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Promoting Fair Commercial Transactions

Policy

In its Principles, NEC subscribes to “Uncompromising Integrity and Respect for Human Rights,” and we believe it is important to put these into action while treating compliance as the highest priority at all times.

In recent years, due to stronger enforcement of laws and regulations regarding competition and bribery around the world, we are taking active measures to prevent the violation of antimonopoly laws and corruption and fraud in our efforts to promote fair commercial transactions.

NEC has established the “NEC Group Competition Policy,” formulating basic considerations on compliance with domestic and overseas competition laws to reduce the risk of violations. Furthermore, NEC has distributed a portable and business-card sized “NEC Group Competition Policy Card” to all corporate officers and employees of NEC Corporation and its consolidated subsidiaries in Japan to make the policy further well known.

NEC Corporation and certain domestic consolidated subsidiaries have established “Rules for Prevention of Cartels, Bid Rigging, and Bid Obstruction.” They clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, distributors, and lease companies. NEC is working to further reduce the risk of being suspected or implicated in cartels, bid rigging, and bid obstruction.

With regard to anti-corruption, NEC has also established a “Basic Anti-bribery Policy,” with the intention of instituting a system to prevent corruption and stipulating basic rules for compliance by corporate officers and employees. Compliance with the rules will ensure that bribes are neither offered nor received in Japan and abroad in connection with the business activities of NEC.

In fiscal 2017, NEC Corporation received notifications of three violations of the Antimonopoly Act from the Japan Fair Trade Commission. In order to keep these events fresh in mind and use them as a basis for reflection, we established NEC Compliance Day on November 18, being the date on which we received an on-site inspection by the Japan Fair Trade Commission. In order to promote fair commercial transactions, we consider the commitment of management executives is the most important element in promoting fair commercial transactions. For this reason, on NEC Compliance Day, the management executives issue a

message to all employees to help reaffirm the importance of compliance every year, including promoting fair commercial transactions.

NEC Corporation was also subject to an investigation from the World Bank, on suspicion of violating the World Bank’s procurement guidelines in relation to the planned financing of a tender project in Hanoi, Vietnam, and ultimately reached a settlement agreement with the World Bank in July 2018. On the advice of the World Bank, the Company conducted measures to strengthen its compliance programs, such as revising the “NEC Group Code of Conduct” and regulations and manuals related to preventing bribery. The World Bank lifted its sanctions on January 19, 2020.

NEC will keep past incidents and facts in mind and actively promote fair commercial transactions.

▶ [NEC Group Competition Policy \(English translation\)](#)

Promotion Framework

Competition Law Compliance

It takes effort to comply with competition laws on various fronts, including sales, technology transactions, and materials procurement. NEC Corporation promotes compliance with competition laws in NEC through cooperation and coordination among the multiple divisions involved in each of these areas, with the Compliance Division and the Legal Division serving as co-supervising divisions.

Prevention of Corruption

NEC Corporation is working to prevent corruption in all its forms.

The Compliance Division and the Legal Division act as co-supervising divisions in NEC’s efforts to enforce the “Anti-bribery Policy” and to provide related instruction, support, direction, and training for the internal divisions of NEC Corporation and its domestic consolidated subsidiaries. Checking on routine operations is an important part of preventing corruption, and therefore guidelines have been established by the Human Resources and General Affairs Divisions for hospitality, gifts, and donations, such as political donations, the planning divisions of each business unit for operating expenses, and the Purchasing Division for procurement expenses; expenditures requested by the Company’s divisions are checked to ensure there are no problems.

In fiscal 2020, “risks regarding bribery” was selected as a Priority Risk, and the status of implementation of countermeasures is reported to the Board of Directors.

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Main Activities and Results for Fiscal 2020

Continuous Training and Raising Awareness

Raising awareness through continuous training programs is crucial to increasing employees' awareness of fair commercial transactions. NEC Corporation conducts annual online and stratified training programs on compliance. In addition, we also used NEC Compliance Day as an opportunity to remind employees about the impact of the three incidents of Antimonopoly Act violations caused by NEC Corporation, and will strive to prevent the memory of these incidents from fading.

We provide the business divisions with topics related to fair business transactions through exchanging opinions with business divisions listed in the section on "Compliance and Risk Management." We also raise awareness through the quarterly "Compliance News" newsletter published by the Compliance Division. In addition, for business divisions that face high risks related to antimonopoly laws, we provide face-to-face training for each division with support from the Compliance Division.

▶ Compliance and Risk Management

Establishing and Revising Rules

In initiatives to prevent violations of competition laws, as noted above in "Policy," we established the "Rules for the Prevention of Cartels and Bid Rigging, and Bid Obstruction." These rules clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, distributors, and lease companies. Moreover, NEC Corporation is working to ensure that it does not become suspected or implicated in cartels, bid rigging, and bid obstruction.

We have also implemented email monitoring utilizing AI for early detection of signs of competition law violations.

As an initiative for preventing corruption, in fiscal 2020 we conducted an internal audit regarding corrupt areas, including bribery, covering 5 consolidated subsidiaries in Japan and 11 overseas.

For bribery prevention, NEC Corporation has created an "Anti-Bribery Manual for Business Divisions, Etc." that stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding the division's business and operations and due diligence regarding third parties employed in the Company's business activities. In fiscal 2020, we revised the manual, and added a section that stresses the importance of continued monitoring due to the possibility of risks related to retained parties or partners changing with the passage of time.

Furthermore, as the world's nations work on strengthening their anti-bribery laws, NEC has also developed a "Guideline for Provision of Gifts, Hospitality and Travel Expenses," which describes cautions and measures that overseas consolidated subsidiaries should follow when they provide gifts, hospitality and travel expenses.

As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to either violations of competition laws or bribery that have warranted a public announcement in fiscal 2020.