procurement self-check sheets”, its follow up hearing through the Supplier Visit Records (SVR), third-party audits, progress of the remedial actions and the contents and numbers of reports received by the Compliance Hotline, Human Rights Hotline, and other contact points.

   · In the fiscal year ended March 31, 2023, for the 3 suppliers which received Z ratings in the human rights section of the sustainable procurement self-check sheets, NEC is conducting further engagement to better understand the situation and providing correctional guidance. NEC plans to correct these issues by the first half of fiscal year ending March 31, 2024.

   · There were no issues related to “human rights” and “OH&S” on the information collected through SVR.

   · Noncompliance incidents identified by the third-party audits will be subject to risk mitigation measures.

   · NEC Group’s contact point including Compliance Hotline and Human Rights Hotline did not receive any concerns or reports related to modern slavery or human trafficking.

f) The training about modern slavery and human trafficking available to NEC Group’s staff and its suppliers

   NEC provides the following training to prevent modern slavery and human trafficking.

   · E-learning “Business and Human rights” is held annually, and the attendance is required for all the employees at NEC and some of its Group companies.

   · E-learning for raising awareness of sustainable procurement was conducted, and the attendance was required for all the employees at NEC and some of its Group companies.

   · An external instructor presented an online lecture titled “Human Rights Due Diligence in Supply Chains” for personnel in charge of procurement at NEC and its Group companies in Japan. A total of 250 people took this course.

   · Training for sustainable procurement was conducted at overseas regional headquarters and major local affiliated companies. A total of 265 people took the course.

   · NEC disseminated information to suppliers about its sustainable procurement
policies and measures at exchange meetings with 204 strategic supply chain partners and at the Sustainability/Information Security Sessions with 1,777 companies participating.

- NEC invited an external lecturer to lead a Business and Human Rights seminar for members of suppliers’ management, of whom 254 attended.
- An external lecturer made a presentation titled “Business and Human Rights: Responses Required of ICT/Software Companies” for critical suppliers of software. 110 suppliers attended this seminar.

NEC is a member of BSR and working group on human rights due diligence run by the Global Compact Network Japan. By actively participating in external discussions on the latest trends and examples from other companies, NEC improves and enhances initiatives on global human rights issues.

g) Looking ahead, NEC’s plan
NEC will continue to:
- strengthen the human rights due diligence of its first-tier suppliers as part of a risk-based approach.
- sustain cooperation across its business functions and subsidiaries to improve NEC Group’s processes and ensure that its initiatives are implemented effectively.
- disclose highly transparent information on NEC Group’s human rights due diligence process and initiatives.

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Representative Executive Officer, Corporate EVP and CFO
NEC Corporation
28 September 2023