

## **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, 2021 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  
safer cities (public safety, digital government, digital finance), software services for service providers (OSS\*1/BSS\*2), network infrastructure (submarine systems, wireless backhaul), system devices (displays, projectors), and energy storage solutions

\*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, 2021, the NEC Group has over 110,000 employees. The NEC Group's annual revenue for fiscal year ended March 31, 2021 is 2,994.0 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 73% of the total procurement amount. Asia accounts for 12%, North America 12%, EMEA (Europe, the Middle East, and Africa) 2%, and Central and South America 1% in fiscal year ended March 31, 2020.

**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 organization 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<sup>\*3</sup>, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the UN Global Compact<sup>\*4</sup>. 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 UN's Guiding Principles on Business and Human Rights 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.

<sup>\*3</sup> 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.

<sup>\*4</sup> 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 position 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 expects its business partners and other parties in the value chain to apply the same level of respect for human rights and to address any existing measures that would be recognized insufficient. The NEC Group's approach on managing related concerns is disclosed on NEC Group's Sustainability website.

Where national laws are in conflict with internationally recognized human rights, the NEC Group will seek solutions that support the respect of the principles of international 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

NEC continues to promote initiatives to prevent modern slavery and human trafficking with the Sustainability Promotion Division serving as the secretariat and working together with NEC's Legal Division, Supply Chain Management Division, People and Organization Development Division, and Human Resources and General Affairs Division 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 the Chief Human Resources Officer (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 UNGPs. 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 the general manager of the Purchasing Division.
- NEC annually hosts the Global Supply Chain Management (SCM) Leaders Session to discuss the issues and related measures with its main consolidated subsidiaries including its regional headquarters. In North America, Latin America, EMEA, China and East Asia, and APAC, regional headquarters 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, 2021 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. In the fiscal year ended March 31, 2019, we worked with Ernst & Young ShinNihon LLC to conduct a quantitative human rights impact evaluation of the main businesses of NEC Group in conformance with the UNGPs. In the fiscal year ended March 31, 2020, based on the results of the aforementioned evaluation, 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.

#### **List of NEC Group's Human Rights Issues**

- **General issues:** Access to aid and climate change
- **Issues related to customers and local communities:** Privacy and data protection, right to life and safety, non-discrimination and freedom of movement, speech, expression, and assembly, children's rights, and product quality and safety
- **Issues related to the supply chain:** Supplier labour standards, forced labour and modern slavery, child labour, procurement of materials from conflict zones and high risk areas, risks of business partners related to geopolitics, conflicts, and human rights governance, environmental impact, fair business practices, and anti-corruption
- **Issues related to employees:** Working environment, health and safety, non-discrimination and equal opportunity, privacy and information security, diversity, and equity and inclusion

On March 4, 2021, 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\*<sup>5</sup> that demonstrate their commitment to responsible business conduct in supply chains.

In formulating 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 ended March 31, 2026. In the fiscal year ended March 31, 2021, we have obtained declarations from over 7,000 suppliers in Japan and overseas (accounting for 68% of the total procurement amount of the fiscal year ended March 31, 2020).

\*<sup>5</sup> This declaration was newly 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, 2021 are as follows;

- In the "sustainable procurement self-check sheets", we have expanded inspection themes to a total of four by adding "occupational health and safety" and "fair trade" to the existing themes of "human rights" and "the environment", as well as expanding the number of questions from 69 to 151.
- We requested NEC Group's main suppliers including critical suppliers\*<sup>6</sup> to respond to "sustainable procurement self-check sheets". We received responses from 696 suppliers, 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\*<sup>7</sup>". We issued an evaluation feedback sheet to all of the suppliers who responded, indicating their score for each inspection theme and comparison to the average score for each product type.
- As results of the "sustainable procurement self-check sheets", 36 suppliers received Z ratings. From the additional hearing to these suppliers, we confirmed that there were no suppliers that needed corrective actions regarding "human rights" and "occupational health and safety".

\*<sup>6</sup> "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.

\*<sup>7</sup> "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. 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, occupational health and safety, and the environment. These on-site assessments are called "Supplier Visit Record" (SVR) and we compile records of these inspections.

Despite a decrease in the frequency of visits to suppliers due to COVID-19 in the fiscal year ended March 31, 2021, we performed SVR assessments of primarily critical suppliers in areas that present high risks in terms of human rights, occupational health and safety, and the environment. We collected data on 55 on-site assessments, to confirm that there were no issues.

#### < 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](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, suppliers' information obtained through SVR, and the contents and numbers of reports received by the Compliance Hotline, Human Rights Hotline, and other contact points.
- For the fiscal year ended March 31, 2021, we believe NEC Group's initiatives have been functioning effectively based on the following reasons;
  - i) As result of the "sustainable procurement self-check sheets" and additional hearing, NEC confirmed that there were no suppliers that needed corrective actions regarding "human rights" and "occupational health and safety".
  - ii) There were no issues related to "human rights" and "occupational health and safety" on the information collected through SVR.
  - iii) 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**

- E-learning "Business and Human rights" which used to be held biennially, will be held annually starting from the fiscal year ended March 31, 2021, and the attendance is required for all the employees at NEC and some of its consolidated subsidiaries.
- In fiscal year ended March 31, 2021, NEC conducted a seminar entitled "The Latest Trends Regarding Companies and Human Rights," led by a lecturer from the International Labour Organization (ILO) and aimed at Human Rights Hotline staff and other employees in charge of human resources at NEC and its domestic affiliates.
- 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**

- NEC Group will strengthen its global governance system on human rights due diligence based on the advice from the external experts and the results of the UNGP gap analysis conducted by a third party in 2021.
- We will further promote our human rights due diligence initiatives focused on the salient issues identified by the human rights impact evaluation.
- We will continue our highly transparent information disclosure on our human rights due diligence process and initiatives.

This statement was approved by the Board of Directors of NEC held on September 29, 2021.



Takayuki Morita

President and CEO

NEC Corporation

September 29, 2021