


Promoting Fair Commercial Transactions

Policy

We take 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, and broadly disseminates information about this policy within NEC and its consolidated subsidiaries in Japan and abroad. Furthermore, NEC has distributed a portable and business card-sized “NEC Group Competition Policy Card” to NEC Corporation and its consolidated subsidiaries in Japan to make the policy further well known.

 NEC Group Competition Policy (English translation)

Implementation Framework

■ Competition Law Compliance

NEC Corporation promotes compliance with competition laws through cooperation and coordination among the multiple divisions involved in each of these areas, with the Compliance Department and the Legal Department serving as co-supervising divisions.

■ Prevention of Corruption

The Compliance Department and the Legal Department act as co-supervising departments in NEC’s efforts to enforce the Anti-Bribery Policy, producing related manuals and disseminating them within NEC and to its consolidated subsidiaries in Japan and abroad. They also provide instruction, support, direction and training for the internal divisions of NEC Corporation and its consolidated subsidiaries in Japan and abroad. Checking on routine operations is an important part of preventing corruption, and therefore guidelines and rules have been established by the Human Resources and General Affairs Department for hospitality, gifts, and donations, such as political donations, the planning divisions of each business unit for operating expenses, and the Sourcing and Purchasing Department for procurement expenses; expenditures requested by the Company’s divisions are checked to ensure there are no problems.

Measures and Main Fiscal 2022 Activities

■ Our Response to Past Incidents of Violations

In July 2016, NEC was notified by the Japan Fair Trade Commission of violations of the Antimonopoly Act, related to business transactions with Tokyo Electric Power Co., Ltd. (now Tokyo Electric Power Company Holdings, Inc.) in electric power security communications equipment. NEC was notified again of similar violations in February 2017 related to digital wireless communications equipment for fire rescue, and also for business transactions with Chubu Electric Power Co., Ltd. in electric power security communications equipment. In order to keep these three 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.

■ 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 use 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 Department. In addition, for business divisions that face high risks related to antimonopoly laws, we provide training for each division with support from the Compliance Department.

Compliance and Risk Management

■ Rule-Making and Monitoring

Based on the aforementioned initiatives, NEC makes rules and monitors compliance. As a result of these efforts, there were no major incidents within NEC related to either violations of competition laws or bribery that warranted a public announcement in fiscal 2021.

As an initiative for preventing corruption, in fiscal 2022 we conducted an internal audit regarding corrupt areas, including bribery, covering 10 consolidated subsidiaries in Japan and 12 abroad.

Prevention of Violations of Competition Laws

In initiatives to prevent violations of competition laws, we established “Rules for Prevention of Cartels, Bid-Rigging, and Bid Obstruction” for NEC and certain consolidated subsidiaries in Japan. 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 raise awareness, provide training and give instruction about rules, such as the NEC Group Competition Policy, to the internal divisions of NEC Corporation and consolidated subsidiaries in Japan and abroad.

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

Prevention of Bribery

For bribery prevention, in addition to its Anti-Bribery Policy, NEC Corporation has created an “Anti-Bribery Manual,” which is distributed to NEC and its consolidated subsidiaries in Japan and abroad. It stipulates the roles of general managers and specific methods for preventing bribery. These roles and methods include bribery risk assessment regarding a 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.

Additionally, NEC mandates that contracts include provisions about preventing bribery and has changed the scope of monitoring that is performed in order to counter the risk of bribery in business transactions conducted by retained parties or partners. Retained parties enlisted to assist with sales promotions and winning orders are made aware that there may be additional procedures to take, including with related staff divisions, in accordance with the type of risk.

Furthermore, as the world’s nations work on strengthening their anti-bribery laws, NEC has also developed a “Guideline for Provision of Gifts, Hospitality, Travel Expenses and Donations,” which describes cautions that consolidated subsidiaries in Japan and abroad should note.