

Promoting Fair Commercial Transactions

Policy

NEC is actively involved in promoting fair commercial transactions, such as structural reinforcement to comply with laws and regulations regarding competition and bribery. This is an important activity for ensuring compliance, as one of the themes in its “materiality” the priority management theme from an ESG perspective. In addition, NEC believes that it is important to constantly place the highest priority on compliance and to pursue it in this era of severe global competition. Anti-corruption such as bribery is one of the ten principles of the UN Global Compact and is a common concern worldwide. NEC is actively involved in addressing this issue.

In recent years, the enforcement of laws and regulations regarding competition and bribery has been strengthened globally. NEC has established the “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 “Competition Policy Card” to all corporate officers and employees of NEC Corporation and its domestic consolidated subsidiaries in Japan to make the policy further well known.

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, as an annual event for reconfirming the importance of compliance.

NEC Corporation was also subject to an onsite inspection from the World Bank, on suspicion of violating the World Bank’s procurement guidelines in relation to a planned financing of a tender project in Hanoi, Vietnam, and ultimately reached a settlement agreement with the World Bank in July, 2018. In response, we revised our “Rules for the Prevention of Cartels and Bid-rigging,” aiming to clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, sales agencies, and lease companies. The name of the revised rules was changed to “Rules for Prevention of Cartels, Bid-rigging, and Bid Obstruction,” and NEC Corporation is working to

further reduce the risk of being suspected or implicated in cartels, bid-rigging, and bid obstruction.

With regard to anti-bribery, NEC has also established an “Anti-bribery Policy,” with the intention of instituting a system to prevent bribery and corruption and of 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.

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

▶ [NEC Group Competition Policy](#)

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 Legal Division and the Compliance Division serving as co-supervising divisions.

Bribery Prevention

The Legal Division and Compliance Division of NEC Corporation 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 General Affairs Division for hospitality, gifts, and donations, such as political donations, the planning divisions of each business unit for operating expenses, and the Procurement Division for procurement expenses; expenditures requested by the Company’s divisions are checked to ensure there are no problems.

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Main Activities and Results for Fiscal 2019

Message from Top Management

In order to promote fair commercial transactions, it is important to clarify the stance of management executives on this issue. As described in the “Compliance and Risk Management” section, management executives send messages to all employees about ensuring compliance, including fair commercial transactions.

Continuous Training and Raising Awareness

Raising awareness through continuous training programs is crucial to increasing employees’ awareness of fair commercial transactions. In addition to NEC Corporation’s annual web-based and stratified education programs on compliance, we also used NEC Compliance Day for fiscal 2019 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.

Moreover, in response to the bidding incident regarding Hanoi City in Vietnam, described above in “Policy,” NEC Corporation took steps to prevent a recurrence, such as holding group training programs, mainly for sales divisions targeting overseas markets, to reinforce key points that they should remember. We also provided an online education program on anti-bribery and public procurement compliance training using an e-learning service provided by an external legal office for all employees of overseas consolidated subsidiaries. At a compliance seminar for consolidated subsidiaries in the APAC region, we visited NEC Vietnam Co., Ltd. to hold a discussion on preventing recurrence. Important points were also shared with general counsels of our main overseas consolidated subsidiaries at the Global Legal & Compliance Meeting.

Other Initiatives

In initiatives to prevent violations of competition laws, as noted above in “Policy,” we revised our previous “Rules for the Prevention of Cartels and Bid-rigging” to clarify prohibited conduct under competition laws with regard to customers such as governmental agencies and so forth, and their vertically related consultants, sales agencies, and lease companies, and changed the name of the revised rules to “Rules for Prevention of Cartels, Bid-rigging, and Bid Obstruction.” We have also implemented email monitoring utilizing AI for early detection of signs of violations of competition laws.

In our anti-bribery initiatives, in fiscal 2019 we conducted internal audits regarding bribery for 15 overseas consolidated subsidiaries operating in areas that have a high bribery risk. NEC Corporation has also created an “Anti-bribery Manual” 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 to be employed in the Company’s business activities. 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. In addition, with regard to the Rugby World Cup 2019, for which NEC Corporation is an official sponsor, we have formulated guidelines laying out procedures for inviting private sector customers from outside Japan to reduce the risk of bribery.

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 2019.