NEC GROUP
TAX GOVERNANCE POLICY

NEC CORPORATION
Minato-ku, Tokyo, Japan
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1. OBJECTIVE

NEC Group, established in 1899, is headquartered in Japan. NEC Corporation, Japan is the ultimate parent company NEC group. Major operations of NEC Group include Public Solutions, Public Infrastructure, Enterprise business, Network services business, and Global business.

NEC Group with objective to have a common framework for management of tax risk and policy arising for the Group lays down the governing principles to be implemented within the Group.

The Tax Governance Policy would be in line of OECD recommendations and in accordance with current & future Base Erosion & Profit Sharing (BEPS) related developments and implementations and would also in accordance with the tax laws of jurisdiction Group Operates in.

2. APPLICABILITY

The tax governance policy standard applies to all NEC Group Companies or companies under the management control of NEC Corporation. The policy is applicable from the date of publication until it is superseded. References to ‘tax’, ‘taxes’ or ‘taxation’ are to global taxation and to all corresponding worldwide taxes and similar duties in respect of which the Group has legal responsibilities.

3. GROUP TAX GOVERNANCE FRAMEWORK

NEC Group Tax Governance Framework will be fully aligned with its code of values.

- External Focus
  - To influence government and tax authorities constructively and positively in the interest of all our stakeholders.
  - To act, where possible in meeting the objective in a way that will enhance our customer experience.

- Simplicity
  - To manage efficiently the tax cost of Group within the ambit of all applicable laws with clear tax strategy.

- Ownership
  - To control and manage tax risk and the Groups reputation through appropriate policies, communication and robust defence.

- Speed
  - To act in timley and proactively manner in respect of any tax developments having impact on the business and taking corrective measure to ensure proper compliances.

- Open Culture
  - To develop and enhance our people professionally and personally as part of a world class international tax team.
  - To be recognised as a vital business partner by our stakeholders and to facilitate the growth and development of the Group business activities in a tax-efficient manner.
4. GROUP TAX STRATEGY

The group will ensure its Tax Strategy is also fully aligned the NEC Way, in which the purpose is “to promote a more sustainable world where everyone has the chance to reach their full potential” under the spirit of uncompromising integrity.

The Group Tax Strategy sets out to govern, manage and disclose tax risks and report tax positions, submit tax returns and pay the correct tax due in a timely and accurate fashion. Furthermore, the group will adhere to the at arms’ length principal regarding intragroup transactions between NEC companies, as set out in current OECD principles and in accordance with current and future Base Erosion & Profit Sharing (BEPS) related developments and implementations and also in accordance with the tax laws of jurisdiction the group operates in.

The group tax strategy focusses on below aspects:

1. Tax governance and tax risk management;
2. Attitude towards tax planning and level of risk the group is prepared to accept;
3. Policy engaging tax authorities;
4. Transactional Data Integrity;
5. Controlling & Reporting;

4.1. Tax Governance and Tax Risk Management

- Tax Risk:

Tax risk can be defined as follows:

Any event, action or inaction in tax strategy, operations, financial reporting or compliance that either materially adversely affects NEC Group’s tax or business objectives or results in an unanticipated or unacceptable level of monetary, financial statement or reputational loss or exposure.

Tax risks can take several different forms (e.g. compliance tax risks, operational tax risks, financial tax risks and strategic tax risks). Tax risk can lead to reputational risk and material financial risk to the NEC Group.

Tax risks can be material and can significantly impact the NEC Group’s business performance. Further, the reputational component of tax risk extends beyond the NEC Group’s relationship with Revenue Authorities and impacts almost every relationship that the NEC Group has, including with shareholders, investors, staff, management, existing and potential customer and the NEC Board.

Tax governance and tax risk management are part of the global NEC group risk and compliance processes. Tax governance and control processes are set up in such a way that any tax filing required by law will be submitted timely and accurately and payments of taxes due will be paid in accordance with the submitted tax filings. The group tax team will work closely with the whole of the NEC group to identify, monitor and avoid any risk for timely and correct submission of tax declarations and payment of the taxes due within the framework of the tax governance and control processes. The group collectively agree the Tax Strategy and each group member takes responsibility for applying the principles through the below governance structure:

- Ultimate responsibility for the implementation of the Tax Strategy rests with the Board of each group member;
- The executive management of each group member’s tax compliance is delegated by the Board to the Chief Financial Officer where the role exists; otherwise it is delegated to the senior member of the finance team.
Day-to-day management of each group member’s tax affairs is delegated to the senior member of the finance team.

The teams managing tax affairs are staffed with appropriately trained individuals, drawing on support from the Japanese tax team and external advisor as necessary;

The Board of each group member ensures that the Tax Strategy is one of the factors considered in all investments and significant business decisions taken.

The group tax team will ensure that any material risk will be reported to senior management and board members to provide a general overview of the potential liabilities and to advise the senior management on how to mitigate and control these tax risks. Furthermore, as part of these overall governance and control processes, the group makes sure that the tax positions and any tax risks are correctly and appropriately accounted for in accordance to international accounting rules and standards.

In order to ensure the group operates within the tax compliance framework, periodic review of processes and documentation is being performed and updated if necessary due to change of law, deployment of new products or any other reason the business structure has changed.

Appropriate training is carried out for staff outside the tax team who manage or process matters which have tax implications.

Advice is sought from external advisers where appropriate.

4.2. **Attitude towards tax planning and level of risk**

NEC Group will;

- Seek to maintain the highest of reputations and the confidence of all stakeholders.
- Comply with all laws and regulations.
- Behave in a way that maintains the trust in the NEC Group by regulators, Revenue Authorities, clients and the public.
- Ensure tax affairs are conducted in compliance with the tax laws of the jurisdictions in which the NEC Group operates.

The group manages risks to ensure compliance with tax laws and regulations.

When entering into commercial transactions, the group seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. The group does not undertake tax planning unrelated to such commercial transactions.

The level of risk which the NEC Corporation accepts in relation to global taxation is consistent with its overall objective of achieving certainty in the group’s tax affairs. At all times the NEC Corporation seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks, including tax risks, which need to be addressed and for determining what actions should be taken to manage those risks, having regard to the materiality of the amounts and obligations in question.

The group does not engage in any activities that are at odds with the BEPS principles outlined by the OECD. The group seeks to be in compliance with all International standards as it relates to Inter-group transactions.
4.3. **Policy engaging tax authorities**

The group engages tax authorities in a transparent, constructive and pro-active manner, in which it strives to establish a collaborative relationship with the relevant departments of any tax authority. If and when necessary and possible, the NEC Group will actively reach out to tax authorities to clarify both the NEC Group’s long term tax position as well as short term uncertainties by requesting upfront explanations, clarifications and agreements.

When possible, NEC Group engages in partnerships with the tax authorities and requests for advance agreements on complex tax or transfer pricing matters. The same open and cooperative approach also applies to regular tax audits in most countries where NEC operates.

NEC Group also applies for tax rulings from local tax authorities in order to make sure the applications from local point of view are always fully compliant with local regulations.

4.4. **Transactional Data Integrity**

NEC Group seeks to ensure that tax issues are properly recognized at the earliest stages of a transaction.

When a business unit is seeking input and sign-off from the Head of Tax (or delegate) in relation to a transaction, investment or product, the business unit is responsible for providing the Head of Tax (or delegate) with all the necessary information to facilitate sign-off.

This information will include a detailed description of the facts, size of the transaction, involvement of third parties or other jurisdictions, the potential exposure from legal action by third parties, external advice received, commercial objectives / rationale, timeframe of the transaction and approvals required.

The business is responsible for ensuring that a transaction is implemented appropriately. As part of this process it is the business’ responsibility to ensure that the facts outlined to advisers as part of the briefing do not change. If the facts do change then the business should inform the Tax Function.

In return, the tax function will work with business to define and mitigate tax risks and ensure;

- To work with business as a partner in providing clear, timely and relevant business focused advises for all tax scope.
- The business understands the tax risk management policy and principles, including the amount of risk NEC Group will be willing to take.
- The business understands that the tax function of the group should be involved throughout transactions from beginning to end to understand and advise for further changes in the transactions from a tax risk perspective.
- To provide appropriate input and advise as part of the approval process for proposed transactions to provide clear understanding to decision takers of the tax risks (i.e. costs, benefits and risks etc...)

4.5. **Controlling & Reporting**

NEC Group complies with all laws and disclosures on NEC operating countries with absolute transparency against local tax authorities.

The reported financial figures as of monthly-quarterly-yearly closings, should be reflecting all accrued and paid taxes for the reporting period.
Absolute transparency is required between local colleagues and group tax to ensure proper accounting principles as well as controlling and reporting functions can be maintained.

At each reporting period, tax accruals and payment as well as tax provisions should be fully accounted and recognized to ensure no significant adjustments in the financials will be required.

Group Tax Reporting is responsible for issuing appropriate instructions and time schemes for required reporting.

5. ROLES & RESPONSIBILITIES

CFO: Responsible for setting group tax policies and controls, and ensuring those compliance.

Local Entity CFO: Responsible for maintain compliance level with group tax policies, legislation within their local jurisdiction and ensuring those compliance.

Local Entity Head of Tax: Delegated responsibility from Local Entity CFO for maintain compliance level with tax policies and legislation within their local jurisdiction, and ensuring those compliance.