

NEC Group Modern Slavery and Human Trafficking Statement

This statement is made pursuant to section 54 (1) of the United Kingdom Modern Slavery Act 2015 and section 13 of the Modern Slavery Act 2018 of Australia. It identifies the steps that NEC Corporation ("NEC") and its consolidated subsidiaries (collectively, "NEC Group") have taken during the fiscal year ended March 31, 2022 to prevent modern slavery and human trafficking from occurring in the NEC Group's supply chains or business. Although not all the NEC Group companies are subject to these acts, NEC has undertaken a group-wide approach to commitments by the NEC Group on human rights, and makes this statement on behalf of all the NEC Group companies.

a) The NEC Group's structure, business and supply chain

The NEC Group is focusing on solutions for society businesses that utilize the strengths of ICT to create the social value 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's primary business consists of five business segments: the Public Solutions, Public Infrastructure, Enterprise, Network Services, and Global Businesses. The followings are major products and services of each of such business segments.

- The Public Solutions Business
systems integration (systems implementation, consulting), maintenance and support, outsourcing / cloud services, and system equipment for public, healthcare and regional industries
- The Public Infrastructure Business
systems integration (systems implementation, consulting), maintenance and support, outsourcing / cloud services, and system equipment for government and media
- The Enterprise Business
systems integration (systems implementation, consulting), maintenance and support, outsourcing / cloud services, and system equipment for manufacturing, retail and services, finance
- The Network Services Business
network infrastructure (core network, mobile phone base stations, optical transmission systems, routers / switches) and systems integration (systems implementation, and consulting), and services & management (OSS^{*1}/BSS^{*2}, Service / Solutions)
- The Global Business
digital government, digital finance, software services for service providers (OSS/BSS), network infrastructure; submarine systems (submarine cable systems, ocean observation systems), wireless backhaul

*1 OSS: Operation Support System *2 BSS : Business Support System

NEC, the ultimate parent company of the NEC Group, was established in 1899 and is headquartered in Tokyo, Japan. As of March 31, 2022, the NEC Group has over 110,000 employees. The NEC Group's annual revenue for fiscal year ended March 31, 2022 is 3,014.1 billion yen. Further details about the NEC Group's business can be found at: <https://www.nec.com/en/global/about/profile.html>

The NEC Group has procured components, devices and other platforms, as well as software, maintenance and other solutions from suppliers all over the world.

Japan accounts for 74% of the total procurement amount. Asia accounts for 12%, North America 11%, EMEA (Europe, the Middle East, and Africa) 2%, and Central and South America 1% in fiscal year ended March 31, 2021.

b) The NEC Group's policies in relation to slavery and human trafficking

The NEC Group is committed to conduct its business ethically and to prevent modern slavery or human trafficking in its organizations and supply chain. The NEC Group has a corporate responsibility to identify and help mitigating and preventing the risks of child labour, forced labour and human trafficking to the best of the NEC Group's abilities.

NEC upholds the United Nations' (UN) International Bill of Human Rights^{*3}, International Labour Organization (ILO) Core Labour Standards, The United Nations Guiding Principles on Business and Human Rights (UNGP), The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the Ten Principles of the UN Global Compact^{*4}. NEC also seeks to improve its in-house initiatives on respect for human rights by taking into account trends in international standards and laws, such as the UNGP and Sustainable Development Goals (SDGs). The NEC Group aims to contribute to the progression of respect for human rights in society, promotes compliance with global requirements and pursues sustainable and ethical procurement activities with the cooperation from its supply-chain partners.

^{*3} It refers collectively to the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights which were adopted by the UN General Assembly.

^{*4} NEC has been a member since 2005. The Ten Principles of the UN Global Compact are based on global agreements such as the Universal Declaration of Human Rights and ILO's Declaration on

Fundamental Principles and Rights at Work and include items such as support for the protection, maintenance and respect for human rights, eradicate forced labour and ban child labour.

NEC has a variety of policies and procedures that support the NEC Group's position against modern slavery;

(1) The NEC Way is a common set of values that form the basis for how the entire NEC Group conducts itself. It articulates "Purpose" and "Principles" as a company as well as the expected behaviors, "the Code of Values" and "the NEC Group Code of Conduct", that all of the members comprising the NEC Group are expected to demonstrate. NEC's "Principles", which are the basis for the NEC Group's actions, defines "Uncompromising Integrity and Respect for Human Rights". "The NEC Group Code of Conduct" defines "Respect of Human Rights" as one of the basic positions that all NEC Group officers and employees should comply with.

(2) The NEC Group Human Rights Policy confirms that NEC Group will never accept child labour or forced labour, under any and all circumstances. In addition, the NEC Group encourages its suppliers, business partners, and customers to understand this Policy and share our commitment to respecting human rights. The NEC Group's approach on managing related concerns is disclosed on NEC Group's Sustainability website.

Where national laws in the relevant jurisdiction conflict with internationally recognized human rights, we will seek ways to respect the principles of internationally recognized human rights.

(3) The NEC Group Procurement Policy provides that the NEC Group is committed to procuring all goods and services with competitive quality, cost and delivery conditions from the global supply market under fair business terms based on the related laws and regulations so that the NEC Group will contribute to providing customer-valued products and services. The policy also confirms that the NEC Group shall not purchase items which may be associated with modern slavery and human trafficking concerns, involving potential or existing first tier supply-chain partners and/or second and upper-stream suppliers.

(4) The Guidelines for Responsible Business Conduct in Supply Chains supports the development of responsible corporate activities among the NEC Group's suppliers by helping them understand more deeply about the NEC Group's sustainable management.

These Guidelines require the suppliers to respect the human rights of their workers and prohibit the suppliers from making use of forced or bonded labour, inhumane prison labour, slavery or human trafficking, employing children who are below the minimum working age, subjecting their workers to inhumane treatment, and engaging in discrimination or harassment.

NEC requires that all the NEC Group employees comply with the NEC Way, the NEC Group Code of Conduct, the NEC Group Human Rights Policy and the NEC Group Procurement Policy. The NEC Group communicates the Guidelines for Responsible Business Conduct in Supply Chains; to its business partners, including suppliers in order to promote sustainability activities.

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

(1) Companywide promotion framework

- Human rights related risks are regularly discussed at the Risk Control and Compliance Committee which is led by the Chief Legal and Compliance Officer (CLCO) / the Chief Human Resources Officer (CHRO).
- The CEO oversees the initiatives based on the NEC Group Human Rights Policy. In addition, the corporate officer in charge of sustainability promotion regularly presents status reports on initiatives to the Board of Directors, which monitors the progress of the initiatives. At the operational level, we promote initiatives to prevent modern slavery and human trafficking with the Sustainability Promotion Department serving as the secretariat and working together with NEC's Legal Department, Supply Chain Management & Strategy Department, People & Organization Development Department and Human Resources and General Affairs Department and business divisions.

(2) Promotion framework and due diligence process for human rights in business activities

- In 1997, NEC established the Corporate Human Rights Promotion Committee and the Business Unit Human Rights Promotion Committee, which are chaired by CHRO. The committees discuss, establish, and implement basic activities and promote in-house training for human rights awareness, such as elimination of discrimination and prevention of harassment. These activities are also being promoted throughout the NEC Group by establishing similar frameworks mainly at domestic consolidated

subsidiaries.

- 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.
- NEC promotes human rights due diligence in accordance with the UNGP. We set activity targets and KPIs, manages progress, conducts transparent disclosure, and submits reports to the Board of Directors.

(3) Promotion framework and due diligence process of sustainable procurement

- 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 Senior Director of the Sourcing and Purchasing Department.
- NEC annually hosts the Global Supply Chain Management Leaders Session to discuss the issues and related measures with its main consolidated subsidiaries including its regional headquarters. Regional headquarters in North America, Latin America, EMEA, China, and the ASEAN and major local subsidiaries directly controlled by NEC 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 NEC.
- NEC Group has identified the following six themes as priority risks for supply chain management; human rights, occupational health and safety, fair trade, environment, information security, product quality and safety. We implement various measures to counter the above six priority risks at each stage of basic contracts, dissemination, document check, and on-site assessment. Measures conducted in the fiscal year ended March 31, 2022 are as follows.

d) The parts of NEC Group's business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk

<Risk evaluation and management on NEC Group's business>

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, in the fiscal year ended March 31, 2022, we conducted a gap analysis at the corporate level with the UNGP and leading global companies as part of efforts to visualize issues at the Company. Results of the analysis made it clear that we must respond to risks from the impact of conflicts and in high-risk countries and regions, which are general issues within NEC.

Furthermore, NEC held a dialogue with external stakeholders (international nonprofit organizations, international institutions, and legal experts) regarding "the issues related to supply chain" from the list of NEC Group's Human Rights Issues.

<Risk evaluation and management on supply chain>

(1) Basic Contract

NEC ensures implementation and compliance with NEC Group's policies by suppliers by using the basic contracts and obtaining declarations^{*5} 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 we need 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", we aim to acquire declarations from suppliers accounting for 75% of the total procurement amount by the end of the fiscal year ending March 31, 2026. We ask our new suppliers to submit their

declarations prior to the commencement of business transactions. As of the end of fiscal year ended March 31, 2022, NEC had obtained declarations from approximately 10,000 suppliers globally (covering 80% of procurement value). We aim to maintain a minimum declaration coverage ratio of 75% of the total procurement amount.

*⁵ This declaration was formulated in response to the Guidelines for Responsible Business Conduct in Supply Chains.

(2) 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, 2022 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, 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 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." *⁶
- We have 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 39 suppliers which received Z ratings, 10 suppliers received Z ratings in the human rights section.
- We are 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.

*⁶ "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 2020, and other regulations, if initiatives remain unaddressed. We give Z rating to suppliers whose initiatives related to critical points remain unaddressed regardless of the score rate.

(3) On-site Assessment

When the Procurement Division makes an inspection of sustainable procurement requirements during its ordinary visits to suppliers, we assess sustainable procurement

requirements related to human rights, OH&S, and the environment. These on-site assessments are called "Supplier Visit Record" (SVR) and we compile records of these inspections. NEC shares the items that require improvement with its suppliers and supports them in implementing improvement measures.

We performed SVR assessments of primarily critical suppliers*⁷ in areas that present high risks. We collected data on 79 on-site assessments to confirm that there were no issues.

*⁷"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.

(4) Third Party Assessment based on a risk-based due diligence approach

In order to promote the due diligence of "Labour in supply chains"; one of our salient human rights issues, NEC is starting to take a risk-based due diligence approach in accordance with OECD Due Diligence Guidance for Responsible Business Conduct. The summary of the due diligence approach is as follows;

- 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 UNGP, the International Trade Union Confederation (ITUC)'s Region-Based Human Rights Assessment Report and Risk Map, and other external research reports and internal analysis of our procurement structure.
- Step 2: Identify high-priority business domains while referencing results of an 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 apprentices in technical trainee intern programs in manufacturing processes at domestic plants of suppliers, and overtime work risks in software development).
- Step 3: Conduct third-party audits by an external auditing firm that specializes in human rights and OH&S. We have selected three suppliers based on evaluation of scope and nature of potential impacts, while mapping the aforementioned risks across suppliers. Noncompliance 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 to mitigate risks based on assessments of the impact from such risks while seeking counsel from outside experts.

< Initiatives of NEC's major local subsidiaries >

For NEC Europe's statements, please refer to;

https://uk.nec.com/en_GB/emea/about/policy/modern_slavery_and_human_trafficking_statement.html

For NEC Australia's statements, please refer to;

<https://www.nec.com.au/about/legal/modern-slavery-statement>

e) The effectiveness in ensuring that 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 Group evaluate the effectiveness of our initiatives based on the results of the "sustainable procurement self-check sheets" and its follow up hearing, 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.

- For the 10 suppliers which received Z ratings in the human rights section of the sustainable procurement self-check sheets, we are conducting further engagement to better understand the situation and providing correctional guidance. We plan to correct these issues by the first half of fiscal year ending March 31, 2023.
- 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 (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.
- 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 slavery and human trafficking available to NEC Group's staff and its suppliers

- E-learning "Business and Human rights" is held annually, and the attendance is required for all the employees at NEC and some of its consolidated subsidiaries.
- In addition to regularly implementing various training programs for procurement personnel, we invited an outside instructor to hold a lecture about human rights in the supply chain for managers in charge of supply chain management around the world.

Furthermore, we held online training regarding sustainable procurement for all the employees at NEC.

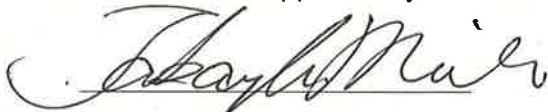
- With regard to educational activities for suppliers, NEC called upon more than 900 suppliers to attend seminars by Japan Electronics and Information Technology Industries Association (JEITA) and a NEC employee explained responsible corporate behavior at the events.
- NEC is a member of BSR and working group on human rights due diligence run by the United Nations Global Compact Local Network. By actively participating in external discussions on the latest trends and examples from other companies, we improve and enhance initiatives on global human rights issues.

g) Looking ahead, our plan

We will continue to:

- strengthen the human rights due diligence of our first-tier suppliers as part of a risk-based approach over time as far as reasonably practicable.
- sustain cooperation across our business functions and subsidiaries to improve our processes and ensure that our initiatives are implemented effectively. By doing so, we will continue to take actions that aim to protect and enhance our brand and reputation.
- disclose highly transparent information on our human rights due diligence process and initiatives.

This statement was approved by the Board of Directors of NEC held on September 28, 2022.



Takayuki Morita

President and CEO

NEC Corporation

September 28, 2022