

Compliance and Risk Management

NEC actively promotes thorough compliance activities and the strengthening of its risk management, including within its supply chain. In these ways, NEC strives to ensure sound business activities for society.

Thorough Internal Compliance and Risk Management

NEC believes that compliance and risk management are essential for a company to exist within society and to meet society's expectations and requirements. Consequently, every year, NEC identifies risks companywide that it needs to address on a priority basis, and carries out improvement activities. NEC also conducts web-based training related to compliance on a continuing basis for NEC Corporation and domestic subsidiaries. In addition, the Company carries out the following initiatives.

● Compliance with Competition Laws and Corruption (Bribery) Prevention

NEC and its domestic and overseas subsidiaries are thorough in abiding by policies regarding competition-law compliance and corruption prevention. To achieve this, we promote awareness-raising and system improvement activities by which we conduct business activities that place compliance as the highest priority in a fiercely competitive world. In fiscal 2015, about 5,000 people, including officers and employees of domestic subsidiaries, underwent group training. All the members of the business units in charge of areas regarded as being at high risk for bribes were advised to take part. At overseas subsidiaries, training for all officers and employees was implemented through e-learning.

● Compliance Self-Checks

In fiscal 2015, NEC started new self-check compliance testing for all general managers of NEC and officers of domestic subsidiaries (except for listed subsidiaries). The self-checks encourage awareness of compliance weaknesses in the checker's own division and promote early

detection and elimination of problems by giving feedback to each division in the form of an analysis of the results and advice on best practices.

● Compliance Hotline

The Company established a compliance hotline at NEC Corporation and a third-party organization as a point of contact for consultation and reporting in the event an employee for some reason cannot consult a superior or associated division about actions that are or may be a breach of the "NEC Group Code of Conduct." In fiscal 2015, there were 65 cases of consultations or reports, such as doubts about internal systems or management and claims about the possibility of breaches of ethical behavior. Details of the matters consulted on or reported were evaluated by the internal divisions in charge to determine whether the claims required a follow-up survey. Then, the results of any survey were given to those who requested consultation.

NEC has been working to implement thorough compliance practices, including through the above measures. However, in November 2014, the Fair Trade Commission conducted on-site inspections on suspicion of NEC's violation of the Antimonopoly Act of Japan in connection with transactions concerning radio systems for firefighting. Moreover, in May 2015, there were more such inspections in connection with transactions concerning telecommunications equipment for electric power systems. Taking these incidents very seriously, the NEC Group is cooperating fully with the commission's investigations.

Strengthening Suppliers' CSR

NEC is engaged in a variety of initiatives to bolster suppliers' CSR based on the NEC Group Procurement Policy.

One aspect of that has been CSR-Process Management Reviews (CSR-PMR), which have been conducted since fiscal 2013. The reviews involve visiting suppliers' sites and conducting onsite assessments of human rights, labor, health, and safety. Unlike a regular audit, a feature of this activity is the concept of joint CSR capability building, which involves dialog with the supplier to raise the CSR abilities of both parties.

In fiscal 2015, CSR-PMR assessments were conducted in collaboration with a local NGO on three production contractors in China. As a result, several problems were found that included employment conditions, working hours, and health and safety management. We issued corrective-action recommendations and subsequently confirmed

that progress had been made. Going forward, we will expand the number of assessments carried out and the regions to assess.



Assessment at a plant