



Management

# Continuous Strengthening of Corporate Governance

## Priority Activity

- Compliance
- Respect for Human Rights
- Risk Management
- Information Security

## SDGs



## Our Goals: Ensure an Efficient, Legally Compliant, and Ethical Business Foundation



Society expects companies to fulfill a wide range of responsibilities, from providing new value through products and services, to having a sincerely open corporate culture. As a leading global ICT company, the NTT Communications Group strictly enforces its business principles and other rules to ensure that each and every employee takes action with a sense of responsibility. In order to create an efficient, legally compliant, and ethical business foundation, we have updated our corporate governance and compliance systems throughout the entire Group.

## Activity Achievements in Line with CSR Indexes



Based on the external reassessment of the priority issues (materiality) conducted from fiscal 2015 to fiscal 2016, we have focused our attention on priority areas for action in order to secure the “continuous strengthening of corporate governance”, a key priority for the company. We have focused on improvements in line with changes in the business environment and social needs since priority areas for action were last defined, including advancements of the ICT society and the globalization of supply chains. Our priority areas for action have accordingly become increasingly diverse, ranging from compliance and respect for human rights to information security.

Fiscal 2016 was the first year for activities tied to the new priority areas for action and we were able to achieve success in meeting all of the goals set forth in our targets. Based on the results, we intend to further entrench our efforts and activities on a Group-wide basis.



## Continuous Strengthening of Corporate Governance

### Fiscal 2016 Activity Achievements and Fiscal 2017 Targets

Priority Activity	Activity Measures	Medium-Term Targets (Form We Want to Take in Five Years' Time)	Fiscal 2016 Targets	Fiscal 2016 Activity Results			Fiscal 2017 Targets	Boundaries	
				Details of Specific Activities (Qualitative Results)	Quantitative Results	Self-Assessment		Scope of Activities (Within/Outside Organization)	Scope
Compliance	Raising of awareness in/ dissemination to Group	A model company that puts into practice corporate ethics, including compliance with laws, social norms and internal rules.	<ul style="list-style-type: none"> <li>From upper echelons of management, sending out of senior management messages concerning corporate ethics for entire Company</li> <li>Implementation of job level-based training sessions, such as compliance seminars geared toward senior executives, compliance training for all full-time and temporary employees, rank-based training such as for new employees, etc.</li> <li>Dissemination of Global Compliance Regulations formulated in previous fiscal year</li> </ul>	<ul style="list-style-type: none"> <li>Release of senior management messages concerning corporate ethics</li> <li>Implementation of job level-based training sessions, including for new employees (fall and spring), newly appointed directors (expanding to domestic group companies), managers (expanding to include companies overseas), and training for all employees (using dramatizations)</li> <li>Revisions and disseminations of Global Compliance Regulations</li> </ul>	—	★★★	<ul style="list-style-type: none"> <li>From upper echelons of management, sending out of senior management messages concerning corporate ethics for entire Company</li> <li>Issuance of e-magazine on compliance for all employees</li> <li>Implementation of job level-based training sessions, such as compliance seminars geared toward senior executives, compliance training for all full-time and temporary employees, rank-based training such as for new employees, etc.</li> <li>Enhance corporate ethics training materials for NTT Communications group companies</li> </ul>	Within	Group Companies in Japan and overseas
	Appropriate prevention of/ response to violations and inappropriate activity	<ul style="list-style-type: none"> <li>Maintenance/operation of points of contact that enable consulters and the filers of reports to report with peace of mind when necessary</li> <li>Thorough protection for the filers of reports</li> </ul>	Maintenance/operation of all types of contact points that enable responses in an appropriate and adequate manner to a range of consultation/report content, implementation of information acceptance in foreign languages <ul style="list-style-type: none"> <li>NTT Group Corporate Ethics Help Line that has a law office as a point of contact</li> <li>NTT Communications Compliance Hotline</li> <li>Compliance Hotline in NTT Communications Group</li> <li>Workplace Problem Consultation Helpdesk that enables consultations on concerns that have arisen in the workplace</li> <li>Human Rights Consultation Helpdesk</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate operations for each consultation outlet</li> <li>Expanding consultation outlets by expanding awareness in the NTT Communications group</li> <li>Implementing training for those charged with the promotion of compliance</li> </ul>	—	★★★	<ul style="list-style-type: none"> <li>Maintenance/operation of all types of contact points that enable responses in an appropriate and adequate manner to a range of consultation/report content, implementation of information acceptance in foreign languages                             <ul style="list-style-type: none"> <li>NTT Group Corporate Ethics Help Line that has a law office as a point of contact</li> <li>NTT Communications Compliance Hotline</li> <li>Compliance Hotline in NTT Communications Group</li> <li>Workplace Problem Consultation Helpdesk that enables consultations on concerns that have arisen in the workplace</li> <li>Human Rights Consultation Helpdesk</li> </ul> </li> <li>Implementation of training for those charged with promoting compliance</li> <li>Strengthen auditing to contribute to the discovery and prevention of fraud</li> </ul>	Within	Group Companies in Japan and overseas
Respect for Human Rights	Raising of awareness in/ dissemination to Group	Ascertain issues relating to the human rights education not only of NTT Communications and domestic Group companies but also overseas Group companies, strengthen human rights education efforts as a global corporation	Upgrades geared toward building of a Groupwide framework for promoting human rights education that includes overseas Group companies	Enacting a study regarding human rights management system at domestic and overseas affiliates	Domestic Group companies: 13 Overseas Group companies: 26	★★☆	Strengthen efforts aimed at the building of a Group-wide framework for promoting human rights education that includes identifying human rights issues at overseas Group companies	Within	Group Companies in Japan and overseas
	Appropriate prevention of/ response to violations	Enable the prevention of and appropriate response to human rights violations, build Companywide consultation/reporting mechanisms	Building of points of contact that enable responses in an appropriate and adequate manner to a variety of consultations/reports as well as continuation of point of contact awareness promotion	<ul style="list-style-type: none"> <li>Issuance of a monthly e-magazine from the Workplace Problem Consultation Helpdesk, notification of contacts and Consultation Helpdesk schedule for the next month</li> <li>Boost awareness of Consultation Helpdesk through human rights training.</li> </ul>	E-magazine distribution: 12 times Participants in human rights training courses: 17,116	★★★	Continuation of the operation and promotion of awareness toward points of contact that enable responses in an appropriate and adequate manner to a variety of consultations/reports	Within/outside	Group Companies in Japan
	Promotion of/ thoroughness in respect for human rights through content and services	<ul style="list-style-type: none"> <li>Utilizing ICT, contribute to society's human rights awareness education</li> <li>Thorough elimination of elements conducive to human rights violations in content, services</li> </ul>	To protect the human rights of children, ongoing access restrictions to "goo," "plala," and "OCN" services, based on ICOSA-provided child pornography website address lists	Ongoing access restrictions to "goo," "plala," and "OCN" services, based on ICOSA-provided child pornography website address lists	<ul style="list-style-type: none"> <li>OCN: more than 200 restricted sites</li> <li>goo: Access restrictions on list of child pornography website addresses (14,000/year, 1,200/month)</li> </ul>	★★★	To protect the human rights of children, ongoing access restrictions to "goo," "plala," and "OCN" services, based on ICOSA-provided child pornography website address lists	Within/outside	Group Companies in Japan

Achievement Levels Self-Assessment Set at Three Levels ★★★: Target achieved ★★☆: Target almost achieved ★☆☆: Target only partially achieved



## Continuous Strengthening of Corporate Governance

Priority Activity	Activity Measures	Medium-Term Targets (Form We Want to Take in Five Years' Time)	Fiscal 2016 Targets	Fiscal 2016 Activity Results			Fiscal 2017 Targets	Boundaries	
				Details of Specific Activities (Qualitative Results)	Quantitative Results	Self-Assessment		Scope of Activities (Within/Outside Organization)	Scope
Risk Management	Ongoing Risk Management Structure Upgrades	<ul style="list-style-type: none"> <li>Business risks: In addition to economic risk factors, continue appropriate responses to and build domestic/overseas management systems for environmental/social risk factors, including climate change and scarcity of resources</li> <li>Crisis risks: Building up of BCP measures to enable rapid responses to pandemics, natural disasters, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Business risks</li> <li>Involve overseas Group company activities in domestic business risk management activities, implement upgrades to business risk management framework</li> <li>Crisis risks</li> <li>Implement the issuing of documentation on specific BCP measures</li> </ul>	<ul style="list-style-type: none"> <li>Business risks</li> <li>Implement business risk management activities for overseas SRHQ</li> <li>Crisis risks</li> <li>Establish BCP Guidelines for the formulation of business continuity plans based on risk management regulations</li> </ul>	—	★★★	<ul style="list-style-type: none"> <li>Business risks</li> <li>Continue to involve overseas Group company activities in domestic business risk management activities, implement upgrades to business risk management framework</li> <li>Crisis risks</li> <li>Implement measures to ensure overseas safety to effectively address overseas client risk in the current fiscal year</li> </ul>	Within	Group Companies in Japan
Information Security	Strengthening of Security Management	Deploy all types of measures to strengthen security management by collaboration not only among domestic Group companies but also with overseas Group companies	<ul style="list-style-type: none"> <li>Through collaboration with Group companies in Japan, strengthening of security management</li> <li>- Process management strengthening to safely handle confidential information such as personal information</li> <li>- Implementation of security training sessions by rank (attendance ratio of 100%) with the aim of improving security awareness and reducing incident occurrences</li> <li>- Based on results of implemented information security surveys, improvement/strengthening of security implementation at each Group company</li> <li>- Collaborative strengthening in response to security incidents, including cyber-attacks</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of comprehensive network connection rules to better ensure security of customer information</li> <li>Implementation of targeted e-mail training/implementation of SM superintendent training</li> <li>Conduct security management surveys for all Group companies and confirm that PDCA is being implemented as part of security management</li> <li>Establish a system for cyber security incidents in China and Singapore.</li> </ul>	Companywide security training attendance ratio of 100%	★★★	<ul style="list-style-type: none"> <li>Through collaboration with Group companies in Japan, strengthening of security management as a means to boost competitiveness</li> <li>- Process management strengthening to safely handle confidential information such as personal information</li> <li>- Implementation of security training sessions by rank (attendance ratio of 100%) with the aim of improving security awareness and reducing incident occurrences</li> <li>- Based on results of implemented information security surveys, improvement/strengthening of security implementation at each Group company</li> <li>- Collaborative strengthening in response to security incidents, including cyber-attacks</li> </ul>	Within	Group Companies in Japan
	Security Training Personnel	<ul style="list-style-type: none"> <li>As ICT professionals, devise training for security personnel to raise each and every person's response abilities with regard to security</li> <li>Fiscal 2020 target of more than 2,400 people (Advanced level: several people; intermediate level 1,900; elementary level 500 people)</li> </ul>	<ul style="list-style-type: none"> <li>Training by security human resources</li> <li>Elementary level: Implementation of program centered on acquiring knowledge relating to ICT</li> <li>Intermediate level: Implementation of program emphasizing security knowledge and tapping into business experience</li> </ul>	Bolster abilities in security through participation in NTT-sponsored security contests and conduct training to secure intermediate-level qualifications	<ul style="list-style-type: none"> <li>Fiscal 2016: number of additional authorized personnel</li> <li>Elementary level: 885 people</li> <li>Intermediate level: 237 people</li> <li>Advanced level: 10 people</li> </ul>	★★★	Bolster skills at the intermediate level Advanced level: 12 people	Within	Group Companies in Japan
	Appropriate Management of Personal Information	Continue to have a keenly developed sense of the importance of customer information while continuing to build sophisticated systems that guard against information leaks by utilizing state-of-the-art technologies	Keeping 'PrivacyMark' current	Keeping 'PrivacyMark' current	—	★★★	Complying with revisions to the Personal Information Protection Law	Within	NTT Communications nonconsolidated

Achievement Levels Self-Assessment Set at Three Levels ★★★: Target achieved ★★☆☆: Target almost achieved ★☆☆☆: Target only partially achieved



## Continuous Strengthening of Corporate Governance

### Our Core Business Principles and Guidelines

#### Cornerstone Stance on Consideration for Stakeholders Stated in Our Business Principle (OBP)

Our Business Principle (OBP) is a clearly written expression of the principles that must be understood and shared by each and every employee of the NTT Communications Group.

Compliance with and the practice of OBP go hand in hand with maintaining a perspective that takes each and every stakeholder into consideration. In maintaining relationships with all our stakeholders, there are instances in which there is uncertainty about what constitutes correct judgment and behavior. For such situations, we are distributing OBP as a means for our employees to proactively refer back to the basic principles inscribed in the handbook throughout the course of their daily work and take the correct actions. Based on OBP, we are aiming to remain a company trusted by customers and society as a whole while also garnering customer satisfaction.

We believe that by continuing to ensure that our actions are lawful, fair and ethical, We are helping to meet the goals of UN SDGs, particularly goal No. 10 “Reduced Inequalities” and goal No. 16 “Peace, Justice and Strong Institutions.” This philosophy is shared among the group companies and employees, as well as with our global partners.

→ [Click here to view details on Our Business Principle.](#)

### Stance and Achievements in Dealing with Stakeholders

By promoting dialog with our stakeholders, we are generating opportunities to obtain invaluable input and feedback, which we in turn channel through our ongoing activities. We adopt a flexible approach toward promoting wide-ranging opportunities and topics. This includes issues that are carried over from year to year to designated themes and discussion points. The NTT Communications Group makes every effort to engage in detailed and in-depth dialog with its stakeholders. Through these activities we will continue to promote the opinions of our stakeholders in our business.

#### ■ Dialog with stakeholders, main themes

		A dialog example	Main themes
Customers	We gathered feedback from customer satisfaction (CS) surveys and took steps to improve satisfaction levels.	<ul style="list-style-type: none"> <li>• Voice of Customer (VOC) Survey, CS surveys</li> <li>• Exchange of opinions on NTT Communications Forum</li> <li>• Exchange of opinions based on daily interaction with customers</li> </ul>	<ul style="list-style-type: none"> <li>• Improving quality in products and services</li> <li>• Researching new products and services</li> <li>• Continuous improvement in customer satisfaction</li> </ul>
Business Partners	Continually exchanging opinions to boost supply chain CSR, improve customer satisfaction	<ul style="list-style-type: none"> <li>• Arcstar Carrier Forum (ACF)</li> <li>• Customer Council</li> <li>• Partner Summit</li> <li>• Surveys, daily exchange of opinions</li> </ul>	<ul style="list-style-type: none"> <li>• Improving quality in products and services</li> <li>• Researching new products and services</li> <li>• Ensuring fair practices are followed</li> <li>• Ensuring Green Procurement, Respect for Human Rights</li> </ul>
Working with a wide-ranging society	We have established opportunities for dialog with diverse sections of society and have worked to raise awareness of issues and develop a clear understanding of actual conditions.	<ul style="list-style-type: none"> <li>• Dialog with stakeholders</li> <li>• Exchange opinions with NPOs, NGOs</li> <li>• Social contribution activities</li> <li>• Environmental protection activities</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing to contribute to the development of a sustainable society</li> <li>• Dialog through social contribution and community activities</li> <li>• Harmony with local communities</li> <li>• Responsibility as a corporate citizen</li> </ul>
Employees	To help maintain and improve motivation among employees, we made sure that employee feedback was incorporated.	<ul style="list-style-type: none"> <li>• Comments from the president issued via dialog, lectures</li> <li>• Exchange opinions with the president over the intranet, helpline</li> <li>• KAIZEN Support Line</li> <li>• Conduct employee satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Entrenchment of corporate vision, philosophy</li> <li>• Ensuring decent work</li> <li>• Self-improvement and the creation of customer value</li> <li>• Realizing value in work</li> </ul>



## Continuous Strengthening of Corporate Governance

### Guidelines for All Types of Business Activities

Society has charged us with a diverse range of responsibilities to fulfill through our operations, from the development of products and services that solve social issues, to the protection of the environment and the fostering of a corporate culture that respects openness and diversity. Our corporate activities strictly follow various guidelines set forth to continue fulfilling our promise to society in fields central to CSR.

#### Examples of Policies and Guidelines for Priority Areas and Priority Activities

##### Contributions to society

- Innovation that supports a networked society  
→ For Corporate Vision, please refer to page 7
- Ensure highly reliable mission-critical infrastructure  
→ For NTT Communications Three Disaster Policy Fundamentals to Address Disasters, please refer to page 9
- Creating robust network security for our customers  
→ For NTT Communications Security Declaration, please refer to page 11
- Continuous improvement in customer satisfaction  
→ For our efforts, please refer to page 13
- Cooperating with suppliers  
→ For Basis Policy on Procurement, please refer to page 15
- Social contributions and community development  
→ For Social Action Principles, please refer to page 17

##### Respect for human resources

- Nurturing human resources  
→ For Policy on Human Resources Development and Nine Ideal Employees, please refer to page 23
- Respect for diversity, equal opportunity and other objectives  
→ For Promotion of Diversity Fundamental Policy, please refer to page 26

##### Contributions to the global environment

- Integrated Basic Philosophy  
→ For NTT Communications Group Global Environmental Charter, please refer to page 32
- For Environmental Statement, please refer to page 32
- For Eco Strategy 2030, please refer to page 33
- Preserving Biodiversity  
→ For Action Guidelines with Regard to Preservation of Biodiversity, please refer to page 47

##### Continuous Strengthening of Corporate Governance

- Respecting Human Rights  
→ For Basic Policy on Human Rights Education, please refer to page 60
- Internal Controls  
→ For Basic Approach for Maintaining an Internal Control System, please refer to page 62
- NTT Communications Information Security  
→ For NTT Communications Security Declaration, please refer to page 63

## Governance

### Corporate Governance

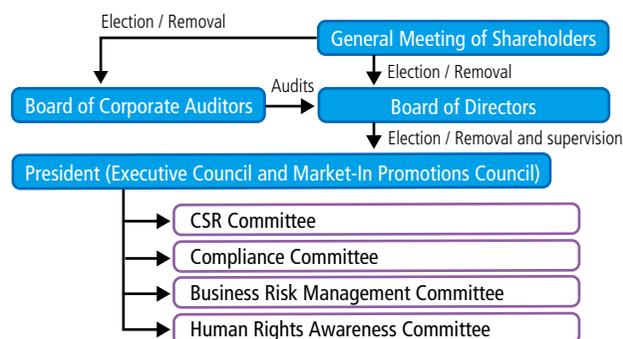
#### Corporate Governance Structure

With regard to the governance structure at NTT Communications, we are employing a system that draws on our Board of Directors and our Board of Corporate Auditors and working to enhance governance functions.

The Board of Directors has 17 members and is chaired by the president. In principle, the Board meets once a month to make decisions and report on important management issues in compliance with laws and regulations, the Articles of Incorporation, and our Board of Directors' rules.

The Board of Corporate Auditors is made up of three external auditors. In addition to attending important meetings, including those of the Board of Directors, these auditors hold meetings of the Board of Corporate Auditors and audit the execution of directors' duties, with an emphasis on the legality of management decisions and the appropriateness of action. A dedicated organization and staff facilitates efficient audit operations. Maintaining close cooperation with accounting firms and other parties by periodically sharing information on audit plans and results and through similar means, the Board of Corporate Auditors is currently working to strengthen the audit structure.

#### Corporate Governance Structure



### Composition of Board of Directors (as at July 2017)

Directors	Responsibility and delegation	Name
President & CEO		Tetsuya Shoji
Senior Executive Vice Presidents	In charge of technology In charge of services In charge of operations In charge of information security	Tetsuya Funabashi
	In charge of sales In charge of global In charge of corporate planning	Katsumi Nakata
Executive Vice Presidents	Head of Voice and Video Communication Services	Toru Maruoka
	In charge of CSR	Eiichi Tanaka
Senior Vice Presidents	NTT America, Inc. President & CEO	Kazuhiro Gomi
	Head of Fourth Sales Division	Denji Sakurai
	Head of Cloud Services	Masaaki Moribayashi
	Head of Third Sales Division	Ken Kusunoki
	Head of Second Sales Division	Hidemune Sugahara
	Head of Global Business	Takanobu Maeda
	Head of Network Services	Shuichi Sasakura
	Head of Fifth Sales Division	Yoichiro Takaya
	Head of ICT Consulting Dept.	Naoki Kajita
	Head of Solution Services Dept.	Keigo Kajimura
Corporate Auditors	Head of Customer Services	Hiromasa Takaoka
		Atsuhiko Fuseya
		Satoshi Shinoda Yoko Kobayashi Nobuhiro Takeuchi

### Reasons for Director Appointments

In appointing directors, we expect that they will utilize their extensive knowledge and awareness in each of their respective fields.



## Continuous Strengthening of Corporate Governance

### CSR Governance

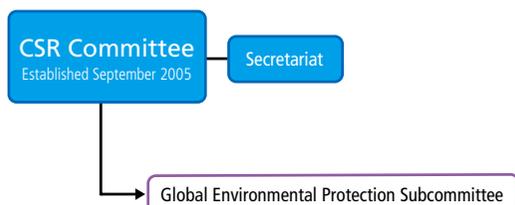
#### CSR Promotion Structure

The NTT Communications Group has established the CSR Committee in order to promote CSR initiatives. The Committee aims to establish a structure to implement management initiatives from economic, environmental, and social perspectives, with the managing director in charge of CSR as the responsible party. We maintain the Global Environmental Protection Subcommittee under the CSR Committee.

Meeting every year, the CSR Committee issues CSR reports, reports on CSR activities, and considers and implements measures aimed at promoting CSR activities. In fiscal 2016, representatives of 13 major Group companies attended the CSR Committee and CSR Promotion Committee meetings. Matters reported to and discussed by the Committee, including important information related to social or environmental risks, are shared with the Board of Directors as appropriate.

In the years to come, we will continue to work to maintain and foster CSR initiatives across the entire NTT Communications Group by holding discussions on a regular basis at CSR Committee and CSR Promotion Committee meetings.

#### ■ CSR Promotion Structure



#### CSR Governance Assessment Process

For us to make the CSR activity promotion structure function steadily, we have put in place and have in continuous operation mechanisms to check on what has been achieved through those activities.

Specifically, we regularly establish CSR Indexes that serve as the main targets for each year's CSR activities. By verifying and reviewing the rate of achievement of those activities every year, we are in the position to gauge the effectiveness of our CSR governance.

Decided upon at CSR Committee meetings, the CSR Indexes are established with the CSR Committee chairman bearing the responsibility for their overall achievement. Not limited to the verification of the degree to which the indexes have been successfully achieved, the CSR Committee assesses the effectiveness of the indexes themselves. The CSR Committee meets once a year.

The Committee is charged with continually reviewing the CSR management mechanism, including reviewing the CSR basic policy and updating indices. In fiscal 2016, we formulated a new CSR basic policy and 17 priority activities in line with the establishment of the company's new medium-term vision and changes in external conditions. For fiscal 2017 onward, we will implement the PDCA cycle in our CSR activities while setting fiscal 2017 targets in accordance with our medium-term targets (vision).

#### Outside advice for management

As a global ICT company, we believe it an important responsibility to conduct our business with an appropriate consideration to the diverse outlook of our stakeholders. With this in mind, each executive not only participates in dialogs as part of daily business, but also takes part in internal and external meetings, and individual interviews. With an eye toward sustainability and our business strategy, we believe it important to exchange opinions with internal and external experts and accordingly continue to follow a policy based on management dialog with outside experts.

We invited Kaori Kuroda Executive Director, CSO Network Japan for a dialog with our CSR Committee chairperson in fiscal 2016. The central theme of the meeting was to review medium-term CSR targets and re-examine importance (materiality) and we were able to receive a number of important ideas for management strategy moving forward.

Ongoing dialog with experts by department personnel delegated by management to promote the sustainability strategy is shared with management as appropriate by the CSR Committee.

#### ■ Dialog between experts and the CSR Committee chairperson





## Compliance

### Compliance Promotion Framework

For the NTT Communications Group, compliance goes well beyond merely adhering to laws and ordinances. Viewing compliance as possessing a high sense of ethics that enables the fulfilling of social obligations while continuing to operate a business, we are aiming to bring about the establishment of corporate ethics at a high level.

More specifically, having set up the Compliance Committee under the chairmanship of the director in charge of compliance in fiscal 2002, we established lines of responsibility by appointing directors and officials in all business units. In July 2015, to respond to the increasing complexity of compliance and globalization associated with the internationalization of the Group's business, we also formulated Global Compliance Regulations as a compliance policy to be commonly applied at Group companies in Japan and overseas. To ensure these regulations take hold, we ascertained through internal audits the state of compliance with these regulations across the Group, while top management stressed the importance of enhancing corporate ethics.

Looking to the future, based on the NTT Group Corporate Ethics Charter we will continue to take various initiatives to create an environment that enables everyone, from senior executives to all Group employees, to carry out their work duties while adhering to high ethical standards. We will also work to enhance the world-class compliance promotion framework at the NTT Communications Group.

→ [More details on the NTT Group Corporate Ethics Charter Have Been posted here](#)

### Initiatives to Prevent Corruption

To prevent corruption, including bribery and bid-rigging, NTT Communications adheres to the National Public Service Ethics Code and formulates and operates guidelines, which cover the prevention of the bribery of foreign public officials, and manuals that provide advice on how to respond.

In August 2017, we formulated bribery prevention guidelines and detailed rules to prevent bribery in line with the aforementioned Global

Compliance Regulations, and abolished the guidelines on preventing bribery of foreign officials that we have used to date to more clearly illustrate our appropriate measure aimed at preventing bribery.

Serving as a fresh reminder, the prevention of corruption forms a topic covered at compliance training sessions (see below).

### Appropriate Advertising

Society has become more critical of the moral and ethical implications of advertising style on communities. While electronic communication services via the Internet, mobile phones and other means have come to form the basis of customer lifestyles in recent years, service menus and fee structures have become more complex and diverse. We believe it necessary to make advertising more easily understandable by our customers.

To give customers peace of mind when selecting and using services, NTT Communications has been striving to ensure that its advertising is trustworthy, in keeping with its own standards and the guidelines for telecommunications service advertising established by the Council for the Promotion of Telecommunication Service Improvement.

Specifically, in November 2008, we formulated rules on advertising and have maintained a system for ensuring fairness in advertising. We aim to spread awareness of and educate our employees about the proper approach to advertising. We have set up a screening system for certain types of advertising, designated personnel for carrying out examinations, implemented these examinations, and established other procedures for ensuring compliance with the Act against Unjustifiable Premiums and Misleading Presentations.

As well as complying with laws such as the Act against Unjustifiable Premiums and Misleading Representations, NTT Communications will make further efforts to reassure customers in its advertising activities when they choose services provided by NTT Communications.

\* ICT Ecology Guideline Council: The council consists of the following four industry organizations: The Telecommunications Carriers Association, the Telecom Services Association, the Japan Internet Providers Association, and Japan Cable and Telecommunications Association.

### Awareness-Raising Programs and Training for Thorough Compliance

From the point of view of the thoroughness of legal compliance and fair business activities, companies are required to implement awareness-raising and training programs for group employees and directors on an ongoing basis. At NTT Communications, we provide annual compliance training to all employees and directors, including those at Group companies, as well as other personnel. We also actively conduct internal awareness-raising programs, including surveys on corporate ethics and a call for compliance slogan entries.

Specifically, at compliance training programs that form the foundation of common knowledge for Group employees, we confirm how we are to act by means of specific case studies in which compliance violations became a problem. In addition, we attach great importance to questionnaire surveys relating to corporate ethics, from the point of view of listening closely to frontline feedback. We aim to improve awareness of compliance based on the results of the surveys in fiscal 2016.

### Consultation Hotline

We established the NTT Communications Group Hotline, which can be accessed by Group employees in all countries.

Additionally, the NTT Group operates an external consultation and reporting liaison desk, staffed with legal experts. These organizations are part of our commitment to a transparent corporate culture.

In fiscal 2016, the number of cases reported through these two channels that were related to the NTT Communications Group totaled 86. The Compliance Office responded appropriately to these reports based on the results of investigations of involved parties, and measures were put in place to prevent a reoccurrence as necessary.



## Respect for Human Rights

### Promoting Human Rights Education

In order to create a rich corporate culture with respect for human rights, the NTT Communications Group put in place a basic human rights education policy in July 1999 and has continued to actively promote human rights awareness ever since. We also established a Human Rights Awareness Committee, which is charged with the establishment of a corporate constitution that does not tolerate discrimination of any kind and the promotion of human rights education. Among its many duties, the Committee reports on educational activities and deliberates on promotional measures, in accordance with the NTT Group Human Rights Charter, which was newly established in 2014.

#### Basic Policy on Human Rights Education

As a company that develops business on a global basis, NTT Communications places the utmost importance on solving human rights issues, including discrimination, as a part of its efforts to build a rich corporate culture that respects human rights. As we strive to maintain a corporate constitution that does not tolerate any form of discrimination, we are working to find solutions to human rights and discrimination issues through every facet of our day-to-day business activities.

### Maintaining a Business Structure That Respects Human Rights

Placing the utmost importance on human rights, we maintain a corporate constitution that does not tolerate any form of discrimination while aiming to foster bright and energetic workplaces.

#### NTT Communications Group Framework for Promoting Human Rights Education



Respective responsibilities in the promotion framework

- Human Rights Education Promotion Committee: Basic Policy for NTT Communications Group initiatives, activity planning, formulation of implementation measures, etc.
- Human Rights Education Promotion Executive Committee: Specific executive functions for measures decided by the Human Rights Education Promotion Committee
- Human Rights Education Department: Administrative support duties for the Human Rights Education Promotion Committee and Human Rights Education Promotion Executive Committee and deployment of Groupwide efforts

### Measures Geared toward Raising Awareness of Human Rights

In recent years, there has been a growing chorus calling on companies to create frameworks for respecting human rights on a level of fine detail that aligns with the characteristics of their operations. The NTT Communications group is a global ICT provider that advances respect for human rights from diverse perspectives, by participating in projects where employees and temporary staff of diverse backgrounds work together.

We have made it mandatory for all regular NTT Communications Group employees and temporary staff members to attend All-Employee Human Rights Education Training sessions designed to foster a heightened sense of awareness within each and every employee. At the training sessions in fiscal 2016, we aimed to deepen understanding of harassment and cross-cultural communication by looking at general examples and case studies of in-house consultations. Moreover, by re-reading the human rights charter of the NTT Group and the basic policy on human rights of the NTT Communications Group, and expanding awareness of multiple consultation outlets, we are working to ensure that there is always an awareness of human rights in the workplace.

In addition to the training, every year we solicit slogans relating to human rights as well as regulatory compliance and ethics as an initiative that enables each and every employee to consider human rights issues.

In fiscal 2016, a total of 20,908 entries were submitted from 10,735 people, who were all Group employees, including employees of overseas subsidiaries, temporary staff, and employee family members.

Continuing to implement all types of this kind of educational and awareness measure, we will strive to develop workplaces that do not tolerate harassment and foster diversity and acceptance of differences, while promoting the creation of even brighter and more vibrant workplaces.

### Human Rights Consultation Helpdesk

Providing internal and external points of contact via which each and every employee can easily seek a consultation on such matters as concerns that have arisen in the workplace, the NTT Communications Group is enhancing awareness of the points of contact among its employees and temporary staff members through such means as training sessions and in-house newsletters.

We take thorough measures to ensure confidentiality of matters discussed during consultation, and the protection of rights for the person seeking consultation.



## Respect for Human Rights in Content and Services

Internationally, companies are increasingly expected to engage in business activities that inherently prevent the violation of human rights, while ensuring that the content they provide does not facilitate the violation of human rights, and that business partners in charge of providing services do not infringe on human rights. From this standpoint, we have worked with our peers in the industry to prevent individuals from posting on the web content that contains violence or pornography, for example. When selecting suppliers, we take care to procure from suppliers that engage in appropriate CSR activities.

## Risk Management

### Business Risk Management

We established the Business Risk Management Committee to develop a system and the mechanisms to enable us to better respond to the major business risk factors that may affect the operation of the entire Company.

In fiscal 2010, we redesigned our system. At that time, we had identified 25 material risk categories and listed them in our Risk Definition Report. We adopted a system to monitor the management status of material risks through audits, while separating risk-related operations and making them more efficient. Thereafter, we have continued to pick out the risks for each organization and request ongoing reviews and revisions of countermeasures. In addition to asking for voluntary evaluations of the status of organizational countermeasures from the heads of all organizations, including directors, and ensuring that no risks have been overlooked, we conduct operational audits of each organization to evaluate the status of risk-related countermeasures. We also extend these activities to include the principal Group companies in Japan, while promoting risk management throughout the Group.

We created a system to collect accurate risk information and ensure proper decision making in response to potential major risks. If such an event were to occur, we would set up a Disaster (Accident)/Risk Response Headquarters, which would be headed by the president or a senior executive vice president, depending on the situation.

### Crisis Risk Management

In the aftermath of the Great East Japan Earthquake, there has been a dramatic rise in society's interest in crisis risk management and the corporate sector's ability to anticipate and respond at times of large-scale disasters. With a renewed awareness of our responsibilities and the need to maintain telecommunication services as an integral part of society's basic infrastructure, we are endeavoring to ensure a speedier response to emergency situations while working diligently to improve our management structure. In addition to ensuring strict

adherence with crisis management manuals, we are raising awareness across all departments and divisions through training and a variety of other initiatives. Especially since fiscal 2013, we drew up plans for how we would respond to a pandemic based on the Act on Special Measures for Preparedness and Response against Pandemic Influenza and New Infectious Diseases. On this basis, we made progress toward the formulation of a specific business continuity plan (BCP). Aside from this, we have also drawn up and announced two other plans to fulfill our duties as a specified public institution. These are the Disaster Management Operation Plan based on the Basic Act on Disaster Control Measures and the Civil Protection Business Plan, which is based on the Law Concerning Measures to Ensure National Independence and Security in a Situation of Armed Attack.

### Internal Controls

In accordance with the new Companies Act, which came into force in May 2006, and the May 2015 revision to that act, we have compiled a basic policy covering the maintenance of a system of internal controls for the entire NTT Group. Concurrently, as a member of the NTT Communications Group, the Board of Directors resolved to implement the measures necessary for that system. We are also working to upgrade and expand internal controls over financial reporting in line with the requirements of the Financial Instruments and Exchange Act, which was enacted in June 2006.



## Continuous Strengthening of Corporate Governance

### ■ Basic Approach for Maintaining an Internal Control System

1. In maintaining a system of internal controls with the aim of complying with laws and regulations, managing any risk from losses and carrying out proper and efficient business operations, NTT Communications takes a variety of measures to prevent and minimize loss.
2. To maintain and assess the effectiveness with regard to operational status of the above system of internal controls, NTT Communications has established a Legal and Internal Audit Department. As a monitoring organization, this Department is responsible for regular audits and special audits of high-risk areas common to the NTT Group, in keeping with the standardized auditing criteria of Nippon Telegraph and Telephone Corporation. The necessary improvements are made following the assessments of the system's effectiveness.
3. NTT Communications will cooperate with Nippon Telegraph and Telephone Corporation and take appropriate measures to ensure the reliability of its system of internal controls based on the U.S. Public Company Accounting Reform and Investor Protection Act (Sarbanes - Oxley Act) and Japan's Financial Instruments and Exchange Law.
4. As the chief executive officer, the president will be responsible for ensuring the development and implementation of the system of internal controls.
5. We will take all necessary steps to comply with Nippon Telegraph and Telephone Corporation's Basic Policies Concerning the Maintenance of Internal Control Systems.

### Internal Audits

We conduct standardized audits of our internal organizations and Group companies, both in Japan and overseas. Primarily implemented by our Legal and Internal Audit Department, these audits prioritize business risks and are aimed at ensuring that businesses are managed in a global, seamless manner. Through these audits, we are working to

improve internal controls throughout the entire NTT Communications Group by striving to reduce risk at individual organizations and Group companies while making business improvement proposals.

As a result of the various efforts, the Group has been praised for auditing overseas group companies and the active use of cutting-edge auditing techniques such as CAAT\*. In September 2017, the company was awarded the Institute of Internal Auditors of Japan's 31st Chairman award, which is given to companies and management organizations making a contribution to the development and spread of internal audits. Some of the prize money was donated to organizations supporting children that cannot live with their families as an employee social contribution activity award and part of NTT Communications' social contributions.

\* An abbreviation of Computer Assisted Audi Techniques. Auditing using bid data.

### ■ Institute of Internal Auditors of Japan's 31st Chairman award





## Information Security

### Basic Policy

Because we believe that adherence to strict security management standards will lead to security improvements that will benefit our customers, we drew up the NTT Communications Security Declaration that we use as our basic policy when conducting business.

#### ■ NTT Communications Security Declaration

At NTT Communications, we believe that our most important mission is to provide our customers with services which they can use with the assurance that their critical information is being protected and to contribute to improving the security of our customers.

We view security as the single most important issue to be addressed in providing services, and we pledge to work together with our customer to provide the best in security for their needs.

To achieve this end, we do our utmost to ensure security throughout all aspects of the value chain, from the development of technologies and services to the construction and operation of systems.

As ICT professionals, all of us at NTT Communications are committed improving our capability to ensure security.

#### Our customer pledge

1. We view security as the single most important issue to be addressed in providing services, and we pledge to always do our very best to provide our customers with improved security.
2. As an ICT solution partners entrust with critical customer information, we pledge to always strive to work together with our customers to ensure their security.
3. We view our business partner and contract employees as an important part of what supports NTT Communications, and each and every one of us pledge to work together to ensure our own security.

→ Details on our Security Declaration and Information Protection Policy have been posted here.

### Protection of Customer Information and Personal Information

We operate in strict compliance with laws and regulations and the Ministry of Internal Affairs and Communications' guidelines relating to

the protection of personal information. In cases where we subcontract the handling of customer personal information, in selecting subcontracting companies we select those that sufficiently meet the standards with respect to the handling of customer information and require them to operate in strict compliance with laws and regulations and the ministry guidelines. We obtained from 2002 ISMS Accreditation Center certification\*1 for corporate sales and maintenance, and from 2004 the 'PrivacyMark'\*2 certification. We continue to protect our customers' information and personal information so that our customers can utilize our services without worry.

\*1 A system designed to review and register if the information security management system conforms to JIS Q 27001 (ISO/IEC 27001) standards

\*2 JIPDEC, in compliance with the Japanese Industrial Standard JIS Q 15001 requirements for personal information management systems, grants the registered trademark to certified business operators establishing a system taking appropriate measures to ensure protection of personal information.

→ Details of our policy concerning the handling of personal information have been posted here.

### Raising of Workplace Awareness and Thorough Training

Having positioned "ensuring information security" as a key theme of the management foundation (governance) in the field of CSR activities, we are engaged in ongoing activities to incorporate this in our CSR index. Covering a wide range, these activities include strengthening the reliability of our information handling processes, acquiring and maintaining Information Security Management System (ISMS) certification as well as conducting security surveys. In particular, we have identified the raising of workplace awareness as an extremely important responsibility as an ICT company and are actively conducting education and training.

As an entity that targets a safe and secure networked society, NTT Communications is accelerating the pace of its ongoing initiatives, including those at overseas Group companies.

#### ■ Information Security Training Student Breakdown

Types of Training	Fiscal 2016 Results
Information security training (Total number)	15,753
Companywide security training/Training to gauge degree of understanding	15,635
Training for those responsible for implementing security management/managers	118

### Information Security Management Structure

We have established common information security management benchmarks and policies in Japan and overseas, in keeping with the requirements of ISO/IEC 27001, the international standard for ISMS. We are enhancing the Group's information security governance by ongoing management activities, through which we devise level improvements centered on the regular monitoring of compliance and the taking of any necessary corrective action.

Specifically, the Security Management Office under the Chief Security Officer (CSO):

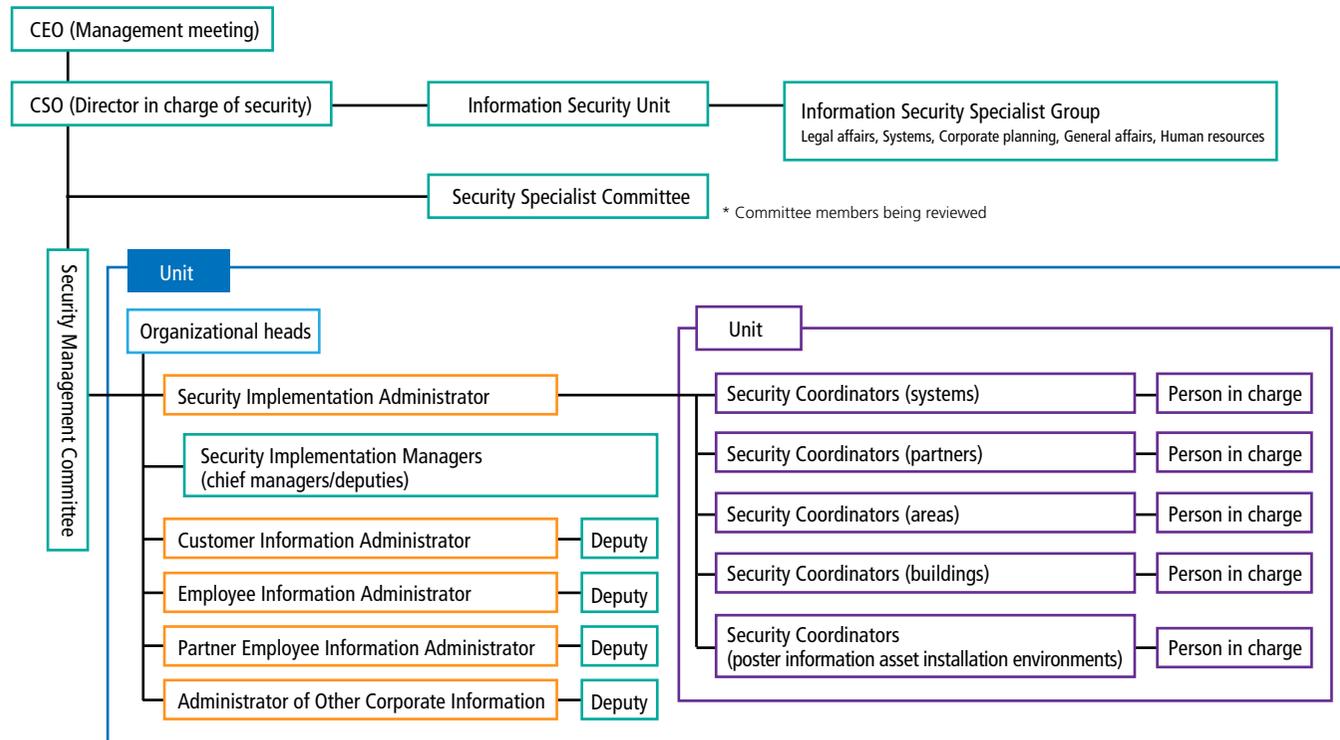
1. Formulates rules and standards and educates all employees to raise their awareness
2. Draws up and implements Companywide information security policies
3. Monitors compliance with information security regulations and takes any necessary corrective action
4. Ensures a unified response to information security incidents. Specially assigns officials in each organization to manage information security

For the major initiatives in fiscal 2016, we worked on raising the level of our security risk management. This included responding to software vulnerabilities and implementing the ongoing utilization of the WideAngle comprehensive risk-management service on systems throughout the Company. We also addressed upgrading the security risk management by implementing measures centered on the information security department. (NTT Com-SIRT), including implementing centralized management of companywide IT systems in response to the event of an incident by utilizing an information security management platform (ISMP).



## Continuous Strengthening of Corporate Governance

### ■ Security Management Framework



### Third-Party Assessment and Certifications

As of March 2017, 21 Group companies, comprising eight Group companies in Japan and 13 Group companies overseas, have received Information Security Management System (ISMS) certification from external organizations.

Seven companies that primarily handle personal information entrusted by customers have obtained 'PrivacyMark' accreditation in recognition of their personal information safeguards.