

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

NEC CORPORATION

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	4/8
2. Internal Controls	6	4/12
3. Support to Employees	7	8/14
4. Conflict of Interest	4	0/8
5. Customer Engagement	7	1/14
6. Supply Chain Management	5	3/10
7. Agents, Intermediaries and Joint Ventures	10	1/20
8. Offsets	4	0/8
9. High Risk Markets	4	5/8
10. State-Owned Enterprises	0	N/A
TOTAL		26/102
BAND		E

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
1
Comments
<p>Based on public evidence, the company has a publicly stated anti-bribery corruption statement, which is endorsed by its leadership.</p> <p>However, this statement is weak, indirect and unspecific, and makes only a general commitment to comply with anti-bribery principles.</p>
Evidence
<p>[1] NEC 2018 Integrated Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf [p.4]</p> <p style="text-align: right;">Message from the President</p> <hr/> <h3 style="text-align: center;">NEC's Role as a Social Value Innovator</h3> <hr/> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Since its establishment in 1899, NEC has been creating products and services of value to customers under the motto of "Better Products, Better Services." I believe NEC's enduring commitment since its foundation to utilize its powerful technical capabilities to provide better value to customers and society is the reason that it has been accepted by society for 119 years. This approach has been passed down to us in the NEC Way, which encapsulates the NEC Group's management philosophy, vision and business framework. The NEC Way guides all of us at NEC.</p> <p>Meanwhile, the value that customers and society expect from us is constantly changing. Up until now, our technologies and products have been a sufficient source of value, but customers and society are now requiring increasingly diverse sources of value. To remain an essential company in the eyes of society in the years to come, we must create new value by constantly keeping our finger on the pulse of what it consists of.</p> <p>To express this resolution both internally and externally, we adopted "Orchestrating a brighter world" as our Brand Statement in 2014. This Brand Statement reflects NEC's determination to realize bright, hope-filled societies and ways of life. As a leading integrator that possesses both computing and network technologies who</p> </div> <div style="width: 45%;"> <p>combines them with diverse knowledge and ideas in collaboration with people around the world, this is our aim. As a social value innovator, we will continue to provide value in the form of safety, security, efficiency and equality, which are prerequisites for all people, and an abundant society by leveraging our strengths. This is our approach to sustainability and our vision for the Company.</p> <p>In 2005, NEC became a signatory to the United Nations Global Compact (UNGC), a global initiative aimed at sustainable growth for society and companies. In our corporate activities we now observe the compact's 10 principles pertaining to the fields of human rights, labor, the environment, and anti-corruption. As part of efforts in "Orchestrating a brighter world," I am confident that NEC can also contribute to the achievement of the Sustainable Development Goals (SDGs) adopted by the UN in 2015.</p> <p>In addition, with the formulation of the Mid-term Management Plan 2020, NEC has defined its materiality—priority management themes from an ESG perspective. This outlines the approach to social value creation that we have practiced since our foundation and connects our business strategies with ESG initiatives as a new declaration to our various stakeholders of our commitment to achieving the mutual growth of NEC and society.</p> </div> </div>

July 2018

Takashi Niino
President and CEO

[2] Message from the President (Webpage)

Accessed 29/07/2019

<https://www.nec.com/en/global/csr/message/index.html>

Initiating desirable change for society and the environment in our 120th year by offering products and services that promote safety, security, efficiency, and equality

Since its establishment in 1899, NEC has contributed to customers and society by consistently providing products and services centered on IT and networks under the motto of "Better Products, Better Services." In 2014, we created the Brand Statement "Orchestrating a brighter world" and have since then promoted business activities that originate from our desire to address important social issues through the utilization of our ICT assets and co-creation with our stakeholders.

In fiscal 2018, under the Mid-term Management Plan 2020, NEC identified its priority management themes from an environmental, social, and governance (ESG) perspective, or "Materiality," and pursued the following activities.

■Environmental Perspective

To integrate environmental initiatives related to climate change and other issues into our management decisions, NEC expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) in July 2018. Aiming for zero CO₂ emissions from our own business activities in fiscal 2050, NEC's environmental promotion and business divisions have united to analyze risks and opportunities resulting from climate change and are reflecting the results of these analyses in our business plans.

■Social Perspective

NEC is conducting its business activities by placing utmost priority on privacy considerations and other human rights in relation to the application and utilization of AI and biometrics data across all businesses. This approach not only reduces and avoids risks but also improves the reliability of solutions and services offered by the NEC Group. To clearly communicate this principle both internally and externally, NEC released the "NEC Group AI and Human Rights Principles" in April 2019. NEC also actively trains personnel with a high level of social sensitivity to be able to create value that remains socially acceptable amidst the rapidly changing business environment. NEC is endeavoring to transform its corporate culture by not only enhancing the execution capabilities of each and every employee at their respective workplaces but also implementing reforms in its human resource systems, promoting value-added work styles, and setting specific targets for the proportion of female employees and persons in managerial positions as part of initiatives to promote inclusion and diversity.

■Governance Perspective

In addition to enforcing thorough compliance, NEC is working towards reforming its business execution system, clarifying the decision-making process and role of its Board of Directors, and enhancing the sophistication of processes for nomination and compensation of Directors and Board Members.



All of these activities are based on the Ten Principles in the four areas of human rights, labor, environment, and anti-corruption of the United Nations Global Compact, a global initiative aimed at facilitating the sustainable growth of society and corporations to which NEC became a signatory in 2005. NEC is also committed to contributing to the achievement of the Sustainable Development Goals (SDGs) by engaging in dialogue with customers and various other stakeholders while working together with them to promote these activities.

This year marks NEC's 120th anniversary. Looking back over the past 120 years, I am once again reminded that society has experienced extremely intense changes over the past 20 years. Even bigger changes may lie ahead in the next 10 years. To survive in these rapidly changing times, each and every one of us must think independently, act with speed, and endeavor to exhibit change from within ourselves. Likewise, we need to thoroughly consider how we can create systems that enable humans to live more comfortable and fulfilling lives. As a company in Japan—a pioneer in taking on challenges—NEC is in a unique position to create safe, secure, efficient, and equitable products and services. My vision is for NEC to become a company that initiates desirable change for society and the environment by offering products and services that promote safety, security, efficiency, and equality.

July 2019

Takashi Niino
President and CEO



Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
1
Comments
<p>Based on public evidence, the company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery and payments to public officials. This policy clearly applies to all employees and board members, regardless of their seniority.</p> <p>However, the company does not refer to commercial bribery or facilitation payments.</p>
Evidence
<p>[3] Code of Conduct (Webpage) Accessed 26/03/2020 https://sg.nec.com/en_SG/global/about/code.html I. General Provisions</p> <p>1. Purposes and Application of the Code of Conduct</p> <ol style="list-style-type: none"> 1. WE (*) recognize that the key to enhancing the corporate value of the NEC Group is fulfilling our corporate social responsibility in our day-to-day work. Therefore, WE will faithfully observe the provisions of this NEC Group Code of Conduct (this "Code"). (*)"WE" means the Officers (including directors, corporate auditors, and certain other personnel) and Employees (including temporary and part-time employees) of NEC Group companies. 2. This Code shall be applied to the Officers and Employees of each company in the NEC Group subject to the approval of each company's board of directors. <p>2. Basic Position</p> <ol style="list-style-type: none"> 1. WE will comply with all applicable laws, rules, regulations, and in-house regulations, including this Code, in every aspect of our corporate activities at all times. WE will strive to ensure that all corporate activities are in compliance with normal business practices and social ethics. <p>[...]</p> <p>III. Relations with Customers, Business Partners, and Competitors</p> <p>[...]</p> <p>2. Free Competition and Fair Commercial Transactions</p> <ol style="list-style-type: none"> 1. WE will conduct fair commercial transactions with all business partners based on the principle of free competition and in compliance with anti-trust, competition, and fair trade laws and all other applicable laws, rules, and regulations. 2. WE will not undertake any action that inhibits free and fair competition, including collusion and cartel formation, nor will WE participate in meetings or in exchanges of information that may limit free competition or engage in any activity that may be construed as doing so. 3. WE will always keep relations with customers, business partners, and competitors open and fair. In addition, WE will carry out all commercial transactions with integrity by adhering to social ethics. <p>3. Policies on Transactions with Suppliers of Materials and Services</p>

1. WE will carry out commercial transactions with suppliers of materials and services, including companies such as advertising agencies in a fair and equal manner while being compliant with applicable laws, rules, regulations, and contracts.
2. WE will not abuse any superior position that we may have as a customer to cause inappropriate disadvantage to suppliers.
3. WE will not seek personal gain by accepting any benefits or special convenience in procurement or other purchasing operations.

4. Policies on Transactions with Distributors

1. WE will carry out commercial transactions with distributors in a fair and equal manner while being compliant with applicable laws, rules, regulations, and contracts.
2. WE will not take inappropriate or unlawful actions against distributors, including exclusionary measures, discriminatory treatment, and restrictions on their business operations.

5. Policies on Entertainment and Gifts

1. WE will conduct ourselves with sound business practices and social norms when WE provide or receive entertainment or exchange gifts with business partners or others.
2. WE will not, under any circumstances, offer bribes to members of the national Diet, heads of regional public organizations, members of prefectural or municipal assemblies, or officials of government agencies or regional public organizations (including personnel of public corporations and other government-affiliated organizations who shall be deemed to be public officials under applicable laws, rules, and regulations). In addition, WE will not provide any benefits to gain unfair business advantage, entertain in a way that could be construed as offering benefits, or offer gifts or any other treatment that lacks justifiable grounds.
3. WE will not conduct any acts involving foreign officers such as officials of foreign governments or regional public organizations that could be construed as bribery or the provision of benefits to gain an unfair business advantage under any circumstances under applicable laws, rules, and regulations.

[4] NEC 2018 Sustainability Report (Document)

Accessed 29/07/2019

https://www.nec.com/en/global/csr/pdf/2018_report.pdf

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Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities.

Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, 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 bribery that have warranted a public announcement in fiscal 2018.

Question

1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?

Score

2

Comments

Based on public information, there is evidence that the board or a designated board committee oversees the company's anti-bribery and corruption programme. There is evidence to suggest that it engages in formal oversight functions, such as reviewing reports from management or the results of internal and external audits.

Evidence

[4] NEC 2018 Sustainability Report (Document)

Accessed 29/07/2019

https://www.nec.com/en/global/csr/pdf/2018_report.pdf

[p.52]

Promotion Framework

NEC Corporation enforces and effectively implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Internal Control Division and the Corporate Auditing Bureau.

1. Board of Directors

Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on the activities taken for the Priority Risks.

2. Executive Committee

The Executive Committee discusses important NEC's management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies.

3. Audit & Supervisory Board Members (Kansa-yaku)

The Audit & Supervisory Board Members audit the performance of duties within the company by regularly receiving and discussing reports of audit results from the Corporate Auditing Bureau, or by receiving reports on the status of operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline).

4. Risk Control and Compliance Committee

The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related prevention of recurrence and preventive measures, and deliberates policies for risk management activities and policies for selection and countermeasures of the Priority Risks. The committee executes a supervisory function in company-wide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction to improving and enhancing measures as needed.

5. Internal Control Division

The Internal Control Division formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. In addition, the division provides the necessary support, coordination and guidance to ensure that risk management in the business and corporate staff divisions is implemented systematically and effectively.

For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey and exchanging information with subsidiaries worldwide.

In addition, the division regularly receives and discusses reports on audit results from the Corporate Auditing Bureau and receives status reports on the operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline).

6. Corporate Auditing Bureau

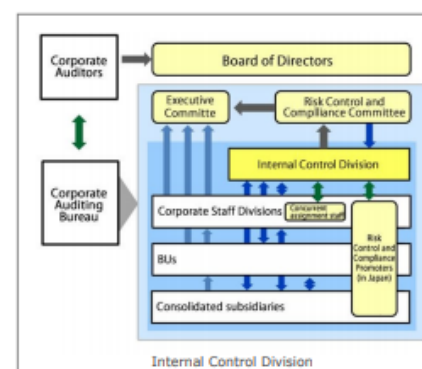
The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the president and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly and efficiently, as well as in pointing out problems and making proposals for improvement.

7. Framework for Promoting Compliance in Consolidated Subsidiaries Worldwide

In regard to domestic consolidated subsidiaries, compliance frameworks are being developed through the activities of the Risk Control and Compliance Managers and promoters set up in each company.

In regard to overseas consolidated subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance.

NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the domestic and overseas consolidated subsidiaries to headquarters in Japan.



[p.58]

Bribery Prevention

Legal Division and Internal Control 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. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division for

entertainment, gifts, and 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.

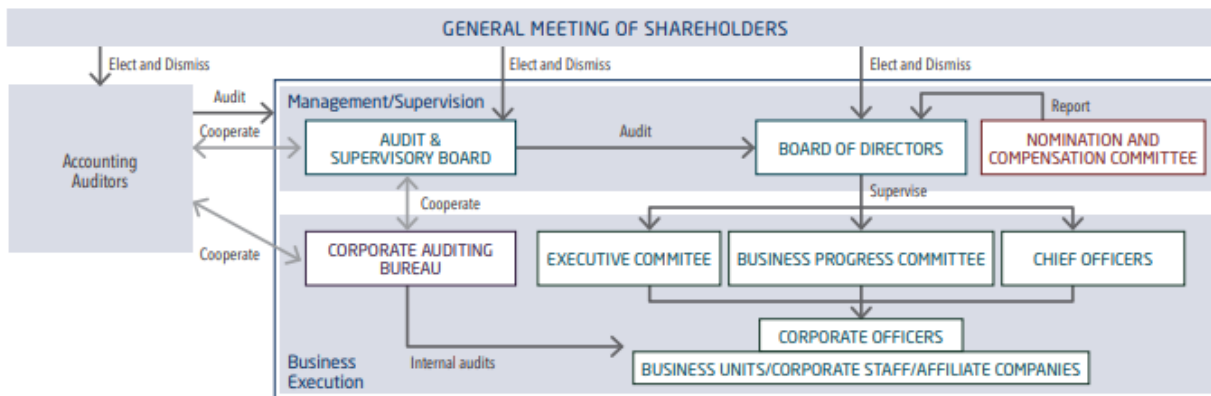
[1] NEC 2018 Integrated Report (Document)

Accessed 29/07/2019

https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf

[p.40]

Overview of the Corporate Governance Structure



[3] Code of Conduct (Webpage)

Accessed 26/03/2020

https://sg.nec.com/en_SG/global/about/code.html

5. Establishment and Revision of This Code

1. The establishment of this Code was decided on by the board of directors of NEC Corporation following deliberations by the Risk Control and Compliance Committee of NEC Corporation.
2. Each company in the NEC Group may modify this Code based on a decision by its board of directors, provided that the modifications do not contradict this Code.
3. Any revisions of this Code, if necessary, will be decided by using the same procedures as used to establish the Code.

[5] Basic Policy on Internal Control Systems (Webpage)

Accessed 29/07/2019

<https://www.nec.com/en/global/about/internalcontrol.html>

1. Systems for ensuring compliance with the laws and NEC's Articles of Incorporation in the performance of duties by directors and employees

(1)
Directors and corporate officers shall, through NEC Group Management Policy that contains rules and concepts to be shared by NEC and its subsidiaries (the "NEC Group"), take the lead in practicing NEC Group Charter of Corporate Behavior and the NEC Group Code of Conduct that were adopted to establish business ethics standards for NEC Group and to ensure compliance by directors, corporate officers and employees of the NEC Group with laws and regulations, the Articles of Incorporation and internal rules, and promote their thorough understanding by way of repeatedly transmitting information about importance of complying with them.

(2)
Compliance Division shall prompt an understanding and implementation of NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct throughout the NEC Group, and the Corporate Auditing Bureau shall conduct internal audits on the NEC Group's compliance with laws and regulations, the Articles of Incorporation and internal rules and make reports on any deficiencies or non-compliance and proposals for improvements.

(3)
A director shall report to audit & supervisory board members (KANSAYAKU) (the "Kansayaku") on any material violation of laws and regulations or any material facts relevant to the violation of laws and internal rules immediately upon his or her finding, and shall also report to the Board of Directors without delay.

(4)
NEC shall endeavor to uncover any violation of laws and regulations within the NEC Group or any violation or suspected violation of NEC Group Charter of Corporate Behavior or NEC Group Code of Conduct at an early stage by prompting the use of "Compliance Hotline", a compliance hotline, reporting to the Corporate Auditing Bureau and an independent third party organization.

(5)

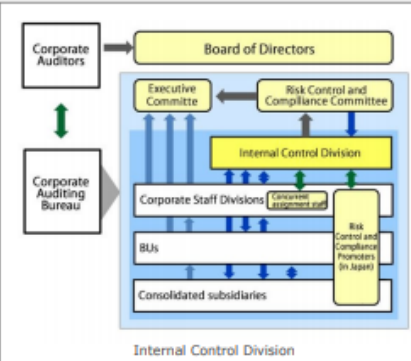
Risk Control and Compliance Committee shall deliberate on investigating causes of, formulating preventative measures on, and disclosing the information of, irregularities within the NEC Group. Compliance Division shall promote preventative measures formulated by the Risk Control and Compliance Committee.

(6)

NEC shall interdict any and all relationship with antisocial factions and groups which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside professionals such as the police.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
0
Comments
Based on public information, there is no clear evidence that a managerial-level individual has been assigned ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme.
Evidence
<p>[3] Code of Conduct (Webpage) Accessed 26/03/2020 https://sg.nec.com/en_SG/global/about/code.html</p> <p>3. Accountability for Adherence to this Code</p> <ol style="list-style-type: none"> 1. WE will act faithfully in compliance with this Code. 2. The Officers and the Employees who are in a managerial position will provide guidance and supervision to ensure that all their subordinates observe the provisions of this Code. 3. The divisions concerned in our company will undertake the activities necessary to ensure that the corporate activities are in compliance with this Code, including the formulation of in-house regulations and behavior manuals, promotion of thorough awareness of specific rules to observe, and provision of advice and guidance. 4. WE recognize that a violation of this Code may result in disciplinary action under and in accordance with applicable laws, rules, regulations, and/or in-house regulations. <p>[...]</p> <p>5. Establishment and Revision of This Code</p> <ol style="list-style-type: none"> 1. The establishment of this Code was decided on by the board of directors of NEC Corporation following deliberations by the Risk Control and Compliance Committee of NEC Corporation. 2. Each company in the NEC Group may modify this Code based on a decision by its board of directors, provided that the modifications do not contradict this Code. 3. Any revisions of this Code, if necessary, will be decided by using the same procedures as used to establish the Code.

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
2
Comments
<p>Based on public information, there is some evidence that the company has a formal risk assessment that informs the design of its anti-bribery and corruption policy. There is evidence that the results of risk assessments are reviewed annually at board level and that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.52]</p> <p>Promotion Framework</p> <p>NEC Corporation enforces and effectively implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Internal Control Division and the Corporate Auditing Bureau.</p> <ol style="list-style-type: none"> 1. Board of Directors Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on the activities taken for the Priority Risks. 2. Executive Committee The Executive Committee discusses important NEC's management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies. 3. Audit & Supervisory Board Members (Kansa-yaku) The Audit & Supervisory Board Members audit the performance of duties within the company by regularly receiving and discussing reports of audit results from the Corporate Auditing Bureau, or by receiving reports on the status of operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline). 4. Risk Control and Compliance Committee The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related prevention of recurrence and preventive measures, and deliberates policies for risk management activities and policies for selection and countermeasures of the Priority Risks. The committee executes a supervisory function in company-wide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction to improving and enhancing measures as needed. 5. Internal Control Division The Internal Control Division formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. In addition, the division provides the necessary support, coordination and guidance to ensure that risk management in the business and corporate staff divisions is implemented systematically and effectively. For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey and exchanging information with subsidiaries worldwide. In addition, the division regularly receives and discusses reports on audit results from the Corporate Auditing Bureau and receives status reports on the operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline). 6. Corporate Auditing Bureau The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the president and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly and efficiently, as well as in pointing out problems and making proposals for improvement. 7. Framework for Promoting Compliance in Consolidated Subsidiaries Worldwide In regard to domestic consolidated subsidiaries, compliance frameworks are being developed through the activities of the Risk Control and Compliance Managers and promoters set up in each company. <p>In regard to overseas consolidated subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance. NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the domestic and overseas consolidated subsidiaries to headquarters in Japan.</p>  <p>Internal Control Division</p>
<p>[p.54]</p>

Risk Management

Selecting "Priority Risks" and Countermeasures

The Internal Control Division annually identifies "important risks", selected from the perspectives of the need for additional countermeasures and the magnitude of the impact on corporate business and society. These are based on the result of risk assessment for each division which was obtained through a questionnaire-based "risk management survey", and findings in the internal audit by the Corporate Auditing Bureau, etc. NEC Corporation selects "Priority Risks" following deliberations by the Risk Control and Compliance Committee and the Executive Committee on risks deemed to require new countermeasures, including improvements to the existing countermeasures, and on risks that may significantly affect NEC's continuity. The divisions nominated by the Risk Control and Compliance Committee devise countermeasures as the risk owners.

[p.59]

Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities. Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, 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 bribery that have warranted a public announcement in fiscal 2018.

[3] Code of Conduct (Webpage)

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5. Establishment and Revision of This Code

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2. Each company in the NEC Group may modify this Code based on a decision by its board of directors, provided that the modifications do not contradict this Code.
3. Any revisions of this Code, if necessary, will be decided by using the same procedures as used to establish the Code.

Question

2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?

Score

0

Comments

There is no clear evidence that the company's anti-bribery and corruption programme is subject to audit or review.

Evidence

[4] NEC 2018 Sustainability Report (Document)

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[p.52]

Promotion Framework

NEC Corporation enforces and effectively implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Internal Control Division and the Corporate Auditing Bureau.

1. Board of Directors
Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on the activities taken for the Priority Risks.

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The Executive Committee discusses important NEC's management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies.

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For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey and exchanging information with subsidiaries worldwide.

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6. Corporate Auditing Bureau

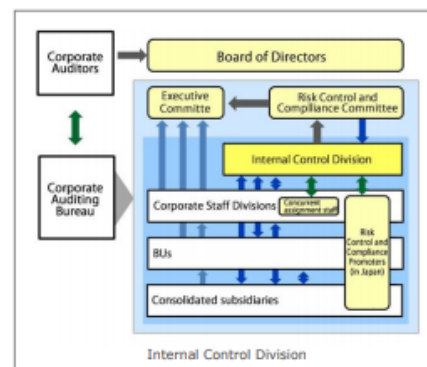
The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the president and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly and efficiently, as well as in pointing out problems and making proposals for improvement.

7. Framework for Promoting Compliance in Consolidated Subsidiaries Worldwide

In regard to domestic consolidated subsidiaries, compliance frameworks are being developed through the activities of the Risk Control and Compliance Managers and promoters set up in each company.

In regard to overseas consolidated subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance.

NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the domestic and overseas consolidated subsidiaries to headquarters in Japan.



[p.54]

Risk Management

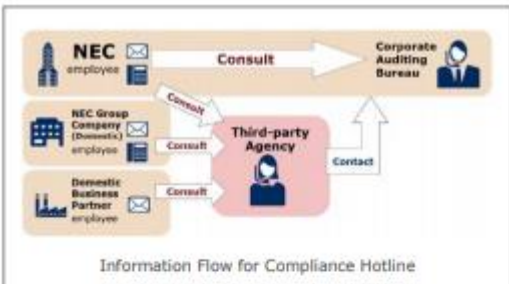
Selecting "Priority Risks" and Countermeasures

The Internal Control Division annually identifies "important risks", selected from the perspectives of the need for additional countermeasures and the magnitude of the impact on corporate business and society. These are based on the result of risk assessment for each division which was obtained through a questionnaire-based "risk management survey", and findings in the internal audit by the Corporate Auditing Bureau, etc. NEC Corporation selects "Priority Risks" following deliberations by the Risk Control and Compliance Committee and the Executive Committee on risks deemed to require new countermeasures, including improvements to the existing countermeasures, and on risks that may significantly affect NEC's continuity. The divisions nominated by the Risk Control and Compliance Committee devise countermeasures as the risk owners.

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
1
Comments
<p>Based on public evidence, the company commits to investigating incidents and there is a specific procedure in place to deal with whistleblowing cases.</p> <p>However, there is no evidence that the procedure covers the whole investigation from receipt to outcome, or that investigations are handled by an independent team which reports to an independent board member. There is also no evidence of a commitment to providing whistleblowers with updates on the outcome of investigations or that each investigation is documented, with summary information reviewed by a central body.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.52]</p> <p>4. Risk Control and Compliance Committee The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related prevention of recurrence and preventive measures, and deliberates policies for risk management activities and policies for selection and countermeasures of the Priority Risks. The committee executes a supervisory function in company-wide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction to improving and enhancing measures as needed.</p>

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
There is no evidence that the company assures itself of the quality of its internal investigations.
Evidence
No evidence found.

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
0
Comments
There is no evidence that the company has an investigative procedure which includes a commitment to report material findings to the board or relevant authorities.
Evidence
No evidence found.

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
1
Comments
<p>The company publishes some high-level information on its ethics and compliance-related incidents and investigations involving company employees. The data covers the number of reports received and is updated on an annual basis.</p> <p>However, the information that the company publishes does not cover the number of investigations launched, and the number of disciplinary actions as a result of investigation findings. It is also unclear whether the information applies to employees at all levels, i.e. board members or other executives.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.54]</p>  <p>The diagram illustrates the information flow for the Compliance Hotline. It shows three levels of consultation: NEC employee, NEC Group Company (Domestic) employee, and Domestic Business Partner employee. All three levels have arrows pointing to a central 'Third-party Agency' box, labeled 'Consult'. From the 'Third-party Agency' box, an arrow points to the 'Corporate Auditing Bureau' box, labeled 'Contact'.</p> <p>The fact that who consults/reports what to the Compliance Hotline is guaranteed to be confidential by personnel in charge. One who consults/reports will never be retaliated due to the consulting/reporting fact. These are informed at our intranet web portal, and disseminated to employees through the education and training programs.</p> <p>NEC Corporation believes that the Compliance Hotline is an effective system to early detect incidents that may violate the compliance, and it is important to disseminate this system to employees in order to promote its usage. The recognition rate of this system within NEC Corporation has remained above 90% for the past several years. (In fiscal 2018, it was 96.9%, the highest ever) As a result, in fiscal 2018, the number of consulting/reporting cases was 118, increased by 17 from the previous year. The topics of consulted/reported cases are the violations against ethical behavior criteria, violations against or injustice to the NEC Group Code of Conduct or company rules, and possibilities of some violations. These cases have been appropriately handled.</p> <p>NEC's overseas consolidated subsidiaries also set up the whistle-blowing system operated by a third-party per region, which is available for the local executives and employees to use. The consulted/reported cases and how the overseas consolidated subsidiaries treated are shared with NEC Corporation.</p> <p>[p.58]</p>

| Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities.

Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, 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 bribery that have warranted a public announcement in fiscal 2018.

3. Support to Employees

Question														
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?														
Score														
2														
Comments														
Based on public information, there is evidence that the company provides training that outlines the principles of the anti-bribery and corruption policy, including the whistleblowing options available to employees. The company provides this training to all employees across all divisions and countries of operation, and in all appropriate languages. There is evidence that compliance trainings are undertaken annually by the employees.														
Evidence														
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.51]</p> <p>Objectives, Achievements and Progress, and Degree of Completion (Degree of completion: ⊕Achieved, ○Mostly Achieved, △Some Progress, ×No Progress)</p> <table> <tr> <th>Objectives for the Mid-term</th><th>FY2018 Objectives</th><th>FY2018 Achievements and Progress</th><th>Degree of Completion</th><th>FY2019 Objectives</th></tr> <tr> <td>1. Ensure the compliance</td><td> <ul style="list-style-type: none"> Implement the web-based compliance training. Maintain and increase the recognition rate of the "Compliance Hotline." </td><td> <ul style="list-style-type: none"> Established "NEC Compliance Day" (November 18.) Conducted the web-based compliance training (completion rate in NEC Corporation: 98.3%.) Recognition rate of the Compliance Hotline was increased (recognition rate in NEC Corporation: 96.9%.) </td><td>⊕</td><td> <ul style="list-style-type: none"> Deliver the executive messages to employees on the occasion of NEC Compliance Day. Raise the completion rate of web-based compliance training (completion rate in NEC Corporation: 98% or higher.) Number of reports to the Compliance Hotline: 100 cases or more. Number of cases of involvement with serious cartel/bid-rigging: 0. </td></tr> </table>					Objectives for the Mid-term	FY2018 Objectives	FY2018 Achievements and Progress	Degree of Completion	FY2019 Objectives	1. Ensure the compliance	<ul style="list-style-type: none"> Implement the web-based compliance training. Maintain and increase the recognition rate of the "Compliance Hotline." 	<ul style="list-style-type: none"> Established "NEC Compliance Day" (November 18.) Conducted the web-based compliance training (completion rate in NEC Corporation: 98.3%.) Recognition rate of the Compliance Hotline was increased (recognition rate in NEC Corporation: 96.9%.) 	⊕	<ul style="list-style-type: none"> Deliver the executive messages to employees on the occasion of NEC Compliance Day. Raise the completion rate of web-based compliance training (completion rate in NEC Corporation: 98% or higher.) Number of reports to the Compliance Hotline: 100 cases or more. Number of cases of involvement with serious cartel/bid-rigging: 0.
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Spread Education and Enlightenment Activities in Japan and Overseas

NEC Corporation conducts the web-based training program regarding the compliance for all the executives and employees once a year (completion rate in NEC Corporation: 98.3% in fiscal 2018). Our domestic consolidated subsidiaries also use this educational program, where almost all of members participated (completion rate in domestic consolidated subsidiaries: 98.0%) in fiscal 2018. Also, the web-based compliance training program is translated into multiple languages (English, Spanish, Portuguese, and Chinese), which made our overseas consolidated subsidiaries available to take this program. After they completed the program, we collected their pledges in which they pledged to comply with the NEC Group Code of Conduct and other internal policies.

"NEC Business Ethics" is the forum where our president uses his own words to tell how important the compliance is, which is held annually for NEC Corporation and its domestic consolidated subsidiaries. In fiscal 2018, the forum was held themed on "Three Types of Trusts – To Focus on Sustaining Business Growth," where he confirmed to focus on the business growth centering on the trusts of clients, shareholders, and colleagues at workplace by acting fairly and honestly to eradicate violations of compliance.

Furthermore, NEC Corporation emphasizes the importance of action that complies with the NEC Group Code of Conduct using the opportunities of the trainings and educations for new employees, and stratified education programs for new officers and new general managers. To strengthen the compliance management in overseas consolidated subsidiaries as well, we also conduct the education and training programs for executives to be posted there and for the local executives there.

The latest information on the compliance is disseminated and shared within NEC through our intranet web portal "Risk Control and Compliance" (in Japan) and "DASHBOARD Global" (overseas). We also provide the timely topics in consideration for our business

environment by issuing the push-type newsletter "Compliance News" every month.

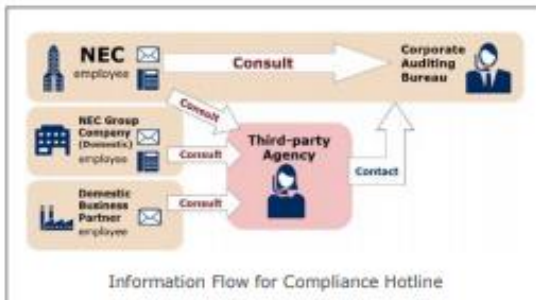
For NEC Corporation and its domestic consolidated subsidiaries, we also compiled 170 expected case examples on compliance as "NEC Group Code of Conduct Case Sheet" to advice the points to keep in mind when we behave. The case examples of this Case Sheet are reviewed every year, which is posted on our intranet web portal and is used as the training aid for managers to be at the time of their promotion. In this way, we continue the educational activities.

Compliance Hotline (Whistle-blowing system for employees and business partners)

NEC believes that creating a positive working environment for all is important to enforce compliance. Accordingly, we are taking care to raise employee awareness so there can be consultations with superiors, colleagues or others from related divisions about any concerns or issues on compliance in the workplace.

Compliance Hotline, internal reporting system, has also been established in the Corporate Auditing Bureau for consultations from employees encountering violations or suspected violations of the NEC Group Code of Conduct. NEC has established an additional contact point for this hotline at a third-party agency in order to enhance convenience and to address a broader range of risks at an early stage. This contact point fields consultations and reports from not only employees of NEC Corporation but also its domestic subsidiaries and business partners.

[p.54]



The fact that who consults/reports what to the Compliance Hotline is guaranteed to be confidential by personnel in charge. One who consults/reports will never be retaliated due to the consulting/reporting fact. These are informed at our intranet web portal, and disseminated to employees through the education and training programs.

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[p.58]

Bribery Prevention

Legal Division and Internal Control 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. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division for

entertainment, gifts, and 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.

Question
3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees: a) Employees in high risk positions, b) Middle management, c) Board members.
Score
1
Comments
<p>Based on public information, the company states that employees in certain positions receive different or tailored anti-bribery and corruption training.</p> <p>However, these positions are unclear and the company does not make specific reference to all three categories of employee referred to in the question.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.53]</p> <div> <div> <p>Spread Education and Enlightenment Activities in Japan and Overseas</p> <p>NEC Corporation conducts the web-based training program regarding the compliance for all the executives and employees once a year (completion rate in NEC Corporation: 98.3% in fiscal 2018). Our domestic consolidated subsidiaries also use this educational program, where almost all of members participated (completion rate in domestic consolidated subsidiaries: 98.0%) in fiscal 2018. Also, the web-based compliance training program is translated into multiple languages (English, Spanish, Portuguese, and Chinese), which made our overseas consolidated subsidiaries available to take this program. After they completed the program, we collected their pledges in which they pledged to comply with the NEC Group Code of Conduct and other internal policies.</p> <p>"NEC Business Ethics" is the forum where our president uses his own words to tell how important the compliance is, which is held annually for NEC Corporation and its domestic consolidated subsidiaries. In fiscal 2018, the forum was held themed on "Three Types of Trusts – To Focus on Sustaining Business Growth," where he confirmed to focus on the business growth centering on the trusts of clients, shareholders, and colleagues at workplace by acting fairly and honestly to eradicate violations of compliance.</p> <p>Furthermore, NEC Corporation emphasizes the importance of action that complies with the NEC Group Code of Conduct using the opportunities of the trainings and educations for new employees, and stratified education programs for new officers and new general managers. To strengthen the compliance management in overseas consolidated subsidiaries as well, we also conduct the education and training programs for executives to be posted there and for the local executives there.</p> <p>The latest information on the compliance is disseminated and shared within NEC through our intranet web portal "Risk Control and Compliance" (in Japan) and "DASHBOARD Global" (overseas). We also provide the timely topics in consideration for our business</p> </div> <div> <p>environment by issuing the push-type newsletter "Compliance News" every month.</p> <p>For NEC Corporation and its domestic consolidated subsidiaries, we also compiled 170 expected case examples on compliance as "NEC Group Code of Conduct Case Sheet" to advice the points to keep in mind when we behave. The case examples of this Case Sheet are reviewed every year, which is posted on our intranet web portal and is used as the training aid for managers to be at the time of their promotion. In this way, we continue the educational activities.</p> </div> </div> <p>Compliance Hotline (Whistle-blowing system for employees and business partners)</p> <p>NEC believes that creating a positive working environment for all is important to enforce compliance. Accordingly, we are taking care to raise employee awareness so there can be consultations with superiors, colleagues or others from related divisions about any concerns or issues on compliance in the workplace.</p> <p>Compliance Hotline, internal reporting system, has also been established in the Corporate Auditing Bureau for consultations from employees encountering violations or suspected violations of the NEC Group Code of Conduct. NEC has established an additional contact point for this hotline at a third-party agency in order to enhance convenience and to address a broader range of risks at an early stage. This contact point fields consultations and reports from not only employees of NEC Corporation but also its domestic subsidiaries and business partners.</p> <p>[p.79]</p>

Dissemination of Information Regarding Compliance

In-house Training and Monitoring

NEC Corporation and its consolidated subsidiaries regularly implement various educational and training programs for procurement personnel in accordance with the situation of each company, as part of efforts to maintain proper business conduct.

These initiatives continued in fiscal 2018 based on the annual plan. The content was closely related to purchasing tasks, including overall aspects of CSR, corporate ethics, and the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, and included courses needed to enhance operations skills. In particular, procurement personnel are required to undergo training on "onsite contracting and dispatch staffing" and on the "Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors" (Basic Compliance I, II, and Application) repeatedly for a total of three times over a period of several years.

In connection with accepting employees from suppliers through onsite contracting or dispatch staffing, training is conducted so that employees learn the compliance requirements at their respective workplaces. Since fiscal 2008, all newly appointed management personnel undergo annual Web training. All employees also undergo mandatory Web training every year regarding the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors as a refresher course, in addition to when they become promoted into management positions.

In the course of enforcing compliance with purchasing-related laws and regulations and meticulously implementing such laws and regulations, NEC has appointed compliance promoters who are specialized in purchasing-related laws and regulations at NEC Corporation and its major consolidated subsidiaries in Japan. These compliance promoters rigorously enforce legal compliance within the divisions and their companies. Compliance promoter conferences are held twice a year, during which they share recent trends in reinforcement of control by competent authorities, and

information on training programs for procurement personnel, Web training materials, and other information needed in promoting compliance.

NEC continued to conduct internal auditing in fiscal 2018 to further promote appropriate onsite contracting and dispatch staffing practices. In regards to ensuring appropriate dispatch staffing practices, NEC worked closely with the personnel divisions to revise the audit details based on the amended Worker Dispatching Act. Internal audits conducted at NEC during fiscal 2018 revealed no major problems pertaining to onsite contracting and dispatch staffing practices.

A Compliance Hotline, a point of contact for compliance consultation and reporting, has been made available also to suppliers since 2003. This mechanism provides an independent channel for transaction-related complaints and consultation by suppliers. The Compliance Hotline is easily accessible from NEC's website.

As part of efforts to eliminate compliance violations by NEC employees, starting fiscal 2018, a "request for cooperation towards thorough compliance" was issued to solicit cooperation of suppliers in handling complaints of violations. This initiative will be continued to further enhance the effectiveness of the Compliance Hotline.

Compliance Hotline

Web-based Self-assessment: Strengthening Information Security

For NEC, a system integrator of information systems that serve as critical social infrastructures, strengthening and committing to information security involving subcontractors is one of the most critical issues. The Purchasing Division in particular is focusing on managing subcontractors and raising awareness on information security. Yearly activities include holding briefings for subcontractors, preparing educational materials and tools, and conducting web-based self-assessment.

The following are the activities for fiscal 2018:

- Briefings on CSR and information security measures for management and CSR managers of subcontractors. Held 14 times in 13 locations throughout Japan. About 2,000 attended from about 1,500 companies.

- Compliance education for subcontractor staff working on NEC Group operations. About 900 companies downloaded educational materials.
- Web-based self-assessment to assess the information security implementation status of each subcontractor. Done for about 1,500 companies.
- On-site assessment of subcontractors. Done for about 100 companies.

NEC will continue to implement measures to improve the information security level in its subcontractors.

On-site Assessment: Information Security Checks by Visitation

Comprehensive dissemination of instructions and requirements to include employees of suppliers is necessary in ensuring information security along the supply chain. This is because accidents are bound to occur if these stipulations are not followed at the workplace.

Every year, NEC issues "Information Security Standards for NEC Group Business Partners" as part of the framework for implementing information security management among subcontractors.

During On-site assessment, NEC representatives visit supplier operation sites to conduct interviews, check supporting documents, and carry out inspections to verify conformance with the standards stipulated in standards manuals. Subcontractors are selected for onsite assessment based on comprehensive criteria that include, not only the scale of transactions, but also the criticality of handled information, the level of confidentiality, and results of web-based self-assessment.

In fiscal 2018, around 100 suppliers were visited, and requests for improvement of information security management system were issued to 9 companies.

Question

3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?

Score

1

Comments

Based on public information, there is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme on an annual basis.

However, the measures are too simplistic and it is unclear that results are used to update specific parts of the company's anti-bribery and corruption communications and training programme.

Evidence**[4] NEC 2018 Sustainability Report (Document)**

Accessed 29/07/2019

https://www.nec.com/en/global/csr/pdf/2018_report.pdf

[p.51]

Objectives, Achievements and Progress, and Degree of Completion

(Degree of completion: ●Achieved, ○Mostly Achieved, △Some Progress, XNo Progress)

Objectives for the Mid-term	FY2018 Objectives	FY2018 Achievements and Progress	Degree of Completion	FY2019 Objectives
1. Ensure the compliance	<ul style="list-style-type: none"> Implement the web-based compliance training. Maintain and increase the recognition rate of the "Compliance Hotline." 	<ul style="list-style-type: none"> Established "NEC Compliance Day" (November 18.) Conducted the web-based compliance training (completion rate in NEC Corporation: 98.3%.) Recognition rate of the Compliance Hotline was increased (recognition rate in NEC Corporation: 96.9%.) 	●	<ul style="list-style-type: none"> Deliver the executive messages to employees on the occasion of NEC Compliance Day. Raise the completion rate of web-based compliance training (completion rate in NEC Corporation: 98% or higher.) Number of reports to the Compliance Hotline: 100 cases or more. Number of cases of involvement with serious cartel/bid-rigging: 0.

[p.54]

Survey on Corporate Ethics Initiatives

NEC conducts online surveys as part of its web-based training programs for officers and employees to gauge ethical awareness among them and to evaluate the status of business ethics initiatives. The results are put to good use in developing and implementing measures related to business ethics improvements.

In a survey conducted in fiscal 2018, we received many comments, such as "wishing to work for making the good environment as our culture that allows easier communications between bosses and their subordinates," "understood that only one person's violation against the compliance could give a big damage to the company performances, strongly feel that I need to discipline myself from now on," etc. The results of survey are posted on our intranet web portal, and fed them back to the executives and employees.

[p.150]

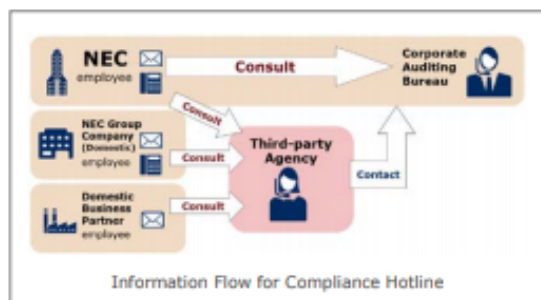
Risk/Compliance

	FY2016	FY2017	FY2018
Web-based compliance training completion rate (Including domestic NEC Group companies)	98%	98%	98%
Compliance hotline – Number of consultations	85	101	118

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles.
Evidence
<p>[6] Remuneration for Directors and Audit & Supervisory Board Members (Webpage) Accessed 29/07/2019 https://www.nec.com/en/global/about/governance/evecutiveremuneration.html For the purpose of continuously improving corporate value and strengthening its competitiveness, NEC's basic policy on the remuneration for Directors and A&SBMs is to set a level and structure appropriate for a global company which enables NEC to secure excellent human resources and serves as an incentive to improve performance of the NEC Group. In order to ensure objectiveness and properness of the remuneration for Directors and A&SBMs, the level of the remuneration is determined on the result of the third party's investigation regarding the remunerations of other companies whose business contents and scale are similar to those of NEC. Remuneration for Directors and A&SBMs is determined by the resolution of the Board of Directors, based on the results of their deliberation from an objective viewpoint by the Nomination and Compensation Committee.</p>

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
No evidence found.

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
2
Comments
<p>Based on public evidence, the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that explicitly applies to all employees across the organisation, including those employed by the group as third parties. The company assures itself of its employees' confidence in this commitment by monitoring the usage data of the whistleblowing channels.</p>
Evidence
<p>[3] Code of Conduct (Webpage) Accessed 26/03/2020 https://sg.nec.com/en_SG/global/about/code.html 4. Compliance Hotline</p> <p>The Officers and Employees of the NEC Group companies who are aware of acts that are, or that may be, in violation of this Code are encouraged to contact the Compliance Hotline or a similar contact point in each company. The contact points of the Compliance Hotline are designated as a consulting company as well as NEC Corporation. Such Officers and Employees will not be subject to any form of detrimental treatment as a result of their contacting the Compliance Hotline.</p> <p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.53]</p> <p>Compliance Hotline (Whistle-blowing system for employees and business partners)</p> <p>NEC believes that creating a positive working environment for all is important to enforce compliance. Accordingly, we are taking care to raise employee awareness so there can be consultations with superiors, colleagues or others from related divisions about any concerns or issues on compliance in the workplace.</p> <p>Compliance Hotline, internal reporting system, has also been established in the Corporate Auditing Bureau for consultations from employees encountering violations or suspected violations of the NEC Group Code of Conduct. NEC has established an additional contact point for this hotline at a third-party agency in order to enhance convenience and to address a broader range of risks at an early stage. This contact point fields consultations and reports from not only employees of NEC Corporation but also its domestic subsidiaries and business partners.</p> <p>[p.54]</p>

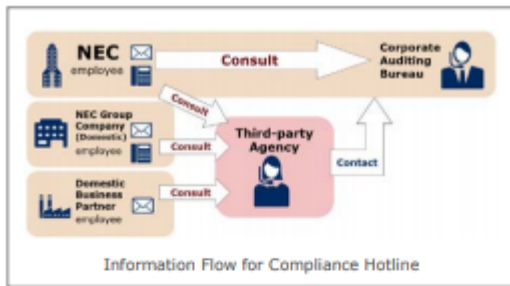


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NEC's overseas consolidated subsidiaries also set up the whistle-blowing system operated by a third-party per region, which is available for the local executives and employees to use. The consulted/reported cases and how the overseas consolidated subsidiaries treated are shared with NEC Corporation.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>Based on public evidence, the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to relevant external bodies. These channels allow for confidential reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.53]</p> <p>Compliance Hotline (Whistle-blowing system for employees and business partners)</p> <p>NEC believes that creating a positive working environment for all is important to enforce compliance. Accordingly, we are taking care to raise employee awareness so there can be consultations with superiors, colleagues or others from related divisions about any concerns or issues on compliance in the workplace.</p> <p>Compliance Hotline, internal reporting system, has also been established in the Corporate Auditing Bureau for consultations from employees encountering violations or suspected violations of the NEC Group Code of Conduct. NEC has established an additional contact point for this hotline at a third-party agency in order to enhance convenience and to address a broader range of risks at an early stage. This contact point fields consultations and reports from not only employees of NEC Corporation but also its domestic subsidiaries and business partners.</p> <p>[p.54]</p>



The fact that who consults/reports what to the Compliance Hotline is guaranteed to be confidential by personnel in charge. One who consults/reports will never be retaliated due to the consulting/reporting fact. These are informed at our intranet web portal, and disseminated to employees through the education and training programs.

NEC Corporation believes that the Compliance Hotline is an effective system to early detect incidents that may violate the compliance, and it is important to disseminate this system to employees in order to promote its usage. The recognition rate of this system within NEC Corporation has remained above 90% for the past several years. (In fiscal 2018, it was 96.9%, the highest ever) As a result, in fiscal 2018, the number of consulting/reporting cases was 118, increased by 17 from the previous year. The topics of consulted/reported cases are the violations against ethical behavior criteria, violations against or injustice to the NEC Group Code of Conduct or company rules, and possibilities of some violations. These cases have been appropriately handled.

NEC's overseas consolidated subsidiaries also set up the whistle-blowing system operated by a third-party per region, which is available for the local executives and employees to use. The consulted/reported cases and how the overseas consolidated subsidiaries treated are shared with NEC Corporation.

[3] Code of Conduct (Webpage)

Accessed 26/03/2020

https://sg.nec.com/en_SG/global/about/code.html

4. Compliance Hotline

The Officers and Employees of the NEC Group companies who are aware of acts that are, or that may be, in violation of this Code are encouraged to contact the Compliance Hotline or a similar contact point in each company. The contact points of the Compliance Hotline are designated as a consulting company as well as NEC Corporation. Such Officers and Employees will not be subject to any form of detrimental treatment as a result of their contacting the Compliance Hotline.

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
0
Comments
There is no evidence to suggest that the company has a policy on conflicts of interest.
Evidence
<p>[7] NEC Corporate Governance Report (Document) Accessed 29'07/2019 https://www.nec.com/en/global/about/pdf/nec_governance.pdf [p.2] 【Principle 1.7 Related Party Transactions】 In order to protect the interests of shareholders, the Company stipulates in the Rules of the Board of Directors that approval of the Board of Directors is required when a member of the Board of Directors engages in transactions that may have conflict of interests with the Company. The Board of Directors monitors such transactions in accordance with laws and regulations. (Article 11 (5) of the Guidelines)</p>

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
0
Comments
There is no evidence that the company has a conflict of interest policy, nor a procedure to manage conflicts of interest or of their oversight.
Evidence
No evidence found.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
There is no evidence that the company has a conflict of interest policy, nor a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company has a conflict of interest policy, nor that the company reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
There is evidence that the company has a policy to follow all relevant local laws and regulations when making political contributions. Since there is no evidence that the company prohibits or places controls on political donations, the company receives a score of '0'.
Evidence
<p>[3] Code of Conduct (Webpage) Accessed 26/03/2020 https://sg.nec.com/en_SG/global/about/code.html</p> <p>3. Political Funds WE will adhere to applicable laws and regulations, such as laws to regulate money used for political activities and laws to regulate public elections, for all political funds and donations as well as expenditures related to elections and political activities.</p>

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
There is no evidence that the company discloses details of its political contributions.
Evidence
No evidence found.

Question

5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?

Score

0

Comments

There is no evidence that the company has a policy or procedure covering both charitable donations and sponsorships

Evidence

[4] NEC 2018 Sustainability Report (Document)

Accessed 29/07/2019

https://www.nec.com/en/global/csr/pdf/2018_report.pdf

[p.34]

Social Contribution Expenses

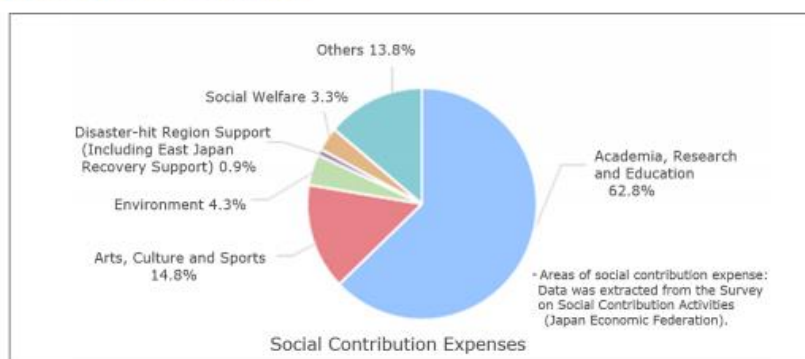
In fiscal 2018, the total social contribution expenses for the NEC Group were approximately 520 million yen. We were involved in various regions around the world following three main themes in five areas, including "Academia, Research and Education" and "Arts, Culture and Sports." Social contribution expenses included the following:

- 1) Financial assistance
- 2) Charitable donations of products quoted on a unit price basis
- 3) Public use of NEC facilities (converted into monetary amounts based on the unit price of using equivalent external facilities to quantify the cost of using NEC facilities for socially beneficial purposes)

Expense Changes

FY2016	FY2017	FY2018
430 million yen	670 million yen	520 million yen

Fiscal 2018 Expenses Breakdown



Fiscal 2018 Activities

For details of the activities, refer to the following pages:

- ▶ [Activities for Contributing to Society](#)
- ▶ [Dialogue with Our Diverse Stakeholders - Case Examples](#)

[p.58]

Bribery Prevention

Legal Division and Internal Control 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. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division for

entertainment, gifts, and 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.

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no evidence that the company has a policy or procedure on lobbying.
Evidence
No evidence found.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
There is no evidence to suggest that the company publishes details of the aims and topics of the lobbying activities it carries out.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company provides any details about its global lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
1
Comments
<p>Based on public information, there is evidence that the company has a policy on gifts and hospitality that addresses the risks associated with gifts and hospitality given to domestic and foreign public officials.</p> <p>However, the policy does not specify financial or proportional limits or different approval procedures for different types of promotional expenses and there is no evidence that all gifts and hospitality above a certain threshold are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
Evidence
<p>[3] Code of Conduct (Webpage) Accessed 26/03/2020 https://sg.nec.com/en_SG/global/about/code.html 5. Policies on Entertainment and Gifts</p> <p>1. WE will conduct ourselves with sound business practices and social norms when WE provide or receive entertainment or exchange gifts with business partners or others.</p> <p>2. WE will not, under any circumstances, offer bribes to members of the national Diet, heads of regional public organizations, members of prefectural or municipal assemblies, or officials of government agencies or regional public organizations (including personnel of public corporations and other government-affiliated organizations who shall be deemed to be public officials under applicable laws, rules, and regulations). In addition, WE will not provide any benefits to gain unfair business advantage, entertain in a way that could be construed as offering benefits, or offer gifts or any other treatment that lacks justifiable grounds.</p> <p>3. WE will not conduct any acts involving foreign officers such as officials of foreign governments or regional public organizations that could be construed as bribery or the provision of benefits to gain an unfair business advantage under any circumstances under applicable laws, rules, and regulations.</p> <p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.58]</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Bribery Prevention</p> <p>Legal Division and Internal Control 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. Since checking daily operations is an important part of preventing corruption, guidelines have been established by the General Affairs Division for</p> </div> <div style="width: 45%;"> <p>entertainment, gifts, and 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.</p> </div> </div> <p>[p.59]</p>

Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities. Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, 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 bribery that have warranted a public announcement in fiscal 2018.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
There is no evidence that the company requires the involvement of its procurement department in the establishment and oversight of its supplier base.
Evidence
<p>[8] NEC Procurement Policy (Webpage) Accessed 29/07/2019 https://www.nec.com/en/global/purchasing/renshiki-a2.html Evaluating and selecting supply-chain partners transparently NEC shall evaluate and select its supply-chain partners after transparent, comprehensive and objective reviews. Criteria for evaluation and selection shall include but not be limited to, management reliability, price, quality, delivery, technological capability, corporate social responsibility, business continuity, social value offering and company sustainability.</p>

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>Based on public evidence, the company has formal procedures to conduct due diligence on its suppliers.</p> <p>However, there is no evidence that the due diligence process includes checks on, at least, ultimate beneficial ownership. There is also evidence that due diligence is only conducted before engaging suppliers and the frequency of the checks is unclear. There is no evidence to suggest that the company might be willing to review and terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.59]</p> <p>Initiatives for Anti-bribery</p> <p>In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities.</p> <p>Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.</p> <p>In addition, 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.</p> <p>As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to bribery that have warranted a public announcement in fiscal 2018.</p>

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
1
Comments
<p>Based on public information, there is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. It is explicitly stated that all suppliers must have, at a minimum, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies and procedures to address gifts and hospitality, and whistleblowing.</p> <p>However, the company does not explicitly state that all suppliers must have conflict of interest policies, it is unclear how the company ensures this in practice and there is no evidence to suggest that the company takes active steps to ensure that its suppliers have adequate anti-bribery and corruption policies and procedures in place. It is also unclear whether this assurance is conducted when onboarding new suppliers and/or when there is a significant change in the business relationship.</p>
Evidence
<p>[8] NEC Procurement Policy (Webpage) Accessed 29/07/2019 https://www.nec.com/en/global/purchasing/renshiki-a2.html Compliance Hotline NEC shall operate and make available a grievance mechanism including a complaint handling system ("Compliance Hotline") to its supply-chain partners. NEC shall ensure that in case of concerns reporting in good faith, the complainant will never receive a disadvantageous treatment as a result of the consultation.</p> <p>Request to Supply-Chain Partners The objective of NEC's CSR activities is to contribute to the sustainable development of society, by integrating our business activities and our responsibilities. NEC deeply believes in the importance of cooperation and collaboration with its supply-chain partners.</p> <p>All supply-chain partners are required to adhere to the following principles, as well as encouraging and supervising upstream companies to promote the same activities.</p> <ul style="list-style-type: none"> • General CSR Requirements • Promote positive CSR activities. • Establish effective whistle-blowing system. • Contribute to society and communities. <p>[...]</p> <p>Fair Trading</p> <ul style="list-style-type: none"> • Prohibit corruption and bribery. • Prohibit abuse of a superior position. • Prohibit the offering and receiving of inappropriate profit and advantage. • Prohibit impediment to free competition. • Provide accurate information of products and services (Responsible Marketing). • Respect intellectual property. • Use appropriate export procedures. • Disclose appropriate company information. <p>[9] NEC Group Supply-Chain CSR Guidelines (Document) Accessed 29/07/2019 https://www.nec.com/en/global/purchasing/data/en2_sc_csr_guideline_4e.pdf [p.24] [VII-1] Prohibit corruption and bribery Suppliers are requested to maintain a sound and normal relationship with politics and government administration without committing bribery and/or making illegal political donations.</p>

“Bribe-giving” means acts of offering money, entertainment, gifts, or other benefits/conveniences to public servants or equivalent persons (hereafter called public employees), in pursuit of some business advantage in return, such as approval and license, acquisition/maintenance of trading, or access to nondisclosure information. In addition, “bribe-giving” includes entertainment or gift-giving that is beyond social discipline even if it does not solicit any business reward. “Illegal political donation” means acts of contributing political donation requesting some business advantage in return, such as approval and license, acquisition/maintenance of trading, or access to nondisclosure information. The political donation not following the proper legal procedures is included.

[p.25] [VII-3] Prohibit the offering and receiving of inappropriate profit and advantage

Suppliers are requested not to offer and/or to receive inappropriate benefits to/from stakeholders.

Typical examples of “Inappropriate benefit offering/receipt” are as follows:

- Bribery activity such as offering or receiving a gift, award, prize money, etc. beyond the bounds of the law to/from a customer
- Providing or accepting money/valuables or entertainment beyond the social discipline
- Act of supplying inappropriate benefit to an antisocial force (criminal organization, terror organization, etc.) that adversely affects public order or sound activities.
- Insider trading by which stock of a company is traded based on the critical nondisclosure information about operations of a customer, etc.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
1
Comments
<p>Based on public information, there is some evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required of sub-contractors throughout the supply chain.</p> <p>However, this evidence is in the form of a simple statement and it is unclear how the company does this in practice.</p>
Evidence
<p>[9] NEC Group Supply-Chain CSR Guidelines (Document) Accessed 29/07/2019 https://www.nec.com/en/global/purchasing/data/en2_sc_csr_guideline_4e.pdf [p.2] 2. Aim of Supply-Chain CSR Guideline This guideline is aimed to promote the co-creation activities toward “Orchestrating the brighter world”, which is NEC brand statement, through the collaboration together with supply-chain partners. Firstly, supply-chain partners are requested to understand the NEC’s CSR policies and activities for the social value creation. In the next, supply-chain partners are requested to recognize the concrete CSR items which NEC put importance in the view of business risk reduction and business opportunity creation. Finally, supply-chain partners are requested to take appropriate action for each items in themselves company-wide and moreover to cascade, monitor and manage the upstream tier suppliers and contractors.</p>

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations relating to its suppliers, or the associated disciplinary actions.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
0
Comments
There is no evidence that the company has a clear policy covering the use of agents.
Evidence
No evidence found.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>Based on public evidence, the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging with its third parties.</p> <p>However, the company states only that it conducts due diligence on third parties, without specifying agents or high risk intermediaries, and it is not clear that agents and highest risk intermediaries are subject to enhanced due diligence. Additionally, due diligence is only conducted before engaging agents and is not repeated at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.59]</p> <p>Initiatives for Anti-bribery</p> <p>In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities.</p> <p>Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.</p> <p>In addition, 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.</p> <p>As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to bribery that have warranted a public announcement in fiscal 2018.</p>

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
There is no evidence that the company aims to establish the beneficial ownership of its agents.
Evidence
No evidence found.

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
0
Comments
There is no evidence that the company includes anti-bribery and corruption clauses in its contracts with agents and intermediaries.
Evidence
No evidence found.

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no evidence that the company mentions incentive structures as a risk factor in agent behaviour.
Evidence
No evidence found.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for and/or on behalf of the company.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or the associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
0
Comments
Based on public information, there is no clear evidence that the company undertakes due diligence when entering into a joint venture partnership. While there is evidence that the company conducts due diligence on third parties that it employs, it does not make reference to doing so for its joint venture partners.
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.59]</p> <p>Initiatives for Anti-bribery</p> <p>In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities.</p> <p>Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.</p> <p>In addition, 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.</p> <p>As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to bribery that have warranted a public announcement in fiscal 2018.</p>

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture relationships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
There is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures.
Evidence
No evidence found.

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
No evidence found.

8. Offsets

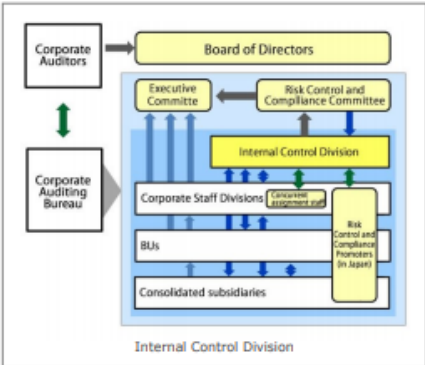
Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
0
Comments
There is no evidence that the company addresses the corruption risks associated with offset contracting, and there is no evidence that a dedicated body, department or team is responsible for monitoring of the company's offset activities.
Evidence
No evidence found.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
0
Comments
There is no evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations.
Evidence
No evidence found.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company's offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations and contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
2
Comments
<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets, and that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. The company provides examples of such possible controls.</p>
Evidence
<p>[4] NEC 2018 Sustainability Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/csr/pdf/2018_report.pdf [p.52]</p> <p>Promotion Framework</p> <p>NEC Corporation enforces and effectively implements compliance with top management and conducts activities led by the Risk Control and Compliance Committee, the Internal Control Division and the Corporate Auditing Bureau.</p> <ol style="list-style-type: none"> 1. Board of Directors Given its oversight role with respect to business execution, the Board of Directors receives reports related to material misconduct and reports on the activities taken for the Priority Risks. 2. Executive Committee The Executive Committee discusses important NEC's management issues such as policies and strategies, including Priority Risks and other important risks related to management and strategies. 3. Audit & Supervisory Board Members (Kansa-yaku) The Audit & Supervisory Board Members audit the performance of duties within the company by regularly receiving and discussing reports of audit results from the Corporate Auditing Bureau, or by receiving reports on the status of operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline). 4. Risk Control and Compliance Committee The Risk Control and Compliance Committee, whose members are officers, investigates the underlying causes of serious compliance breaches, studies related prevention of recurrence and preventive measures, and deliberates policies for risk management activities and policies for selection and countermeasures of the Priority Risks. The committee executes a supervisory function in company-wide risk control by, for example, regularly receiving reports from the divisions in charge of deliberations and progress status related to specific Priority Risk measures, validating the activity results and issues and future activity plans and providing direction to improving and enhancing measures as needed. 5. Internal Control Division The Internal Control Division formulates and implements various initiatives designed to enforce compliance, including instilling knowledge of the NEC Group Charter of Corporate Behavior and NEC Group Code of Conduct. In addition, the division provides the necessary support, coordination and guidance to ensure that risk management in the business and corporate staff divisions is implemented systematically and effectively. <p>For example, the division enhances the risk control function for the entire NEC Group by continuously supporting risk control activities in each division including subsidiaries. This is accomplished by collecting external information, investigating using a risk management survey and exchanging information with subsidiaries worldwide.</p> <p>In addition, the division regularly receives and discusses reports on audit results from the Corporate Auditing Bureau and receives status reports on the operations of the internal reporting system pertaining to business ethics and violations of laws and regulations (Compliance Hotline).</p> 6. Corporate Auditing Bureau The Corporate Auditing Bureau functions as an internal auditing department directly under the supervision of the president and is composed of members who are experts in internal audits. The bureau carries out audits aimed at ensuring that NEC is operating lawfully, properly and efficiently, as well as in pointing out problems and making proposals for improvement. 7. Framework for Promoting Compliance in Consolidated Subsidiaries Worldwide In regard to domestic consolidated subsidiaries, compliance frameworks are being developed through the activities of the Risk Control and Compliance Managers and promoters set up in each company. <p>In regard to overseas consolidated subsidiaries, the five regional headquarters, including the subsidiaries under them worldwide, further strengthen compliance.</p> <p>NEC has also established channels for reporting compliance-related issues regularly, and as the need arises, from the domestic and overseas consolidated subsidiaries to headquarters in Japan.</p>  <p>Internal Control Division</p> <p>[p.54]</p>

Risk Management

Selecting "Priority Risks" and Countermeasures

The Internal Control Division annually identifies "important risks", selected from the perspectives of the need for additional countermeasures and the magnitude of the impact on corporate business and society. These are based on the result of risk assessment for each division which was obtained through a questionnaire-based "risk management survey", and findings in the internal audit by the Corporate Auditing Bureau, etc. NEC Corporation selects "Priority Risks" following deliberations by the Risk Control and Compliance Committee and the Executive Committee on risks deemed to require new countermeasures, including improvements to the existing countermeasures, and on risks that may significantly affect NEC's continuity. The divisions nominated by the Risk Control and Compliance Committee devise countermeasures as the risk owners.

[p.59]

Initiatives for Anti-bribery

In regard to bribery prevention, NEC has formulated an "Anti-bribery Policy", which defines a system for preventing bribery and corruption at NEC and stipulates basic rules for compliance by corporate officers and employees. 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 employed in the company's business activities. Furthermore, the implementation of a scheme for prevention of bribery in our domestic and overseas consolidated subsidiaries has commenced since fiscal 2017, and except for certain overseas consolidated subsidiaries, such scheme has been completed.

In addition, 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.

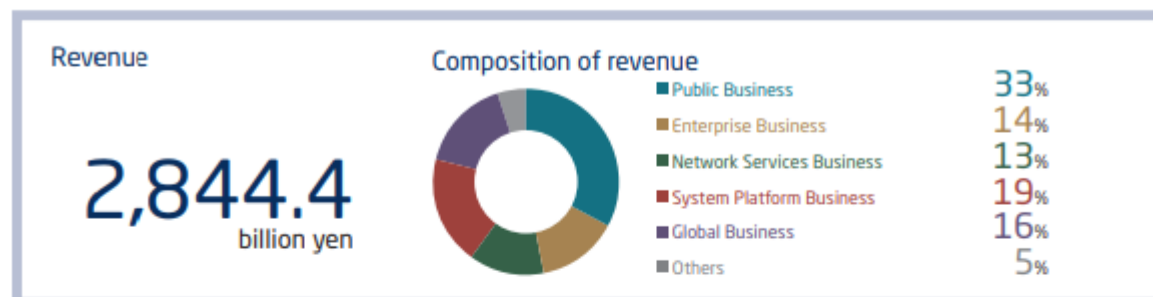
As a result of the implementation of these systems and initiatives, there have been no major incidents within NEC related to bribery that have warranted a public announcement in fiscal 2018.

Question
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?
Score
1
Comments
<p>Based on public evidence, the company publishes a list of its consolidated subsidiaries on an annual basis.</p> <p>However, the list does not include all of the company's holdings and it is not accompanied by a statement that it is complete at the time of publication to the best of the company's knowledge. Additionally, the company does not provide the percentage of ownership or the countries of incorporation and operation for each entity.</p>
Evidence
<p>[1] NEC 2018 Integrated Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf [p.23]</p>

At a Glance

NEC Corporation and Consolidated Subsidiaries

Revenue, operating profit (loss), and composition of revenue are financial results for the fiscal year ended March 31, 2018 (IFRS).



Public Business

Revenue

933.1
billion yen

Operating profit

53.2
billion yen

Major Products and Services

- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing/Cloud Services
- System Equipment

Public Solutions

Examples of Major Customers and Main Solutions

- Public:
Firefighting Command,
Firefighting Emergency Radio Systems,
Disaster Prevention, Traffic Control,
Railroad Communication,
Local Government
- Healthcare:
Electric Medical Record,
Regional Healthcare Information
Network
- Regional industries:
Backbone service

Major Consolidated Subsidiaries

- NEC Nexsolutions, Ltd.

Public Infrastructure

Examples of Major Customers and Main Solutions

- Government:
Social Security and Tax,
Fingerprint Identification, Air Traffic Control,
Satellite Communications/Earth Observation,
Outdoor Communication, School/
Education, Postal Tracking, Infrastructure
Surveillance/Energy Management
- Media:
TV Program Production/
News Production/Transmission,
Digital TV Transmitters

Major Consolidated Subsidiaries

- NEC Facilities, Ltd.
- NEC Network and Sensor Systems, Ltd.
- NEC Space Technologies, Ltd.
- Nippon Avionics Co., Ltd.
- Japan Aviation Electronics Industry, Limited

Enterprise Business

Revenue

408.7
billion yen

Operating profit

35.7
billion yen

Major Products and Services

- Systems Integration (Systems Implementation, Consulting)
- Maintenance and Support
- Outsourcing / Cloud Services

Examples of Major Customers and Main Solutions

- Manufacturing:
Global SCM,
Product Lifecycle Management,
Production Management,
Sales Management
- Retail and Services:
Retail Systems for Stores and Head Offices,
Logistics Management
- Finance:
Banking, Business Branch Systems,
Insurance and Securities Infrastructure,
Insurance and Securities Channel

Major Consolidated Subsidiaries

- ABeam Consulting Ltd.

[p.25]

(Note) Figures for revenue, operating profit(loss), and composition of revenue for the fiscal year ended March 31, 2018 are restated to conform with the new segments, which have not been audited by the accounting auditors.

Operating profit

63.9
billion yen

Net profit attributable to owners of the parent

45.9
billion yen

Free cash flows

115.8
billion yen

Network Services Business

Revenue

377.6 billion yen

Operating profit

17.3 billion yen

Major Products and Services

- Network Infrastructure
Core Network,
Mobile Phone Base Stations,
Optical Transmission Systems,
Routers/Switches
- Systems Integration
(systems implementation, consulting)
- Services & Management
OSS^{*1}/BSS^{*2}, Services/Solutions

^{*1} OSS: Operation Support System

^{*2} BSS: Business Support System

Major Consolidated Subsidiaries

- NEC Networks & System Integration Corporation

System Platform Business

Revenue

531.7 billion yen

Operating profit

30.0 billion yen

Major Products and Services

- Hardware
Servers, Mainframes, Supercomputers,
Storage, Business PCs, POS, ATMs,
Control Equipment,
Wireless LAN Routers
- Software
Integrated Operation Management,
Application Servers,
Security and Database Software
- Enterprise Network Solutions
IP Telephony Systems,
WAN/Wireless Access Equipment,
LAN Products
- Services
Maintenance Services

Major Consolidated Subsidiaries

- NEC Platforms, Ltd.
- NEC Fielding, Ltd.
- NEC Embedded Products, Ltd.

Global Business

Revenue

453.7 billion yen

Operating loss

-28.0 billion yen

Major Products and Services


- Safety
Biometric Solutions
(such as Face Recognition,
Fingerprint Identification),
Surveillance
- Software Services for Service Providers
(OSS/BSS, SDN^{*3} / NFV^{*4})
- Network Infrastructure
Submarine Systems
(Submarine Cable Systems,
Ocean Observation Systems),
Mobile Backhaul
- System Devices
Displays, Projectors
- Energy Storage Solutions

^{*3} SDN: Software-Defined Networking

^{*4} NFV: Network Functions Virtualization

Major Consolidated Subsidiaries

- NEC Display Solutions, Ltd.
- OCC Corporation
- NEC Energy Solutions, Inc.
- Netcracker Technology Corporation
- Northgate Public Services Limited

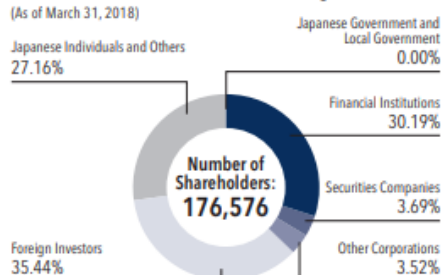
Question
9.3 Does the company disclose its beneficial ownership and control structure?
Score
2
Comments
The company is publicly listed on the Tokyo Stock Exchange and therefore automatically receives a score of '2'.
Evidence
<p>[10] Financial Times Markets Data (Webpage) Accessed 14/09/2020 https://markets.ft.com/data/equities/tearsheet/summary?s=6701:TYO</p>  <p>[1] NEC 2018 Integrated Report (Document) Accessed 29/07/2019 https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf [p.59]</p>

Corporate Overview

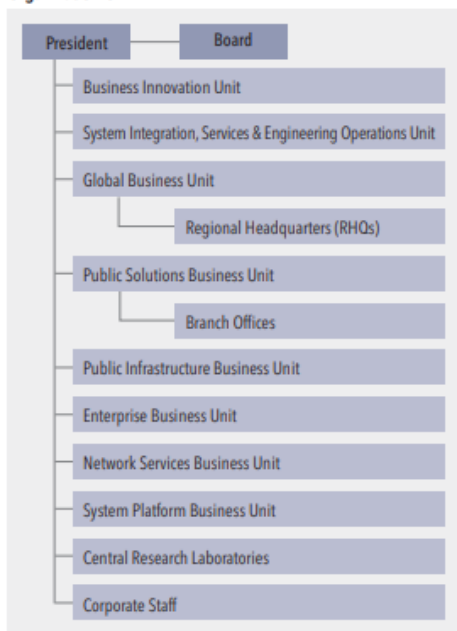
Company Name NEC Corporation
Address 7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan
Established July 17, 1899
Number of Employees 109,390
 (NEC Corporation and consolidated subsidiaries)
 (As of March 31, 2018)
Total Number of Shares Issued 260,473,263 shares (As of March 31, 2018)
Stock Exchange Listing Tokyo (Securities Code: 6701)
Shareholder Register Administrator Sumitomo Mitsui Trust Bank, Limited
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Classification of Shareholders (Shareholding Ratio)

(As of March 31, 2018)



Organization Chart



Major Shareholders (Top 10) (As of March 31, 2018)

Name of Shareholders	Number of Shares Held (Thousands of Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,625	5.24
Japan Trustee Services Bank, Ltd. (Trust Account)	12,780	4.92
Nomura International (Hong Kong) Limited - Unclaimed Client Account	7,814	3.01
Bnymsanv As Agent / Clients Lux Units Non Treaty 1	7,425	2.86
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	7,193	2.77
Sumitomo Life Insurance Company	5,600	2.16
NEC Employee Shareholding Association	5,177	1.99
Japan Trustee Services Bank, Ltd. (Trust Account No.5)	4,944	1.90
State Street Bank West Client - Treaty 505234	4,890	1.88
Japan Trustee Services Bank, Ltd. (Trust Account No.4)	4,323	1.66

Note: The shareholding ratio is calculated by excluding the number of treasury stock (430,032 shares)

Question

9.4 Does the company publish a percentage breakdown of its defence sales by customer?

Score

0

Comments

There is no evidence that the company publishes a breakdown of its defence sales by customer.

Evidence

[1] NEC 2018 Integrated Report (Document)

Accessed 29/07/2019

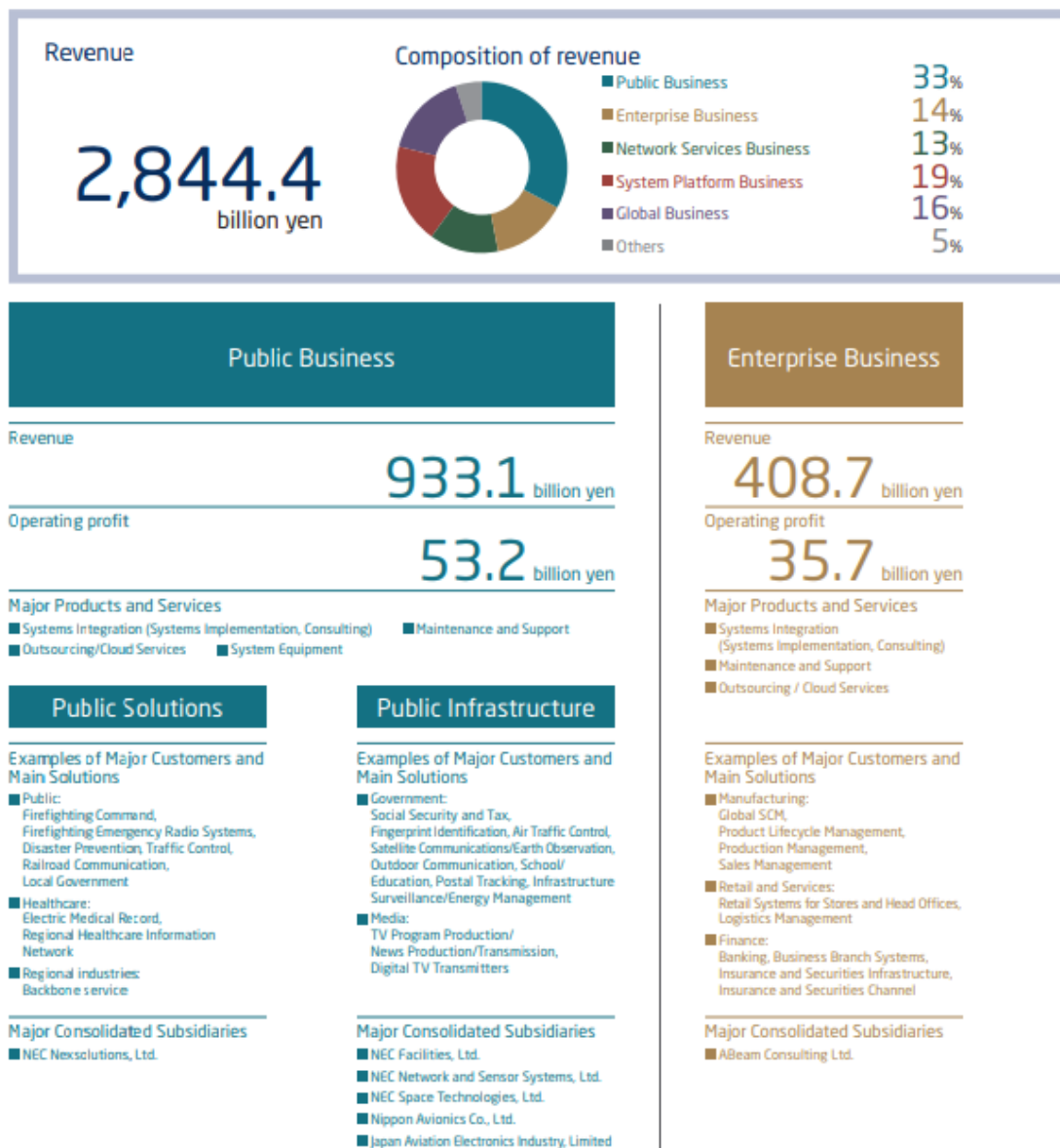
https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf

[p.23]

At a Glance

NEC Corporation and Consolidated Subsidiaries

Revenue, operating profit (loss), and composition of revenue are financial results for the fiscal year ended March 31, 2018 (IFRS).



10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	NEC 2018 Integrated Report	29/07/2019	https://www.nec.com/en/global/ir/pdf/annual/2018/ar2018-e_two.pdf
02	Webpage	Message from the President	29/07/2019	https://www.nec.com/en/global/csr/message/index.html
03	Webpage	Code of Conduct	26/03/2020	https://sg.nec.com/en_SG/global/about/code.html
04	Document	NEC 2018 Sustainability Report	29/07/2019	https://www.nec.com/en/global/csr/pdf/2018_report.pdf
05	Webpage	Basic Policy on Internal Control Systems	29/07/2019	https://www.nec.com/en/global/about/internalcontrol.html
06	Webpage	Remuneration for Directors and Audit & Supervisory Board Members	29/07/2019	https://www.nec.com/en/global/about/governance/evecutiveremuneration.html
07	Document	NEC Corporate Governance Report	29/07/2019	https://www.nec.com/en/global/about/pdf/nec_governance.pdf
08	Webpage	NEC Procurement Policy	29/07/2019	https://www.nec.com/en/global/purchasing/renshiki-a2.html
09	Document	NEC Group Supply-Chain CSR Guidelines	29/07/2019	https://www.nec.com/en/global/purchasing/data/en2_sc_csr_guideline_4e.pdf
10	Webpage	Financial Times Markets Data	14/09/2020	https://markets.ft.com/data/equities/tearsheet/summary?s=6701:TYO