



Guidelines for Responsible Business Conduct in Supply Chains

NEC Corporation

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1. Introduction

The NEC Group aims to “Create 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,” as the purpose of our organization.

To fulfill this purpose, we have established “Better Products, Better Services,” “Uncompromising Integrity and Respect for Human Rights” and “Relentless Pursuit of Innovation” as our principles as we work to deliver continuous social value while maximizing our corporate value.

In the light of these principles, the NEC Group assumes responsibility for thorough compliance with laws and corporate ethics while promoting corporate activities based on the universal principles in the areas of “human rights, labour, environment and anti-corruption” as set out under the United Nations Global Compact (to which NEC became a signatory in 2005) and working proactively to reduce risk in all corporate activities which could have negative effects on society and the environment.

In the domain of procurement, we have established the NEC Group Procurement Policy and Supply-Chain CSR Procurement Guidelines, and have been pursuing the sustainable and ethical procurement operation with the cooperation of supply-chain partners. Based on demands from the international community, in July 2020 we revised our Supply-Chain CSR Procurement Guidelines, the name of which has also been changed to the “Guidelines for Responsible Business Conduct in Supply Chains.”

Our aim in formulating these Guidelines is that they will aid the development of responsible corporate activities among our suppliers by helping them understand more deeply about NEC Group’s sustainable management, clarifying the kind of corporate activities which we would like our suppliers to put into practice and the items which we want them to manage, monitor and disseminate amongst their own supply chains, from the perspectives of reducing business risk and generating new opportunities.

We hope to realize sustainable growth for NEC Group and our suppliers through the initiatives set out in these Guidelines.

2. Sustainable Management at NEC Group

The contents of these Guidelines have been formulated based on the approach and policies underlying sustainable management at NEC Group. We hope for the understanding and cooperation of our suppliers regarding the policies of the Group.

(1) Purpose and values of NEC Group

The NEC Group's stance as a company is set out in the NEC Way which summarizes the Group's purpose and values. It is defined as follows.

- Purpose: What is the purpose of NEC Group?



The "Purpose" is a declaration based on the statement of "Orchestrating a brighter world" to contribute to a prosperous society in two ways.

The first is the creation of social value, which represents the NEC Group's intention to take action towards changing society for the better.

The second is the realization of a society where everyone has the chance to reach their full potential. It is conveyed by the company's belief that "both technology and business must be able to maximize human potential, and that a more prosperous world can be achieved through the provision of information communications systems enabling people to communicate and thereby deepen mutual understanding."

- Principles: What are the most important ideas governing the NEC Group's actions?

The Founding Spirit of "Better Products, Better Services"
Uncompromising Integrity and Respect for Human Rights
Relentless Pursuit of Innovation

"Principles" are the basis for the NEC Group's actions and are comprised of three important positions.

"Better Products, Better Services" is the founding spirit of the NEC Group. The spirit of "forever pursuing the provision of better products for customers and society rather than stopping after achieving what was thought to be the best," has been passed on to this day as the DNA of the NEC Group, and it will continue to be handed down to future generations. It is a value that the NEC Group wishes to cherish as a company well into the future.

"Integrity" refers to high ethical standards and honesty. It is a principle that all members of the NEC Group must follow. Included in the meaning of this principle is respect for the values of justice and fairness, respect for character, consistency, trust, and compliance.

"Innovation" is also a principle supporting the Purpose of the NEC Group. The NEC Group has always been passionate about innovation, and remains committed to taking full advantage of advanced technologies, expertise, experience, and ideas to make innovation happen within society.

* For more information about the NEC Way, please see the following link.
<https://www.nec.com/en/global/about/the-nec-way.html?nid=gltop201030>

(2) Policies for sustainable management

The NEC Group is promoting sustainable management based on the following three basic policies, as part of putting the above-mentioned purpose and principles into action. Working with all our suppliers and gaining their support and cooperation are essential parts of this process.

➤ **Strengthen risk management and enforce compliance**

Predicated on the concept of “contributing to solving social issues through our business activities, ” the NEC Group places top priority on “strengthening risk management and enforcing compliance,” considering not only itself, but also the impact on its customers and society.

➤ **Contribute to solving social issues through our business activities**

As a Social Value Innovator, we confirm the social issues that we should address in promoting our business and foster a culture of considering the impacts of our products and services on society. We make use of the SDGs (Sustainable Development Goals adopted in the “United Nations Sustainable Development Summit,” held in September 2015) when considering these social issues and impacts.

➤ **Promote communication with stakeholders**

We believe that rapidly incorporating feedback from society and stakeholders and using this as a starting point to improve our initiatives increases not only corporate value, but social value as well.

3. Request to Suppliers

The promotion of responsible company behaviour in our supply chains is essential for the NEC Group to advance sustainable management.

The items set out in Part 1, "Code of Conduct" and Part 2, "Establishing Management Systems," represent the various initiatives that include the supply chains at NEC Group.

The structures on which "Code of Conduct" and "Establishing Management Systems" are based were developed by referring to the Guidelines for Responsible Business Conduct created by Japan Electronics and Information Technology Industries Association (JEITA), and are compatible with these guidelines.

Our suppliers are hereby requested to ensure that they fully understand all these points and adhere to them.

Our suppliers are not only requested to adhere to these points within their own organizations, but also to manage, monitor and disseminate these points among their own suppliers to ensure their adherence as well.

The NEC Group's policy is that, should it be confirmed that there have been grave violations of the "Code of Conduct" and "Establishing Management Systems" in the corporate activities of our suppliers, we must ask our suppliers to take corrective measures; should improvements not be seen in spite of this, our business relationship with the supplier in question must be reconsidered or, in the event that grave violations of the law or ethics be confirmed, will be immediately suspended.

The NEC Group may request our suppliers to inform us about their state of progress concerning activities to promote responsible corporate activities within their organizations or supply chains by presenting us with documents for inspection etc.; we may also request the right to carry out visiting inspections. Our suppliers are requested to cooperate when such requests are made.

Part 1: Code of Conduct

I: General Requirement of Responsible Business Conduct

(I-1) Proactive promotion of responsible business conduct

Suppliers must understand their social responsibility and proactively promote responsible business conduct.

(I-2) Contribution to society and community

Suppliers must practice proactive voluntary activities to contribute to the development of global society and local community.

II: Adherence to Laws and Respect for International Codes of Conduct

Suppliers must not only adhere to the laws and regulations applicable to their activities, including those of their own countries and of the countries/regions in which they operate, but must also respect international codes of conduct.

III: Human Rights and Labour Practices

Suppliers must not only adhere to relevant laws and regulations, but must also refer to international human rights standards including the core labour standards of the International Labour Organization (ILO), and demonstrate respect for the human rights of their workers.

(III-1) Prohibition of forced labour

Suppliers must not make use of forced or bonded labour, inhumane prison labour, slavery or human trafficking.

Suppliers must not force workers to work in any occupation, and must adhere to the rights of workers to leave their workplaces or terminate their employment of their own volition.

(III-2) Prohibition of child labour; considerations when employing young workers

Suppliers must not employ children who are below the minimum working age. Furthermore, suppliers must not employ young workers under 18 years of age in work which involves working at night, working overtime or performing hazardous work which could jeopardize the worker's health or safety.

(III-3) Considerations regarding working hours

Suppliers must not only ensure that workers do not work in excess of the limits placed on working hours as prescribed by the laws and regulations of the region in which they are working, but must also manage workers' working hours and workers' leave in an appropriate manner, based on due consideration of international standards.

(III-4) Appropriate pay and allowances

Suppliers must adhere to all applicable laws and regulations regarding remuneration to be paid to workers (including minimum wage, overtime pay and any other allowances or deductions from wages that are legally required).

It is also desirable that suppliers consider the level of pay that is required to cover the purchase of items necessary for daily living (the "living wage") when paying workers.

(III-5) Prohibition of inhumane treatment

Suppliers must respect the human rights of their workers, and must not subject them to inhumane treatment (including psychological or physical abuse, forced labour or harassment) or undertake actions which could potentially constitute such treatment. Furthermore, suppliers must ensure facilities for workers to keep their personal belongings and valuables in, and sufficiently ample personal space for workers to enter and exit as appropriate.

(III-6) Prohibition of discrimination

Suppliers must not engage in discrimination or harassment.

Furthermore, suppliers must take into consideration any requests workers may make regarding their religious practices, within a reasonable scope.

(III-7) Freedom of association and right of collective bargaining

Suppliers must respect workers' right of collective bargaining as a means of enabling labour-management consultations concerning working conditions and levels of pay etc., in addition to adhering to the laws and regulations of the region where suppliers operate.

(III-8) Considerations regarding minorities

Suppliers must not only prohibit discrimination against minorities but must also consider protection of their human rights.

(III-9) Considerations regarding foreign workers

Suppliers must take care not to violate the human rights of foreign workers and foreign trainees for whom special attention is required with regard to personnel and employment management.

IV: Health and Safety

Suppliers must not only adhere to relevant laws and regulations, but must pay attention to ILO's Guidelines on occupational safety and health and other standards, and undertake initiatives to minimize the risk of any injuries or conditions (mental or physical) which could be associated with workers' working tasks and to ensure provision of a safe and hygienic working environment.

(IV-1) Work safety

Suppliers must identify and evaluate work-related risks to safety, and must ensure safety through appropriate design-based, technological and management-based means.

In particular, reasonable consideration must be paid to the safety of pregnant women and breastfeeding mothers.

(IV-2) Emergency planning

Suppliers must prepare for disasters and accidents that could jeopardize lives or physical safety, identify such events including those with the potential to occur, create action plans and install necessary facilities etc. for responding to emergencies in order to minimize harm to workers and assets, and undertake education and drills that will ensure that such actions can be taken at times of disaster.

(IV-3) Occupational injury and illness

Suppliers must identify, evaluate, record and report any occupational injuries and illnesses and must undertake the appropriate countermeasures or corrective measures.

(IV-4) Industrial hygiene

Suppliers must ascertain the status of the working environment at the workplace, identify, and evaluate risks which could expose workers to harmful biological, chemical or physical impacts and manage such risks appropriately.

(IV-5) Consideration of physically demanding work

Suppliers must identify, evaluate and appropriately manage worker exposure to the hazards of physically demanding work to prevent occupational injury and illness.

(IV-6) Machine safeguarding

Suppliers must evaluate machinery for safety hazards and take appropriate measures to ensure the safety of workers.

(IV-7) Health and safety of facilities

Suppliers must provide workers with ready access to clean and safe facilities (dormitories, cafeterias, toilets etc.).

Furthermore, suppliers must ensure that worker dormitories are provided with appropriate emergency egress.

(IV-8) Health and safety communication

Suppliers must provide workers with appropriate workplace health and safety information and training in the language of the worker or in a language the worker can understand for all identified workplace hazards that workers are exposed to.

Suppliers must also provide feedback mechanisms to encourage workers to raise safety concerns.

(IV-9) Health management for workers

Suppliers must carry out appropriate health management for all employees.

V: Environmental Requirements

Suppliers must make proactive efforts to tackle global environmental issues such as depletion of resources, climate change and pollution, while also showing consideration of global environmental issues, with attention being paid to ensuring the health and safety of people living in affected areas.

The responses requested from suppliers regarding environmental risks include not only "requests" but also "essential requirements." For more details, please refer to the guidelines and standards listed below.

NEC GREEN PROCUREMENT GUIDELINES (KANKANTU 02-044)

<https://www.nec.com/en/global/eco/product/green/index.html#anc-greenprocurementguidelines>

Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products (KANKANTU 04-006)

https://www.nec.com/en/global/eco/product/chemical/regulation/index.html#anc-chotatsu_kijun

(V-1) Creation of an EMS [essential requirement]

The factories and offices in charge of final production and packaging products are required to create an EMS.

(V-2) Appropriate management of environmental impact substances used in manufacturing process [essential requirement]

Suppliers are requested to manage environmental impact substances used in the manufacturing process according to the following categories of "Non-use of banned substances [essential requirement]" and "Efforts to fully eliminate the use of substances to be avoided."

(V-3) Responding to survey of chemical substances incorporated into procurement products [essential requirement]

Suppliers are requested to manage the chemical substance information such as information collection and data creation to be able to respond to any survey of the chemical substances incorporated into the procurement

products conducted by NEC Group.

(V-4) Implementing the product environmental assessment

Suppliers are requested to perform a product environmental assessment so as to reduce the environmental impact of the product at the design stage.

(V-5) Climate change measures

To create a sustainable management foundation, the NEC Group implements climate change measures in both "mitigation" and "adaptation" aspects throughout the supply chain. Suppliers, who assume important roles in the supply chain, are requested to implement climate change measures from both mitigation and adaptation aspects. Furthermore, to achieve climate change measures throughout the supply chain, suppliers are also requested to encourage upstream suppliers to implement climate change measures and offer those suppliers guidance and advice, if necessary.

(V-6) Efforts and contributions to global environmental conservation

Suppliers are requested to strive to satisfy the following items, besides climate change.

- Reduction in greenhouse gas emissions
- Reduction in amount of water consumed
- Reduction in waste generation
- Management of chemical substances
- Reduction in resource consumption
- Reduction in the environmental impact of package and packaging materials
- Environmental impact assessment (prevention of air pollution, water pollution, ground contamination, noise, vibration, etc.)
- Efforts for biodiversity conservation

(V-7) Green procurement

Suppliers are requested to establish their own standards for green procurement, in line with the standards for green procurement in these

Guidelines, and to make every effort to implement green procurement for procurement products as well.

(V-8) Public disclosure of environmental information

Suppliers are requested to actively disclose information about environmental activities, including the environmental consciousness of your products and the progress of the efforts for environmental conservation.

(V-9) Appropriate management of the environmental impact substances contained in products [essential requirement]

To comply with global environmental laws and regulations and also the NEC Group's voluntary regulations, the NEC Group specifies the following substances and suppliers are requested to comply with the requirements for each of these types of substance

- "Banned substances": substances that must not be contained in the product;

- "Conditionally banned substances": substances that must not be contained in the product under certain restrictions; and

- "Controlled substances": substances for which intentional inclusion is not restricted but for which information as to whether they are contained, as well as the concentration, should be managed and reported.

- (1) Non-inclusion of "banned substances" and "conditionally banned substances" in the procurement products

- (2) Disclosure of information as to whether "controlled substances" are contained in the procurement products

(V-10) Resource and energy conservation

Suppliers are requested to design products in such a way as to minimize resource and energy consumption by considering items (1) to (3).

- (1) Consume less energy in both the operation and standby modes.

- (2) Reduce size and weight.

- (3) Use minimum volume of rare resources.

(V-11) Long lifetime

Suppliers are requested to design products so that they have long life and are easy to repair and replace.

(V-12) Use of recycled parts and materials

Suppliers are requested to use recycled parts and materials as much as possible.

(V-13) Use of materials that are easy to recycle

Suppliers are requested to use materials that are easy to recycle and design for ease of disassembly.

(V-14) Labeling plastic type

Molded parts weighing 25 g or more must be marked with a label indicating the type of plastic /composite material from which they are fabricated, in accordance with the following ISO Standards. Whenever possible, such labeling should be provided even on parts weighing less than 25 g.

(V-15) Survey Green Procurement Efforts

Once every year, the NEC Group selects suppliers and checks the suppliers' progress using the "environmental activity survey form," which includes greenhouse gas emission reduction targets and actual emissions, climate change measures, and the environmental consciousness of procurement products. Regarding (1) to (6) below, the NEC Group may conduct on-site checks and interviews based on the results with the "environmental activity survey forms."

- (1) Creation of an environmental management system
- (2) Non-use of banned substances in the manufacturing process
- (3) Responding to any survey of chemical substances incorporated into procurement products
- (4) Non-inclusion of banned substances or conditionally banned substances in procurement products
- (5) Climate change measures
- (6) Efforts and contributions to global environmental conservation

VI: Fair Trading and Ethics

Suppliers must carry out their business activities based not only on adherence to the law but also based on high ethical standards.

(VI-1) Anti-corruption

Suppliers must not either independently or in collusion with other parties engage in any form of bribery, corruption, extortion, or embezzlement.

(VI-2) Prohibition of offering and accepting improper profit and advantage

Suppliers must not give or accept promises, offers or authorization for bribes or other means of obtaining undue or improper advantage.

(VI-3) Appropriate disclosure of information

Suppliers must disclose information regarding labour, health and safety, environmental practices, business activities, structure, financial situation and performance, in accordance with applicable regulations and prevailing industry practices.

Falsification of records or misrepresentation of information are unacceptable.

(VI-4) Respect for intellectual property

Suppliers must respect intellectual property, and must transfer technologies and knowhow in a manner that protects intellectual property rights. Furthermore, suppliers must also safeguard the intellectual property of third parties, such as customers and suppliers.

(VI-5) Fair business

Suppliers must uphold standards of fair business, competition and advertisement.

(VI-6) Prohibition of abuse of a superior position

Suppliers must not create disadvantage for their suppliers through abuse of a superior position.

(VI-7) Protection of whistleblowers

Suppliers must ensure the confidentiality, anonymity and protection of whistleblowers, and ensure a process for workers to raise any concerns without fear of retaliation.

(VI-8) Responsible sourcing of minerals

Suppliers must exercise due diligence to ensure that minerals such as tantalum, tin, tungsten and gold that are included in products that they manufacture does not cause or contribute to serious human rights violations, environmental destruction, corruption, conflict or other problems in conflict-affected and high risk areas.

(Please also refer to the NEC Group's Responsible Mineral Procurement Policy set out in a subsequent section of these guidelines.)

VII: Product Quality and Safety

Suppliers must ensure the quality and safety of the products and services that they provide and provide correct information about them.

(VII-1) Ensuring product safety

Suppliers must satisfy safety standards defined by laws and regulations of each country, and sufficiently ensure product safety in the design, manufacturing, and retail phase with consideration of responsibility as a product supplier.

(VII-2) Quality management

Suppliers must not only adhere to all applicable laws and regulations regarding product and service quality, but must also adhere to their own product quality standards and customer requirements.

(VII-3) Providing accurate information on products and services

Suppliers must provide information about products and services that are accurate and do not cause confusion.

VIII: Information Security

Suppliers must prevent leakage of confidential information and personal information and take steps to strengthen information security.

(VIII-1) Protection against cyber attacks

Suppliers must protect against cyber attacks and other threats, and prevent damages to their company and others.

(VIII-2) Protecting personal information

Suppliers must adhere to relevant laws and regulations regarding all personal information belonging to suppliers, customers, consumers, employees and others, and must ensure that such information is managed and protected in an appropriate manner.

(VIII-3) Preventing the leakage of confidential information

Suppliers must appropriately control and protect confidential information of their own company, and of their customers and third parties.

Part 2: Establishing Management Systems

A. Establishing management systems

Suppliers must establish a management system which will ensure adherence to "Part 1: Code of Conduct."

B. Management of Supplier

Suppliers must communicate the demands of "Part 1: Code of Conduct" to suppliers, and establish processes for monitoring suppliers' adherence to the Code. These processes should include undertaking due diligence before and after the start of business with suppliers, and maintaining a grievance mechanism to deal with any complaints which may follow.

C. Appropriate import/export controls

Suppliers must maintain a clear management framework and undertake appropriate import/export procedures for the import and export of technologies and items regulated under the law.

D. Maintaining grievance mechanisms

Suppliers must establish a grievance mechanisms for use by workers, suppliers and other stakeholders to prevent the occurrence of improper practices within the company or supply chain.

E. Disclosure on the status of initiatives

Suppliers must disclose information pertaining to implementing the initiatives in these Guidelines and relevant laws and regulations.

Annex

Part 1: Commentary on the Code of Conduct

I: General Requirement of Responsible Business Conduct

(I-2) Contributing to society and community Commentary on the Code

“Activities which contribute towards the development of international society and the local community” refers to support activities in which suppliers’ business resources are used to assist the community; in general, these comprise the following kinds of initiatives.

- Social contributions which make use of the business operations and technologies etc. that are an inherent part of the company
- Non-monetary social contributions, which make use of the company’s facilities or human resources etc.
- Social contributions which take the form of monetary donations

Concrete examples of such activities could include working in partnership with communities at times of disaster, volunteering by employees, supporting the activities of non-profit organizations (NPOs) and non-governmental organizations (NGOs), donation-related activities and disseminating/delivering information of various kinds. Suppliers must determine the scope of activities that they are able to implement, and work proactively to make social contributions. Furthermore, transparency concerning sums of money and the decision-making process is essential to avoid suspicions of bribery, particularly where monetary donations are involved.

II: Adherence to Laws and Respect for International Codes of Conduct

Commentary on the Code

In recent years, a number of laws, regulations and government policies have been formulated and adopted in various countries concerning the environment, human rights and bribery. Suppliers must understand and adhere to such laws and regulations. These are often applicable not only in the country they were created in, but outside the country as well. Furthermore, in line with the globalization of markets and supply chains, suppliers are required not only to adhere to laws and regulations but also to respect international codes of conduct, throughout their entire supply chains as well as within their own organizations.

Commentary on terminology

International codes of conduct refers to the expectations that are held regarding the actions of organizations that have social responsibilities, guided by customary international law and the generally-accepted principles of international laws, as well as intergovernmental agreements which are either universal in nature or universally recognized (including treaties and accords).

Examples of codes to which the above term applies include the United Nations Guiding Principles on Business and Human Rights and Sustainable Development Goals (SDGs), the OECD Guidelines for Multinational Enterprises, and ILO's Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration).

III: Human Rights and Labour Practices

Commentary on the Code

“Workers” refers to all workers, including full-time, temporary, migrant, student, contract, direct employees, and any other type of worker.

International standards of human rights that should serve as a reference include the United Nations Universal Declaration of Human Rights and the International Covenants on Human Rights, and the ILO’s Core Labour Standards.

(III-1) Prohibition of forced labour

Commentary on the Code

Trafficking, concealing, hiring, transferring or taking on workers based on intimidation, force, abduction or fraud are prohibited. Withholding or non-payment of a worker’s wages on the grounds that this represents a recruitment fee earned in exchange for securing the employment of the worker in question can also be seen as forced labour. Compelling the worker to work by charging a recruitment fee and defining it as a debt owed by the worker is also prohibited.

In particular, a large number of cases of forced labour among migrant workers, many of whom are foreign workers, have been reported. When hiring foreign workers, employers must provide an employment contract which sets out the terms of employment in a language that the worker can understand, prior to the worker in question departing from his or her country.

Finally, preventing a worker from using his/her identification documents which are issued by his/her government, or the worker’s passport, work permit or immigration application documents (with the exception of those cases which persons other than the worker in question are required by law to retain such documents) by concealing or confiscating such documents, or placing unreasonable constraints on a worker’s ability to enter or leave facilities or on his/her movements within the facilities, are also acts which can constitute forced labour.

Commentary on terminology

Forced labour describes labour which is undertaken contrary to the free will of the worker concerned (involuntarily), as a result of the threat of punishment by another party. Forced labour includes the following elements:

- (1) Exploitation of vulnerabilities (example: when an employment contract is not written in a migrant worker's native language.)
- (2) Deception (examples: when the conditions of employment or work are not correctly explained, or are added after the person has been employed.)
- (3) Isolation (example: when a worker is made to work in a place where outside access and communications are difficult.)
- (4) Intimidation and threats (examples: when a worker is punished for talking about hardships in the workplace, or is ordered to pay a fine when he/she applies to leave his or her job.)
- (5) Retention of wages (examples: when the payment of wages is delayed, or when part of the worker's pay is forcibly retained or set aside by the employer.)
- (6) Debt bondage (example: when a worker is indebted to the employer by a large sum in the form of a recruitment fee.)
- (7) Excessive overtime (example: when a worker is forced to work more overtime than is agreed to under the law or in a labour-management agreement.)
- (8) Restrictions on movement (examples: when movements are restricted without a good reason (such as health and safety, information security), or when workers' accommodation facilities are continuously monitored with surveillance cameras.)
- (9) Physical or psychological abuse (examples: violence, verbal abuse, sexual harassment.)
- (10) Retention of identification documents (example: an employee's passport or other form of identification is retained by the employer.)

Bonded or indentured labour refers to work which the worker is not permitted to leave. These terms also include debt bondage, in which a worker is indebted to the employer by a large sum of money in the form of a recruitment fee, and cannot leave his/her employment until he/she has repaid this debt.

Exploitation refers to acts in which an employer uses his/her superior position to inflict unfair treatment on a worker, while **exploitative prison labour** refers to acts in which prisoners are forced to work without appropriate remuneration.

Slave labour (as defined by the U.S Department of State under the term “modern slavery”) is a term defined as including the buying and selling of human beings for the purposes of forced labour and sexual exploitation. The British Modern Slavery Act defines the term as situations in which people in vulnerable positions are exploited through forced labour.

(III-2) Prohibition of child labour; considerations when employing young workers

Commentary on the Code

Child labour is prohibited in all circumstances by the ILO and by the laws of various countries. Those forms of child labour which countries have been requested to take action against immediately and as a matter of urgency are termed the “worst forms of child labour.” In ILO Convention No. 182 (1999), this term is defined as comprising the following:

- all forms of slavery or practices similar to slavery;
- the use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;
- the use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs;
- work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

ILO Recommendation No. 146 (Minimum Age) states that **workers under the age of 18 (including students)** must be guaranteed working conditions in full, and in particular must receive the following benefits.

- The provision of fair remuneration and its protection, bearing in mind the principle of equal pay for equal work;
- The strict limitation of the hours spent at work in a day and in a week, and the prohibition of overtime, so as to allow enough time for education and training (including the time needed for homework related thereto), for rest during the day and for leisure activities;
- The granting, without possibility of exception save in genuine emergency, of a minimum consecutive period of 12 hours’ night rest, and of customary weekly rest days;
- The granting of an annual holiday with pay of at least four weeks and, in any case, not shorter than that granted to adults;
- Coverage by social security schemes, including employment injury, medical care and sickness benefit schemes, whatever the conditions of employment or work may be;

- The maintenance of satisfactory standards of safety and health and appropriate instruction and supervision.

Due diligence regarding the protection of such workers' rights is also required.

Commentary on terminology

Child labour refers to activities or work which, by their nature or by the circumstances of their execution, damage the educational opportunities and healthy growth of children, through engendering negative impacts on the intellectual, physical, social or moral development of young people, preventing their attending school, forcing them to leave school or forcing them to combine work and studies.

ILO Convention No. 138 (1973) stipulates that the **minimum working age** is defined as follows: The minimum age for admission to employment or work shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years (allowing, however, that developing countries whose economic and educational institutions are not yet fully developed may stipulate a minimum working age of 14 as a transitional measure). The age at which work is permitted may also vary depending on the nature of the work in question. In the case of hazardous or harmful work, the minimum working age must be set at 18 in all countries. However, workers may be employed in such occupations from the age of 16 should the following criteria apply:

- If prior consultations have been reached among labour-management consultation groups within the country in question:

- if the health, safety and morals of the young people concerned are fully protected; and,

- if the young people in question have received adequate vocational training or specific instruction in the relevant branch of activity

Minimum age for admission to employment or work		
	Developed countries	Developing countries
Normal work	15 years old	14 years old
Hazardous work	18 years old	18 years old
Light work	13 years old	12 years old

Hazardous work is defined in ILO Recommendation No. 190 (Worst Forms of Child Labour) as those occupations corresponding to the following points.

- work which exposes children to physical, psychological or sexual abuse;
- work underground, under water, at dangerous heights or in confined spaces;
- work with dangerous machinery, equipment and tools, or which involves the manual handling or transport of heavy loads;
- work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes, or to temperatures, noise levels, or vibrations damaging to their health;
- work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

(III-3) Considerations regarding working hours

Background

Numerous studies undertaken into business culture have shown a clear relationship between overwork among workers and declining productivity, increased turnover of staff, and higher rates of injuries and sickness.

Commentary on the Code

Employers must manage working hours, leave and rest periods during the day in an appropriate manner, based on the laws of each country. They must also pay attention to international standards.

The ILO Convention No. 1 (1919) (an international standard) and Convention No. 30 (1930) state that the hours of work per week shall not exceed 48 hours including overtime work, excluding times of emergency or urgent situations (not yet ratified by Japan). In addition, ILO Convention No. 14 (1921) and Convention No. 106 (1957) stipulate that an employer must grant an uninterrupted weekly rest period (comprising not less than 24 hours) in the course of each period of seven days, with a working period not exceeding six days (not yet ratified by Japan). Although ILO Conventions No. 1 and No. 30 are conventions of immense importance, they do not necessarily reflect the world of today, and ILO Recommendation No. 116 was therefore issued in 1963; this Recommendation takes the aims of ILO Convention No. 47 (not yet ratified by Japan), which stipulates a 40-hour week as a basic principle, as a standard which society should aim to achieve.

In addition, a number of industrial standards also stipulate an upper limit of 60 hours work per week including overtime.

Commentary on terminology

Manage in an appropriate manner is defined as follows.

- So as to ensure that the number of days worked does not exceed the legally prescribed number of annual working days
- So as to ensure that daily working hours per week, including overtime hours (which, however, exclude any work undertaken at times of disaster or at any other unavoidable times of urgent need or emergency) do not exceed the legally prescribed limits
- So as to ensure that legally provided annual paid leave, prenatal and postpartum leave and childcare leave are provided
- So as to ensure that legally prescribed rest times are provided
- So as to ensure that psychological checks required to protect workers' health are undertaken

(III-4) Appropriate pay and allowances

Commentary on the Code

"Minimum wage" refers to the minimum level of wages as prescribed in the laws relating to wages in the country where the worker resides. Employers are required to pay wages equal to or higher than the minimum wage. In addition to the minimum wage, it is desirable that suppliers pay due consideration to the concept of the "living wage," which is based on calculating the level of wages required to sustain the worker's lifestyle at a certain basic level, as a voluntary endeavour by suppliers.

Improper deductions from workers' wages can be defined as non-payment of wages. For example, in the SA8000 Standard (an international standard covering work and human rights), employers must ensure that wage reductions are not used as a disciplinary measure. However, wage reductions are permitted as a disciplinary measure in the following cases as exceptions: (1) when wage reductions as a disciplinary measure are permitted under the laws of the country; and (2) if such reductions should be agreed as a collective agreement that has been freely negotiated.

Remuneration paid to workers for overtime work must be a higher level than normal remuneration for said work, in accordance with the laws and regulations of the region in question. When remuneration is paid, a breakdown of the salary which provides information allowing the worker

to confirm that the payment details are accurate must be provided to the worker along with the remuneration itself.

Commentary on terminology

Minimum wage refers to the minimum level of wages as prescribed in the laws relating to wages in the country where the worker resides. Employers must pay such wages to workers without delay and at appropriate intervals, based on the laws of the country where the worker resides.

Living wage refers to a level of wages which enables the worker to fulfill his/her own needs and those of his/her family and lead a life as part of society and which will support the dignity of the worker, in accordance with international standards.

Improper deductions from workers' wages refers to any deductions made from wages which violate labour-related laws. Examples to which this applies include cases where deductions are made to pay for the cost of uniforms, costs of personal protective equipment required for work, or costs of cleaning uniforms. However, it does not cover cases where wages are not paid for periods when the worker did not work due to lateness or absence etc.

(III-5) Prohibition of inhumane treatment

Background

Inhumane treatment suffered by workers due to sexual harassment or verbal abuse often goes unnoticed by others at the workplace, causing the problems to worsen.

Commentary on the Code

When suppliers formulate their disciplinary policies and response procedures etc., they must also set in place internal reporting systems (grievance mechanisms), inform workers about such systems and put them into operation, so as to ensure that the true scope of any inhumane treatment can be ascertained.

Commentary on terminology

Psychological abuse refers to the infliction of psychological or emotional abuse through making use of emotional power over another

person in the form of inhumane expressions, expressions of dislike, ignoring or making comments that cause damage to the person's self-esteem.

Physical abuse refers to violence, forcing workers to work in harsh environments and the like.

Force refers to situations when the person in question is compelled to act in a certain way against his/her wishes by means of threats etc. This can include, for example, forcing the worker to do excessive amounts of overtime.

Harassment refers to acts which make the recipient uncomfortable, such as making expressions of dislike or bullying the person. In specific terms, this term can cover things such as unwanted sexual attention, sexual harassment, corporal punishment, psychological or physical oppression, verbal abuse and failure to provide basic facilities that ensure the worker's bodily comfort (such as chairs or personal protective equipment).

An example of how harassment is defined is given under "Violence and harassment" in ILO Convention No. 190 (2019), as an example.

(a) the term "violence and harassment" in the world of work refers to a range of unacceptable behaviours and practices, or threats thereof, whether a single occurrence or repeated, that aim at, result in, or are likely to result in physical, psychological, sexual or economic harm, and includes gender-based violence and harassment;

(b) the term "gender-based violence and harassment" means violence and harassment directed at persons because of their sex or gender, or affecting persons of a particular sex or gender disproportionately, and includes sexual harassment.

(III-6) Prohibition of discrimination

Commentary on the Code

The Code prohibits acts which could potentially lead to discrimination against workers in terms of wages, promotion, remuneration, education, hiring or employment practices on the grounds of race, skin colour, age, sex, sexual orientation, gender identity/expression, ethnicity or nationality, disability, pregnancy, religion, political affiliation/political beliefs,

membership of a labour union, history of military service, protected genetic information or marital history etc.

Any inequality in terms of opportunity or treatment as a result of health screenings or pregnancy tests will also be considered discriminatory acts.

The factors that can lead to discriminatory treatment are diverse and wide-ranging.

- **Race and skin colour:** Minorities, indigenous groups and tribal groups can become targets of discrimination on the grounds of their being part of a specified ethnic group.
- **Sex:** Discrimination on the grounds of male or female biological features or functions, or social differences. This also covers cases of discrimination on the grounds of marital status, spousal relationship, family structure or motherhood.
- **Religion:** Discrimination on the grounds of a person being a member of a particular religion or his/her expressing his/her religious beliefs. This also covers cases of discriminatory treatment of atheists.
- **Political views:** Discrimination on the grounds of a person's views on politics, affiliation with a particular political party, political or socio-political stance, civic activities or moral qualities.
- **Country of origin:** Discrimination on the grounds of a person's place of birth, family connections or foreign country of origin. Minority nationality groups, speakers of minority languages, naturalized citizens and the descendants of immigrants from foreign countries can become the targets of discrimination.
- **Social origins:** Discrimination on the grounds of social class, social occupation type or caste. Social origins can have an impact on the career of the individual in question.

The basic principle that discrimination regarding employment or occupation is prohibited also includes the fundamental principles of "equal pay for equal work" for men and women who are undertaking work of equal value. According to ILO Convention No. 100 (Convention concerning Equal Remuneration for Men and Women Workers for Work of Equal Value), this principle applies to all remuneration paid by employers to workers as a result of their being employed, including salaries, regular pay rates, other basic costs etc., whether paid directly or indirectly, and regardless of whether such remuneration is paid in cash or in assets which substitute for cash. To judge the value of a job in an objective manner, employers must take into consideration the various elements making up the job in

question, including the various components of the job, responsibilities, skills, effort, working conditions and major outcomes.

In addition, employees can be discriminated against on the grounds of age, disability, health status (particularly in the case of HIV/AIDS), membership of a labour union, sexual orientation and the like.

Furthermore, in the United States the following elements must also be borne in mind.

- **History of military service:** Under US law, former members of the armed forces discharged since the time of the Vietnam War are given “covered veteran status,” and regulations cover the promotion or hiring of such former members of the armed forces and special considerations and protections that are due to them. This was established due to concerns about possible discrimination against veterans as a result of disabilities caused by military life (post-traumatic stress disorder (PTSD)), or communication difficulties with other workers who may view the veteran as someone who has caused the death of others, and the like.

NB: For more information about veterans:

<https://www.dol.gov/ofccp/regs/statutes/4212.htm>

- **Protected genetic information:** The Genetic Information Nondiscrimination Act (GINA) of 2008, a US law, defines “genetic information” as the results of genetic diagnoses. Such information has been cited as a source of discrimination, as a worker could be discriminated against on the grounds of information suggesting, for example, that he or she is at risk of developing a latent genetic condition.

NB: Information about GINA (U.S)

<https://www.eeoc.gov/laws/types/genetic.cfm>

(III-7) Freedom of association and right of collective bargaining

Commentary on the Code

Employers must respect both the right of all workers to form labour unions or enrol in labour unions by choice, and the right of workers to opt not to participate in such activities or to maintain a distance from them. Furthermore, workers and their representatives must be able to engage in collective bargaining through publicly communicating with management to express their views and concerns about working conditions and

management practices, without fear of discrimination, retaliation, intimidation or harassment.

Commentary on terminology

With regard to **collective bargaining**, ILO Convention No. 98 (1949) calls upon suppliers to permit workers' representative bodies which have the objective of collective bargaining, promote voluntary bargaining between employers and workers, and incorporate into labour contracts provisions concerning the resolution of disputes, in order to promote effective collective bargaining. Specifically, suppliers are encouraged to take the following actions.

- To take necessary steps to facilitate the formulation of effective labour agreements
- To ensure that representatives formally designated by workers are able to engage in bargaining with representatives of the management who have been granted decision-making power concerning those items discussed in the bargaining process
- To refrain from making statements suggestive of threats or retaliations which have the objective of producing inappropriate effects on bargaining or preventing workers from exercising their right to organize
- To provide the information required for meaningful bargaining
- To provide information to the government concerning operations should the government demand this, and to respond to such demands in a constructive manner

(III-8) Considerations regarding minorities

Commentary on terminology

Minorities refers to any group of people possessing an identity that is different to that of the majority group in society and therefore occupying a vulnerable position. Examples of such groups include LBGTI, sexual minorities, people with disabilities, foreigners and groups with a different native language. In the workplace, interns and trainees are also considered minorities.

(III-9) Considerations regarding foreign workers

Commentary on terminology

Foreign workers refers to workers who have migrated from overseas, and includes technical interns and overseas student interns. The position

of foreign workers makes them vulnerable to threats to their mental and physical health and to their bodily dignity, and they are more likely to experience violations of their human rights, such as freedom of expression and movement.

IV: Health and Safety

Commentary on the Code

It is generally recognized that a safe and healthy working environment not only minimizes the risk of injuries and illnesses in the workplace, but also improves the quality of products and services, the consistency of manufacturing standards, the employee retention rate and workers' willingness to work. It is vital that suppliers hold discussions with workers to hear their opinions and conduct employee training, in order to identify and resolve problems with health and safety in the workplace.

This Code was formulated through reference to the management systems described in the management system guidelines created by the ILO, such as the ILO Guidelines on Occupational Safety and Health Management Systems (ILO-OSH 2001), OHSAS18001 and ISO45001; these guidelines contain additional information that may be useful.

(IV-1) Work safety

Commentary on the Code

Suppliers must identify risks in the workplace, including latent risks which could potentially arise, and undertake safety measures for workers. Examples of risks in the workplace include situations where humans come into contact with chemical substances, electricity and other energy sources, fire, road accidents and falling objects.

Examples of safety measures are given below. Such processes must be carried out within each company.

- Identify and evaluate risks, including latent risks which could potentially arise
- Design appropriate workplaces which pay due consideration to eliminating and preventing risks
- Carry out in-house outreach activities to educate workers about safety (including the handling of personal protective equipment)

Such safety measures also include protecting pregnant women and breastfeeding mothers from dangers and taking reasonable steps to facilitate this.

Commentary on terminology

Work-related risks to safety refers to latent risks which could cause accidents or impairment to health, such as electricity and other energy

sources, fire, vehicles and mobile equipment, floors which could be slipping or tripping hazards, and falling objects.

Appropriate design-based, technological and management-based means refers to using step-by-step controls such as the following to eliminate or mitigate risks:

(1) Elimination of the risk factor or substitution with a safe alternative; (2) Engineering-level controls (examples: monitoring of the risky area using a sensor, shutting out the power source of machinery or equipment by locking it down (lockout)); (3) Administrative management (example: labeling equipment to indicate that operation of the energy shutoff device while the power source is shut off is prohibited (tagout)); (4) Providing personal protective equipment (examples: protective glasses, safety helmets, protective gloves and other protective equipment).

Reasonable consideration for pregnant women and breastfeeding mothers concerns areas such as lifting and moving heavy objects, exposure to infectious diseases, exposure to lead, exposure to toxic chemicals, working in positions that are stressful or place undue burden on the body, exposure to radioactive substances, threats of violence, working long hours, extremely high temperatures, excessive noise levels and the like.

In addition, it is desirable for employers to take reasonable steps to accommodate nursing mothers over the one-year period following the birth, including allowing the worker appropriate rest times to breastfeed or express breast-milk, and providing a safe and clean place which is guarded from view and entry by other workers.

(IV-2) Emergency preparedness

Background

Entry/exit points which are supposed to serve as evacuation routes sometimes cannot be used in emergencies due to being locked or blocked by obstacles. Deaths sometimes occur in fires when workers who are unable to escape from a building are exposed to flames or breathe in smoke, or stumble and fall. For this reason, it is of the utmost importance that suppliers ensure that evacuation routes remain accessible in practice, provide a system for ensuring that all workers are actually able to evacuate, and carry out full-fledged evacuation drills.

Commentary on the Code

“Emergency countermeasures” refers to countermeasures such as reporting of emergencies when they arise, issuing notifications to workers, clarification of evacuation procedures, installation of evacuation facilities, ensuring that entry/exit points are easy to perceive and remain free from obstacles, creation of appropriate exit facilities, stockpiling of emergency medical supplies, creation of fire detection systems, installation of fire extinguishers, fire doors and sprinklers, securing external communication lines, and setting out recovery plans.

It is also vital that information be thoroughly disseminated throughout the entire workplace. This includes undertaking emergency response education for workers (including evacuation drills), ensuring that manuals setting out response measures for times of emergency are placed in easy-to-reach places in the workplace and appropriately displayed.

(IV-3) Occupational injury and illness

Background

Employers must pay due consideration to the risk of work-related accidents, taking workers’ health and safety into account.

Commentary on the Code

Suppliers must record any occupational injuries and illnesses which affect any workers, provide the necessary treatment, investigate the accident, identify and eliminate the causes, and put corrective measures in place including undertaking, managing and reporting preventive measures.

Suppliers must also create rules that promote the worker’s return to the workplace, and report on the implementation of such rules.

Commentary on terminology

Appropriate countermeasures refers to creating systems and policies for encouraging workers to report problems, categorizing and recording occupational injuries and illnesses, providing treatment as necessary, investigating occupational injuries and illnesses, implementing corrective measures aimed at eliminating causes, and promoting workers’ returning to the workplace. It also includes undertaking whatever procedures are required in response to government policy, in accordance with the provisions of the law, including industrial accident insurance.

(IV-4) Industrial hygiene

Commentary on the Code

Potential hazards are to be eliminated or controlled through proper design, engineering and administrative controls. Should it be impossible to manage risks appropriately through such means, workers must be provided with personal protective equipment that is appropriate and is properly maintained and managed, and must use these correctly.

Commentary on terminology

Risks which could expose workers to harmful impacts include toxic substances, radioactive rays and substances which can cause chronic diseases (lead, asbestos etc.). Such substances can take the form of smoke, vapor, mist and fine particles. Furthermore, noise and unpleasant odors are also considered to have negative effects on the human body.

Appropriate management refers to the formulation of management standards and the provision of appropriate education, training and personal protective equipment to workers etc.

(IV-5) Consideration of physically demanding work

Commentary on terminology

Physically demanding work includes not only tasks such as the handling of raw materials by hand and heavy labour including heavy goods transportation using manual labour, but also tasks which requiring any level of physical effort involving continuous or repetitive actions over long periods of time such as assembly work and data inputting, or tasks which involve spending long periods of time in unnatural bodily positions.

Appropriate management refers to the creation of a working environment based on the principles of ergonomics, establishment of short breaks at regular intervals, provision of work auxiliary equipment, and ensuring that multiple workers are able to collaborate and subdivide tasks among themselves, among other measures. (It is also useful to consider how to ensure that the environment surrounding the worker allows him/her to move as precisely and efficiently as possible, to minimize accidents and errors.)

Ergonomics refers to the field of research which designs objects and environments which, as far as possible, enable humans to adopt natural movements and postures while using them, and utilizes these principles in actual designs. (It also includes the idea of ensuring that the environment surrounding the worker allows him/her to move as precisely and efficiently as possible, to minimize accidents and errors.)

(IV-6) Machine safeguarding

Commentary on terminology

Appropriate safety measures refers to management aimed at preventing accidents and negative effects on health which could occur during work. Examples include adopting safety mechanisms covered by terms such as “fail safe systems,” “foolproof systems,” “interlock systems,” “tagout” etc., installing safety equipment and protective barriers etc., and carrying out regular testing and maintenance of mechanical equipment.

(IV-7) Health and safety of facilities

Commentary on the Code

“Ensure health and safety” requires not only cleanliness and hygiene in facilities but also due consideration of the following points.

- **Potable water:** Test water quality based on the standards of relevant laws and regulations, and ensure safe drinking water (using a water dispenser etc.)
- **Sanitary food preparation:** Provide uniforms and health checks for food preparation workers, practice pest control, ensure appropriate temperature control for foodstuffs and ensure the cafeteria operations are certified etc.
- **Toilets:** Install clean toilet facilities with sufficient facilities for the number of users and provide toilet paper etc.
- **Dormitory:** Carry out fire control measures, provide appropriate emergency egress, ensure individually secured accommodations for storing personal and valuable items (like lockers), ensure sufficient space in bedrooms (at least 3.3m² per person as a rough guide) and ensure ventilation, temperature control and appropriate lighting etc.

(IV-8) Health and safety communication

Commentary on the Code

Suppliers must provide appropriate information, education and training concerning health and safety in the workplace, concerning the various

dangers identified in the workplace as hazards that workers could be exposed to (including but not confined to machinery, electricity, chemicals, fire and physical dangers).

Health and safety information must be clearly posted around facilities and placed in locations which can be identified and accessed by workers. It must also be provided in languages that workers can understand.

Education and training must be provided to all workers before they start work and thereafter at regular intervals. In addition, workers are encouraged to raise any concerns they have over safety. Items to be covered in education and training include correct usage of personal protective equipment, correct responses at times of emergency, operating machinery safely, and carrying out the necessary preparations prior to entering hazardous environments.

Section 43 of the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) of the ILO includes a description of how to foster a preventative safety and health culture based on dialog between labour and management.

(IV-9) Health management for workers

Commentary on terminology

Appropriate health management refers to efforts made to prevent illnesses among employees and discover illnesses at an early stage, by means such as undertaking health checks etc. based on standards prescribed in the law as a minimum effort.

Full consideration must be paid to preventing negative effects of overworking on health and providing care for workers' mental health etc.

V: Environmental Requirements

For commentary on the Code regarding environmental risks, please refer to the following guidelines/standards.

NEC GREEN PROCUREMENT GUIDELINES (KANKANTU 02-044)

<https://www.nec.com/en/global/eco/product/green/index.html#anc-greenprocurementguidelines>

Environmental Specifications Pertaining to Procurement Restrictions for the Inclusion of Chemical Substances in Products (KANKANTU 04-006)

https://www.nec.com/en/global/eco/product/chemical/regulation/index.html#anc-chotatsu_kijun

VI: Fair Trading and Ethics

Commentary on the Code

Suppliers must adhere to the laws and regulations not only of Japan but of any countries where operations are developed. Furthermore, all employees must undertake their business based on high ethical standards and win the trust of all stakeholders, with the management of the company setting an example as leaders.

(VI-1) Anti-corruption

Commentary on the Code

Suppliers must set out guidelines which completely prohibit all bribery, excessive gift-giving or entertainment, corruption, blackmail, embezzlement or any other fraudulent actions whatsoever, either independently or in collusion with other parties, and adhere continuously to such guidelines.

Continuous adherence requires suppliers not only to formulate policies but also to carry out appropriate education and training for employees, and to ensure that the policies are thoroughly disseminated throughout the entire organization.

(VI-2) Prohibition of offering and accepting improper profit and advantage

Commentary on the Code

Giving or receiving items of high value either directly or indirectly or making promises or offers to do so with the aim of capturing business or receiving an inappropriate advantage are prohibited.

Clarifying policies and procedures, exercising due diligence prior to the start of business transactions and undertaking monitoring after such transactions start are essential to ensure that anti-corruption laws are adhered to.

(VI-3) Appropriate disclosure of information

Commentary on the Code

Suppliers must proactively provide and disclose information to their stakeholders.

Examples of information that must be provided and disclosed to stakeholders include the nature of business activities, suppliers' financial status, company performance, Environment, Social and Governance (ESG)

information, risk information (such as damage caused by major disasters, any negative impacts that suppliers have had on the environment or society, and any major infringements of the law that have been discovered), and information relating to the supply chain. Proactive provision of information includes not only public disclosure of any major risk-related information whenever it arises, but conveying such information to customers as well.

The disclosure of falsified or deceptive records relating to such information, deceptive disclosure and disclosure of deceptive information with regard to the above information are not permitted.

(VI-4) Respect for intellectual property

Commentary on the Code

Relevant parties in the protection of intellectual property include not only the company itself but also third parties such as customers and suppliers.

Commentary on terminology

Intellectual property includes intellectual property assets themselves, plus trade secrets and technological knowhow etc.

Intellectual property rights refers to patent rights, utility model rights, design rights, trademark rights and copyrights.

(VI-5) Fair business

Commentary on the Code

Suppliers must adhere to the laws concerning fair competition and fair business transactions including the Act Against Delay in Payment, etc. to Subcontractors (Subcontract Act), and must not engage in acts which infringe such laws, such as cartels, obstruction of auctions and other agreements which restrict competition, unfair business transaction methods and acts of misrepresentation.

Suppliers must also eliminate forces which threaten public order and safety in civic society, and must adhere to laws, ordinances and all other social customs. With regard to representations and advertisements of goods and services such as catalogues, suppliers must also refrain from making representations that deviate from the truth or mislead consumers or customers, and must pay due attention to ensuring that their representations do not include contents that could slander or violate the rights of other companies or individuals etc.

Commentary on terminology

Fair competition refers to a company's adhering to the laws concerning fair competition and fair business transactions as prescribed in each country or region, refraining from engaging in acts which infringe such laws (such as cartels, obstruction of auctions or other agreements which restrict competition, unfair business transaction methods and acts of misrepresentation), and promoting fair and free competition.

Fair advertisement refers to refraining from running advertisements which are for unfair purposes or which provide information that deviates from the truth.

(VI-6) Prohibition of abuse of a superior position

Commentary on the Code

Suppliers must undertake procurement transactions in good faith and in a fair and just manner based on contracts, and must not engage in acts which abuse the supplier's superior position. In countries where laws and regulations govern the abuse of a superior position, suppliers must adhere to such laws. (In Japan, for example, the Subcontract Act is such a law.)

Commentary on terminology

Abuse of a superior position refers to a situation when a company makes use of its position as a buyer or consignor etc. to determine or change transaction conditions with suppliers etc. in a one-sided manner, to make unreasonable demands or to impose unreasonable obligations.

(VI-7) Protection of whistleblowers

Commentary on the Code

When creating a grievance mechanism which can be used by all relevant parties including employees of the companies themselves and those of their suppliers, suppliers must ensure the confidentiality and anonymity of reports submitted by whistleblowers via the grievance mechanism available for use by relevant personnel including company and supplier employees, and protect whistleblowers from being subjected to disadvantageous treatment by the company or individuals..

Commentary on terminology

Report refers to the reporting or disclosure of unjust practices within companies themselves or their supply chains.

Whistleblower refers to a person who reports or discloses information concerning inappropriate actions by an employee or executive of a company or by a public sector worker or public sector organization.

Disadvantageous treatment refers to acts which negatively impact the working environment of the whistleblower, such as expressions of dislike or making unjustified changes to the whistleblower's working conditions such as changing his/her employee performance evaluation or remuneration, dismissing the whistleblower from employment or forcing the whistleblower to be redeployed.

(VI-8) Responsible sourcing of minerals

Commentary on the Code

"Due diligence" regarding responsible mineral procurement refers to a process of formulating policies, conveying companies' expectations to suppliers (and incorporating these into contracts wherever possible), identifying and assessing risks in the supply chain, and formulating and implementing strategies to deal with the risks thus identified.

The following five steps regarding due diligence to be applied in responsible mineral procurement are set out in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, an internationally recognized standard.

Step 1: Establish strong company management systems

Step 2: Identify and assess risks in the supply chain

Step 3: Design and implement a strategy to respond to identified risks

Step 4: Carry out independent third-party audit of smelter/refiner's due diligence practices

Step 5: Report annually on supply chain due diligence

Other laws and regulations concerning this area are Section 1502 of the Dodd-Frank Wall Street Reform & Consumer Protection Act, and the EU Conflict Minerals Regulation.

VII: Product Quality and Safety

Commentary on the Code

The safety and quality of products and services and accurate information about them can have a major impact not only on customers but on a variety of stakeholders across the supply chain.

This Code was formulated through reference to the management systems set out in ISO9001, which contains additional information that may be useful.

(VII-1) Ensuring product safety

Commentary on the Code

In designing products, suppliers must pay full attention to their responsibility as manufacturers to sell products whose design ensures full product safety. Product safety also requires due consideration for safety at all times based on adherence to the law.

Laws in Japan concerning product safety include the Electrical Appliance and Material Safety Act, the Consumer Product Safety Act and the Household Goods Quality Labeling Act. The safety standards themselves are prescribed in the detailed provisions of these laws and in the Japanese Industrial Standards (JIS). Overseas safety standards include UL standards (Underwriters Laboratories), British Safety Standards (British Standards Institute) and CSA standards (Canadian Standards Association).

Securing product safety includes management of traceability (the history of a product's raw materials, components and processing) and other areas, and responding promptly to problems in order to resolve them.

(VII-2) Quality Management

Commentary on the Code

Suppliers must not only adhere to all laws and regulations applicable to product and service quality, but must also establish appropriate mechanisms and management systems for ensuring adherence to their own product quality standards and the demands made by their customers.

(VII-3) Providing accurate information on products and services

Commentary on the Code

Suppliers must provide customers and consumers with accurate information about products and services which does not give rise to

misconceptions. The disclosure of falsified or deceptive information is not permitted.

Commentary on terminology

Accurate information includes the following elements, as examples.

- Descriptions relating to specifications, quality and handling methods for products and services must be accurate.
- The information about any chemicals contained in materials and parts used in products must be accurate.
- The contents/information included in advertisements, commercials, catalogues etc. must be accurate and appropriate.

VIII Information Security

Commentary on the Code

Information management is becoming ever more important in line with the emergence of the advanced information and communications society in recent years. Inadequate information management, such as when confidential information or personal information are leaked, can have profound effects on a wide range of stakeholders, including not only companies themselves and their customers but also other parties along the supply chain.

This Code was formulated through reference to the management systems set out in ISO27001; these systems contain additional information that may be useful.

(VIII-1) Protection against cyber attacks

Commentary on the Code

Suppliers must prevent problems caused by cyber attacks such as leakages or falsification of information or suspension of information systems. Damage caused by cyber attacks is not limited to the company itself because attackers can expand target areas using the customer and client information. Cyber attacks have been targeted at PCs and servers, but the scope of attacks is increasingly expanding to include other industrial systems and various devices known collectively under the name "Internet of Things (IoT)," meaning that countermeasures to protect these systems must also be set in place. It is also vital that suppliers formulate plans for swift recovery of the system in the event of a cyber attack. An example of such measures is the creation of a duplicated system for backing up important data, using both a server and a data center.

Commentary on terminology

Cyber attack refers to acts causing damage such as leakages of personal information, client information, customer information, business partner information, confidential information and other trade secrets or damage relating to the encryption of important files etc., orchestrated via infection with malware caused by targeted email attacks, inducement to visit malicious websites, and other methods.

(VIII-2) Protecting personal information

Commentary on the Code

Suppliers must adhere to the relevant laws and regulations of each country regarding all personal information belonging to suppliers, customers, consumers, employees and others, and handle such information with great care. All collection, storage, alteration, relocation, sharing and other processing of such data must lie within the scope that is required to fulfill the objectives of usage that have been identified.

Commentary on terminology

Personal information refers to all information among the information relating to a living individual which could potentially identify the individual in question, such as name, date of birth and other descriptors (including any information which readily allows cross-referencing with other information in order to identify an individual).

Appropriate management refers to the establishment and operation of comprehensive management mechanisms relating to personal information, and includes the creation of codes and policies which workers etc. must adhere to, the proposal of plans aligned with such codes and policies, and the implementation, auditing and revision of measures.

Protecting in an appropriate manner refers to ensuring that personal information is not unjustly or improperly obtained, used, disclosed or leaked.

(VIII-3) Preventing the leakage of confidential information

Commentary on the Code

Suppliers must establish appropriate mechanisms and management systems for managing confidential information that belongs to suppliers themselves or is obtained from third parties. This includes creating different levels for information management, and providing education and training for employees.

Commentary on terminology

Confidential information generally refers to information disclosed in writing (including data recorded through electromagnetic or optical means) under the agreement that it constitutes confidential information, and information disclosed orally following a declaration that it constitutes confidential information.

Appropriate management refers to the establishment and operation of comprehensive management mechanisms relating to confidential information, and includes the creation of codes and policies which workers etc. must adhere to, the proposal of plans aligned with such codes and policies, and the implementation, auditing and revision of measures.

Protecting in an appropriate manner refers to ensuring that confidential information is not unjustly or improperly obtained, used, disclosed or leaked.

Part 2: Commentary on Establishing Management Systems

A. Establishing management systems

Commentary on the Code

The following points must be borne in mind when establishing management systems for fulfilling the various items covered in "Part 1: Code of Conduct."

- That all laws and regulations relating to operations and products are adhered to and that all customer demands are fulfilled
- That all aspects are consistent with the contents listed in these Guidelines
- That any risks relating to the contents listed in these Guidelines are identified and mitigated
- That continuous improvement can be expected based on the above

Commentary on terminology

Management systems refers to the process of establishing mechanisms enabling continuous improvement based on the PDCA (Plan-Do-Check-Action) cycle in the areas of adherence to policies, implementation frameworks, corrective measures and stakeholder engagement. This process is not necessarily taken with the objective of receiving certification. Management systems include the following elements.

- Commitment by the company
- Accountability and responsibility of managers
- Legal requirements and customer demands
- Identification and management of risks
- Goals for improvement
- Education/training
- Communication
- Worker Feedback, Participation and Grievance
- Audits and Assessments of risks that have been identified
- Processes relating to corrective measures
- Documentation and recording

The following examples are given as typical examples of management systems.

- Health and safety management systems: Guidelines on occupational safety and health management systems from the ILO, OHSAS18001, ISO45001, etc.
- Environmental management systems: ISO14001, Eco Action 21, etc.
- Quality management systems: ISO9000 family of standards, IATF16949, ISO13485, etc.
- Information security: ISO/IEC 27001, etc.

OECD Due Diligence Guidance for Responsible Business Conduct is a set of guidelines relating to due diligence covering all company actions.

This guidance sets out the following six processes.

- (1) Embed responsible business conduct into policies and management systems
- (2) Identify and assess actual and potential adverse impacts associated with the enterprise's operations, products or services
- (3) Cease, prevent and mitigate adverse impacts
- (4) Track implementation and results
- (5) Communicate how impacts are addressed
- (6) Provide for or cooperate in remediation when appropriate

Due diligence is the process enterprises should carry out to identify, prevent, mitigate and account for how they address these actual and potential adverse impacts in their own operations, their supply chain and other business relationships. Effective due diligence should be supported by efforts to embed RBC (responsible business conduct) into policies and management systems, and aims to enable enterprises to remediate adverse impacts that they cause or to which they contribute.

(Source: OECD Due Diligence Guidance for Responsible Business Conduct)

Due diligence in the domain of work is prescribed as follows in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE). This Declaration stresses that suppliers' stakeholder engagement processes (in which companies interact proactively with stakeholders through consultations in order to achieve outcomes that can be accepted by both sides, as part of the process by which companies fulfill social responsibilities) should be in harmony with the development policies of the host country.

Paragraph 10 (e): In order to gauge human rights risks, enterprises—including multinational enterprises—should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should involve meaningful consultation with potentially affected groups and other relevant stakeholders including workers’ organizations, as appropriate to the size of the enterprise and the nature and context of the operation. For the purpose of achieving the aim of the MNE Declaration, this process should take account of the central role of freedom of association and collective bargaining as well as industrial relations and social dialogue as an ongoing process.

Paragraph 11: Multinational enterprises should take fully into account established general policy objectives of the countries in which they operate. Their activities should be consistent with national law and in harmony with the development priorities and social aims and structure of the country in which they operate. To this effect, consultations should be held between multinational enterprises, the government and, wherever appropriate, the national employers’ and workers’ organizations concerned.

(Source: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO)

B. Management of Supplier

Commentary on the Code

The United Nations Guiding Principles on Business and Human Rights and OECD guidelines require that the supply chains of a company deal with CSR in the same manner as the company itself. It is therefore essential that suppliers communicate the requirements of “Part 1: Code of Conduct” to their suppliers, monitor their level of adherence, and encourage improvements.

Commentary on terminology

The **supply chain** refers not only to the full series of processes from the raw materials stage to the delivery of products and services into the hands of consumers, regardless of how the various tasks are divided up among individual companies, but also to all connections including staffing agencies and contractors.

C. Appropriate import/export controls

Commentary on the Code

Import/export controls are required by various laws and regulations of many countries, and must be understood and adhered to.

“Technologies and items regulated under the law” refers to components, products, technologies, equipment and software etc. covered by laws and regulations governing import/export controls, based on international accords (such as the Wassenaar Arrangement).

In some cases, certain procedures are required by supervisory authorities when importing or exporting items, such as obtaining permission from said authorities.

D. Maintaining grievance mechanisms

Commentary on the Code

To ensure adherence to “Part 1: Code of Conduct,” it is vital that suppliers, in addition to practicing due diligence, establish mechanisms for handling grievances from stakeholders including workers and suppliers, and ensure that problems can be handled as an ongoing process. It is helpful for suppliers to engage in activities aimed at continuous improvement of grievance mechanisms (such as proposals or attitude surveys to confirm levels of understanding), to ensure such mechanisms function effectively.

Commentary on terminology

Grievance mechanisms refers to mechanisms which encourage relevant parties to report acts which are suspected of infringing “Part 1: Code of Conduct” and enable corrective measures to be taken. Workers must be able to submit anonymous grievances. The grievance mechanism must ensure that the whistleblower is not subjected to disadvantageous treatment.

For example, a comment box, telephone line, email system or grievance desk at an external organization etc. may be used.

E. Disclosure of the status of initiatives

Commentary on the Code

Suppliers must not only disclose all information prescribed by the law etc., but must also disclose information about the initiatives they are undertaking in relation to this Code of Conduct, to their stakeholders, including customers.

In terms of media, such information may be disclosed on the company's own website or printed media in the form of CSR reports, sustainability reports etc.

The GRI Standards and the Environmental Reporting Guidelines of the Ministry of the Environment may be used as references.

NEC Group's Responsible Mineral Procurement Policy

There are concerns that mineral resources that are mined in the Democratic Republic of the Congo and surrounding countries are funding armed insurgents who cause conflict and violate human rights.

There is a growing trend of requiring companies to ensure due diligence regarding such minerals through confirming that the mineral resources that they procure do not promote conflict or violations of human rights, including the Dodd–Frank Wall Street Reform and Consumer Protection Act enacted in the United States in 2010 and the EU Conflict Minerals Regulation which comes into force in 2021.

NEC Group's Responsible Mineral Procurement Policy

NEC Group is engaging in responsible mineral procurement activities by continuing its efforts to use parts and materials with as low a risk as is commercially feasible, to ensure that NEC Group's mineral procurement does not promote conflict or violations of human rights.

When asked by customers for information about the supply chain, we provide information using the Conflict Minerals Reporting Template (CMRT) which is issued by the Responsible Minerals Initiative (RMI).

We carry out surveys of suppliers at regular intervals.

Requests to suppliers

NEC Group makes the following requests of our suppliers.

- To agree to NEC Group's Responsible Mineral Procurement Policy
- As suppliers, to prescribe policies on responsible mineral procurement
- To establish mechanisms for products which exclude those minerals that have a high risk of promoting conflict or violations of human rights
- To confirm that products exclude those minerals that have a high risk of furthering conflict or violations of human rights
- To cooperate with surveys carried out by NEC Group

4. Conclusion

Most of the products and services that the NEC Group provides to customers are created through using materials and services that we procure from our suppliers. We hope that as we work together with our suppliers to build even stronger partnerships for promoting responsible company activities based on the NEC Group Procurement Policy, this will lead to prosperity both for our business operations and for those of our suppliers.

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These guidelines and the guidelines which users are requested to refer to are subject to revisions without prior notice. The latest version will be made public on the NEC website at any time.

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