

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.

Recent years have seen stronger enforcement of laws and regulations regarding competition and anti-corruption around the world. We ensure fair commercial transactions by taking active measures to prevent corruption and fraud and the violation of antimonopoly laws. These measures include setting as a goal zero cases of serious involvement with cartels and/or bid-rigging as a KPI for materiality.

The Company has established the NEC Group Competition Policy,” formulating basic considerations on compliance with Japanese and international 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 consolidated subsidiaries in Japan 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 among others, 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 Antibribery 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 to be 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 anti-corruption. The World Bank lifted its sanctions on January 19, 2020.

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

 NEC Group Competition Policy (English translation)

Implementation 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 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 Antibribery Policy and to provide related instruction, support, direction, and training for the internal divisions of NEC Corporation and its consolidated subsidiaries in Japan.

Checking on routine operations is an important part of preventing corruption, and therefore guidelines have been established by the Human Resources and General Affairs Division 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.

Measures and Main Fiscal 2021 Activities

● 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 web-based training 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 “Rules for Prevention of Cartels, 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 2021 we conducted an internal audit regarding corrupt areas, including bribery, covering seven consolidated subsidiaries in Japan and seven abroad.

For bribery prevention, NEC Corporation has created an “Anti-Bribery Manual for Business Divisions, Etc.,” which 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, including procedures if risk is deemed to be high and due diligence regarding retained parties or partners employed in the Company’s business activities. The manual stresses the importance of evaluating bribery risk through communication with retained parties or partners and collecting information on due diligence as well as 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 consolidated subsidiaries abroad should follow when they provide gifts, hospitality, and travel expenses.

As a result of the implementation of these systems and initiatives, there were no major incidents within NEC related to either violations of competition laws or bribery that warranted a public announcement in fiscal 2021.