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NEC's Practices
of Strategic Trade Control (STC)

14 October, 2019
Shozo HIRATA
NEC Corporation

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NEC brings together and integrates technology and expertise to create
the ICT-enabled society of tomorrow.

We collaborate closely with partners and customers around the world,
orchestrating each project to ensure all its parts are fine-tuned to local needs.

Every day, our innovative solutions for society contribute to
greater safety, security, efficiency and equality,
and enable people to live brighter lives.

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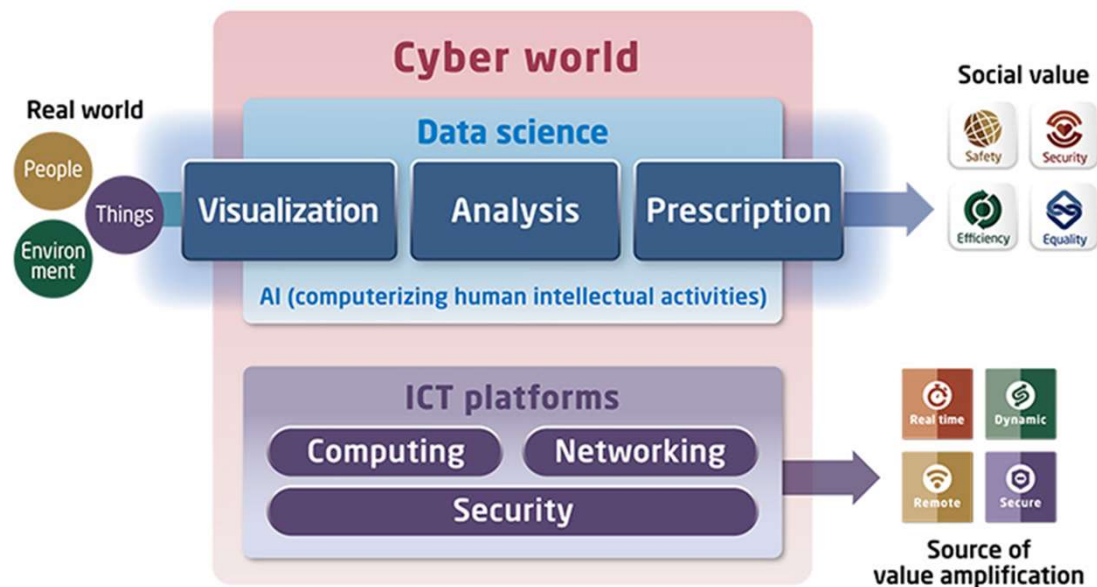- **Company Overview**
- **STC Practices in NEC**
- **Conclusion**

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Continuously Seeking Technologies to Create Social Value

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Profile

Employees
109,390

Net sales
US$ 27 billion

Affiliates (companies and branches)
303

Countries
169

Established
1899

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Singapore   NEC Asia Pacific Pte Ltd.*
             Shimizu Syntec Singapore Pte Ltd.
Malaysia   NEC Corporation of Malaysia Sdn. Bhd.
Thailand   NEC Corporation (Thailand) Ltd.
             NESIC (Thailand) Ltd.
             NEC Platforms Thai Company Limited
Vietnam   NEC Vietnam Company Limited
India   NEC Technologies India Private Limited
             Niteo Technologies Private Limited
Indonesia   PT. NEC Indonesia
Philippines   NEC Philippines, Inc.
             NESIC PHILIPPINES, INC.
             NEC Telecom Software Philippines, Inc.
Australia   NEC Australia Pty Ltd.
NZ   NEC New Zealand Ltd.
Myanmar   NEC Yangon Branch Office (Myanmar)
             ICT Star Group Myanmar Co., Ltd.

*Regional Head Quarters are located in Singapore

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Global NEC Rule for STC

Each NEC Group Company implements ICP

- ICP covers a series of program to execute STC properly

NEC Group Code of Conduct	NEC Group Management Policy

Internal Control Program

ICP

1. **Policy**
2. **Organization**
3. **Procedures**
4. **Training**
5. **Audit**
6. Guidance to subsidiaries
7. Report
8. Penalty

Operation Manual/Guidance

Customer Screening

Technical Classification Database

EAR: Export Administration Regulations

Control of Intangible Transfer of Technology   etc.

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1. NEC Corp. Policy

Each Business Unit shall take responsibility for establishing the scheme of and performing STC in compliance with relevant laws and regulations;

- Observes relevant laws and regulations of Country (where Company is located)
- Observes applicable laws and regulations of foreign gov'ts (i.e. US EAR*)
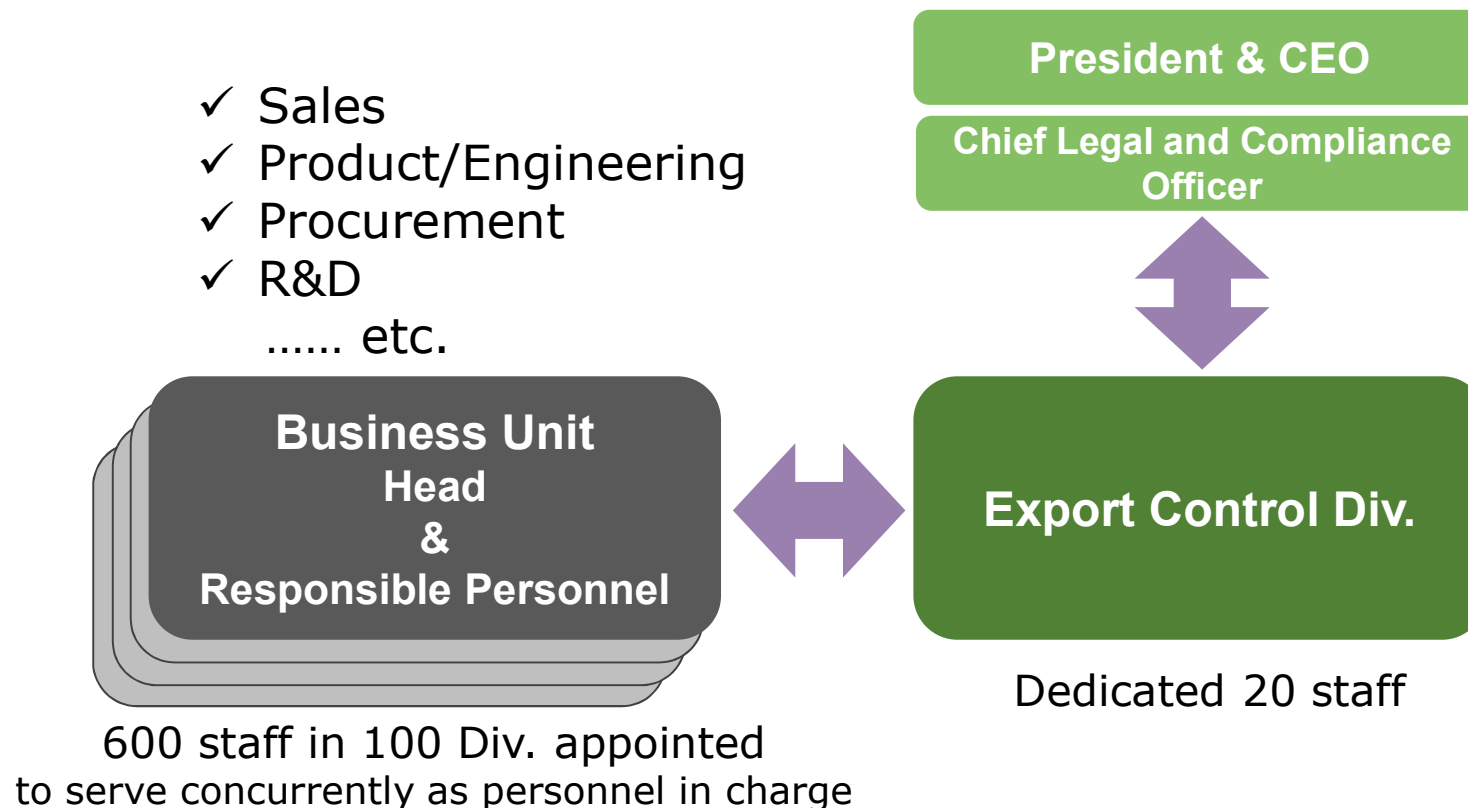
*Export Administration Regulations

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2. Organization

Business Unit

- Fulfills primary responsibility for STC

Export Control Div.

- Acts as a focal Point to ensure proper control is in place

✓ Sales
✓ Product/Engineering
✓ Procurement
✓ R&D
…… etc.

President & CEO

Chief Legal and Compliance Officer

Business Unit Head & Responsible Personnel

Export Control Div.

600 staff in 100 Div. appointed
to serve concurrently as personnel in charge

Dedicated 20 staff

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3. Procedures

STC process shall be integrated in the ordinary course of business

- **Business Process**

Inquiry	Order Processing	Delivery

- **STC Process**

1 Pre-consultation for concerned transactions

2 Screening & Verification

Goods

Technology

3 Shipment Control

ITT* Control

Records Keeping
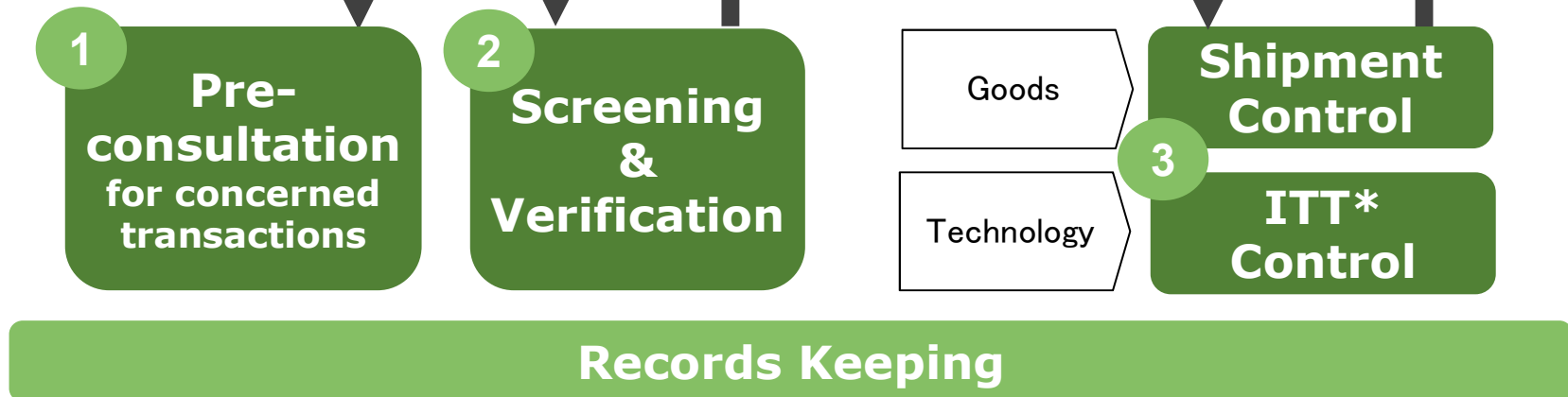
*ITT: Intangible Transfer of Technology

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3 (1) Pre-consultation

Judgement for GO or NO GO at an earlier stage

List of concerned transactions is familiarized to Sales Div.

Sales Div.	Product/Engineering Div.	Export Control Div.

Inquiry from Customer

Subject to Pre-consultation?

Yes → **Judgement** → No Go → **Abort**

No ↓

Go ←

Sc...

List of designated inquires subject to Pre-consultation
- ✓ **Company/Individual of Concern**
- ✓ **Country of Concern**
- ✓ **Military end-use or WMD* end-use**
- ✓ **. . . . .**

*Weapons of Mass Destruction

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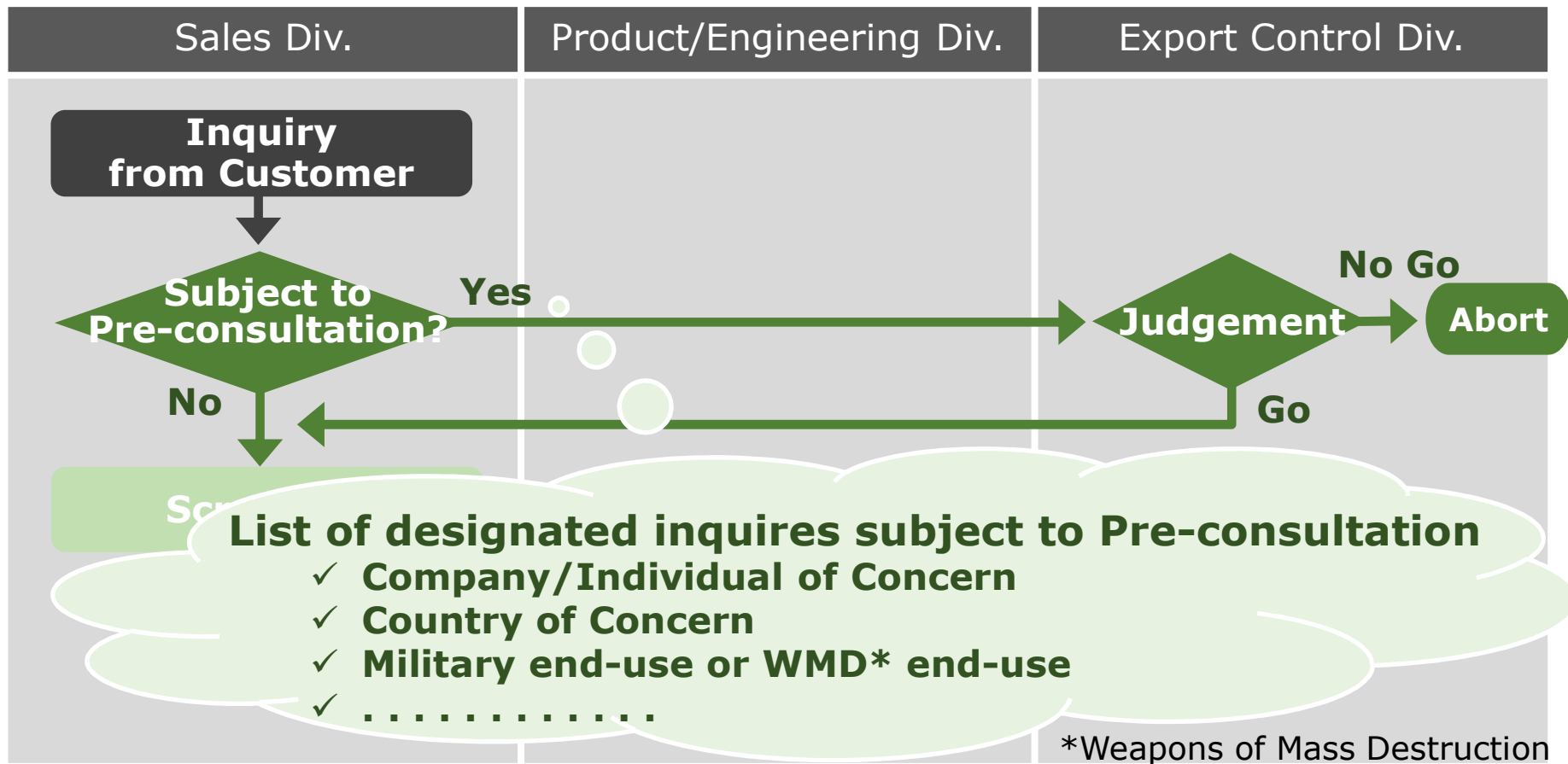
3 (2) Screening

Double-check by Business Unit & Export Control Div. on a per-contract basis

Sales Div.	Product/Engineering Div.	Export Control Div.
Know your Customer?	**Know your Product?**	**Verification**
☑ **Who** — **End-user & Intermediates**	☑ **What** — **Technical Classification**	*to check and see if export permit is required*
☑ **Why** — **End-use**	**based on local laws and EAR**	
☑ **Where** — **Destination Country**		

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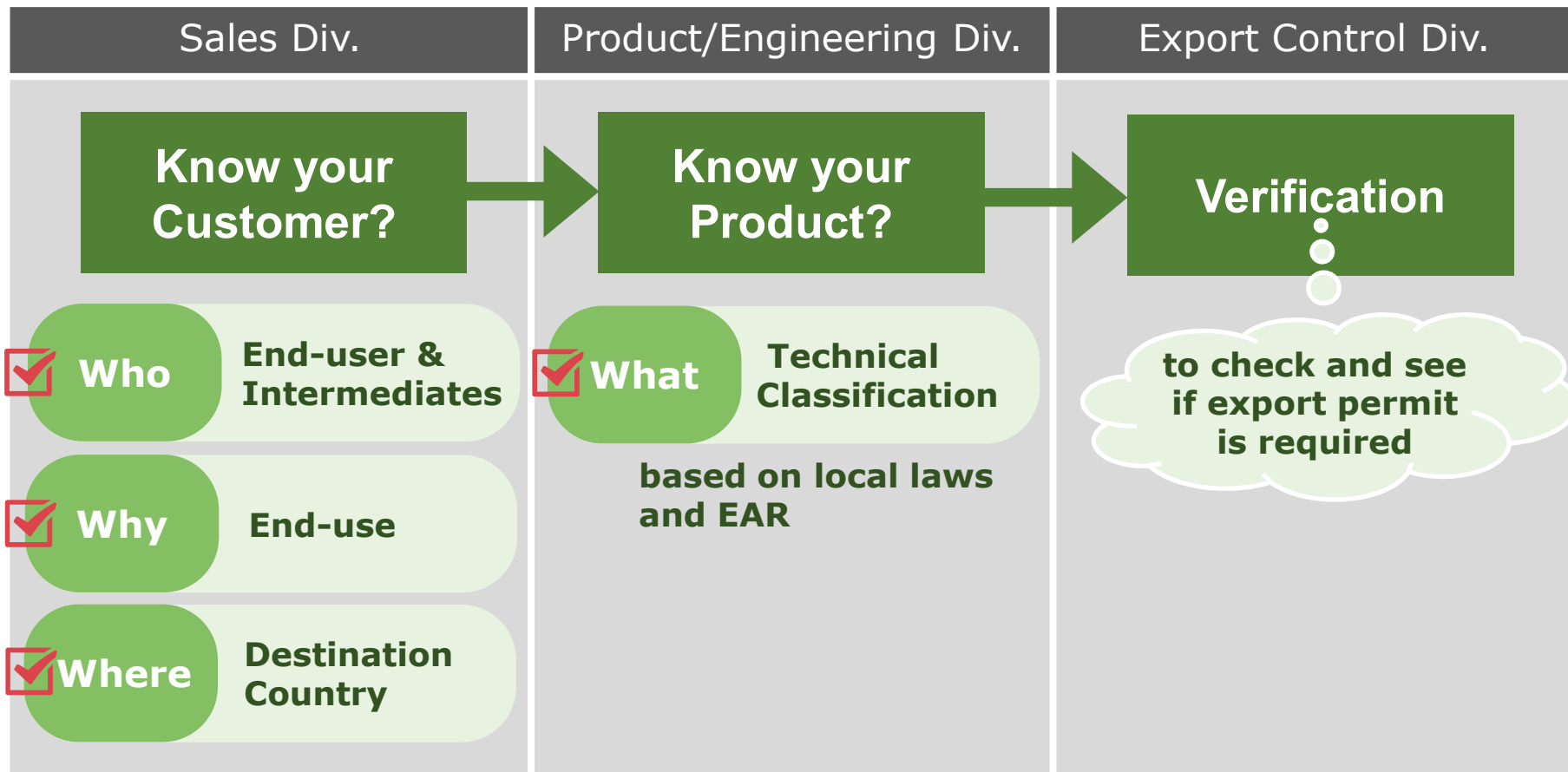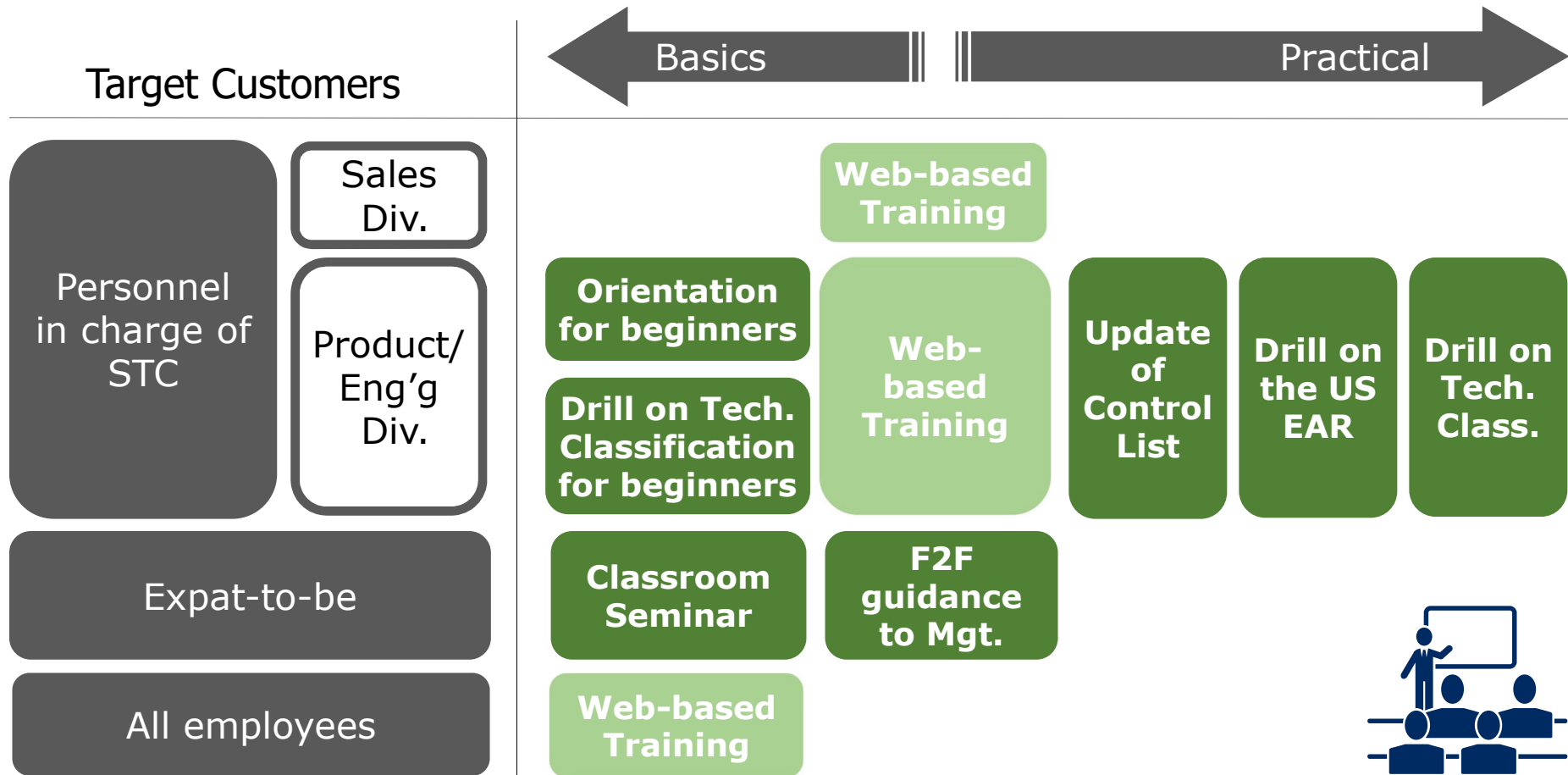
3 (3) Shipment and ITT Control

Final self-check by Business Unit

- Check if items to be shipped/transferred are identical to those that were already approved
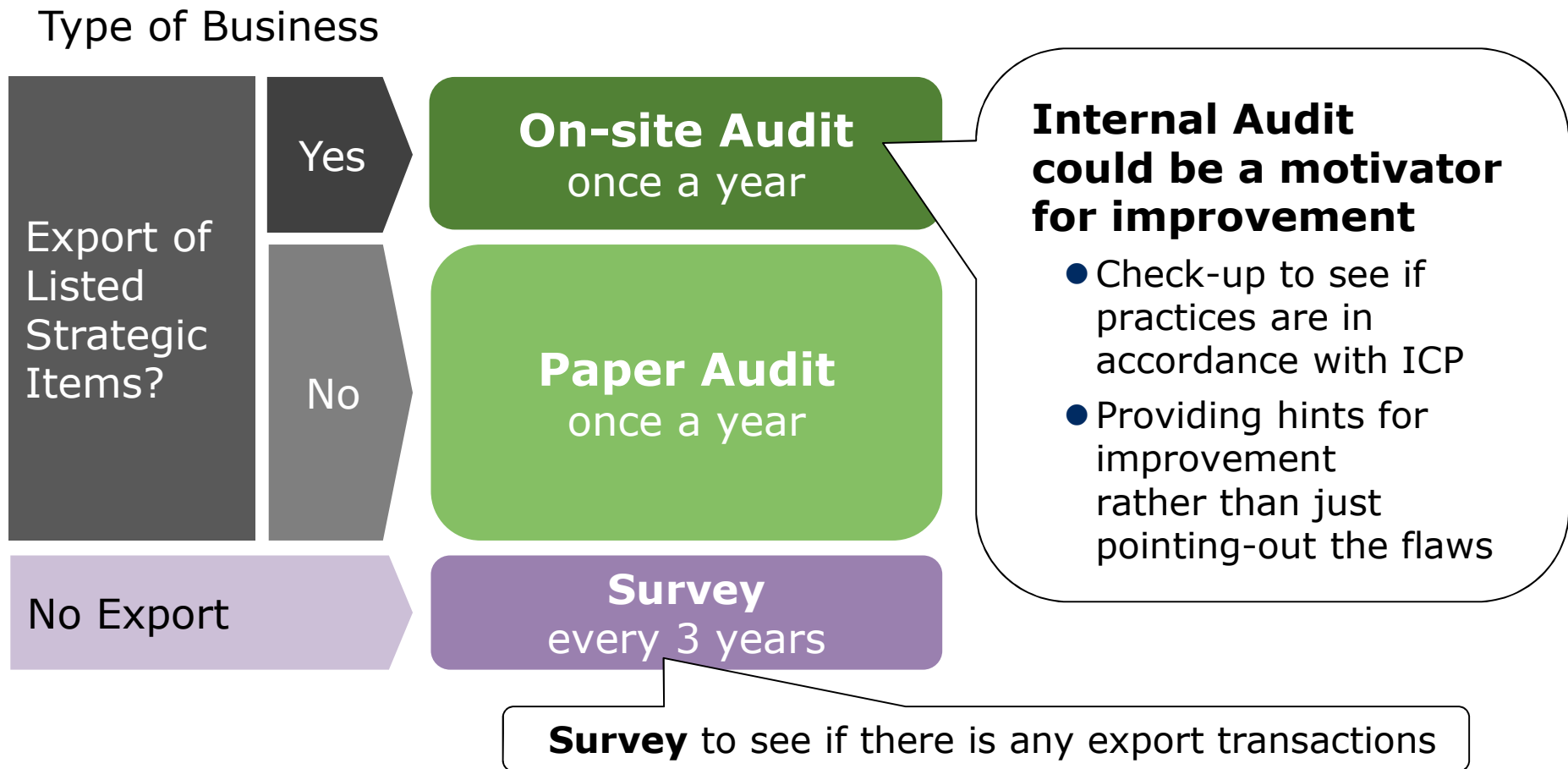- Check if required export permit is properly obtained

H/W and S/W attached thereby	Limited	Tangible	Easy to check/stop	Customs Clearance and shipping
	Personnel in charge	Form of Object to control	Control	
Technology	Unlimited	Intangible	Difficult to check/stop	Keeping Records for internal control

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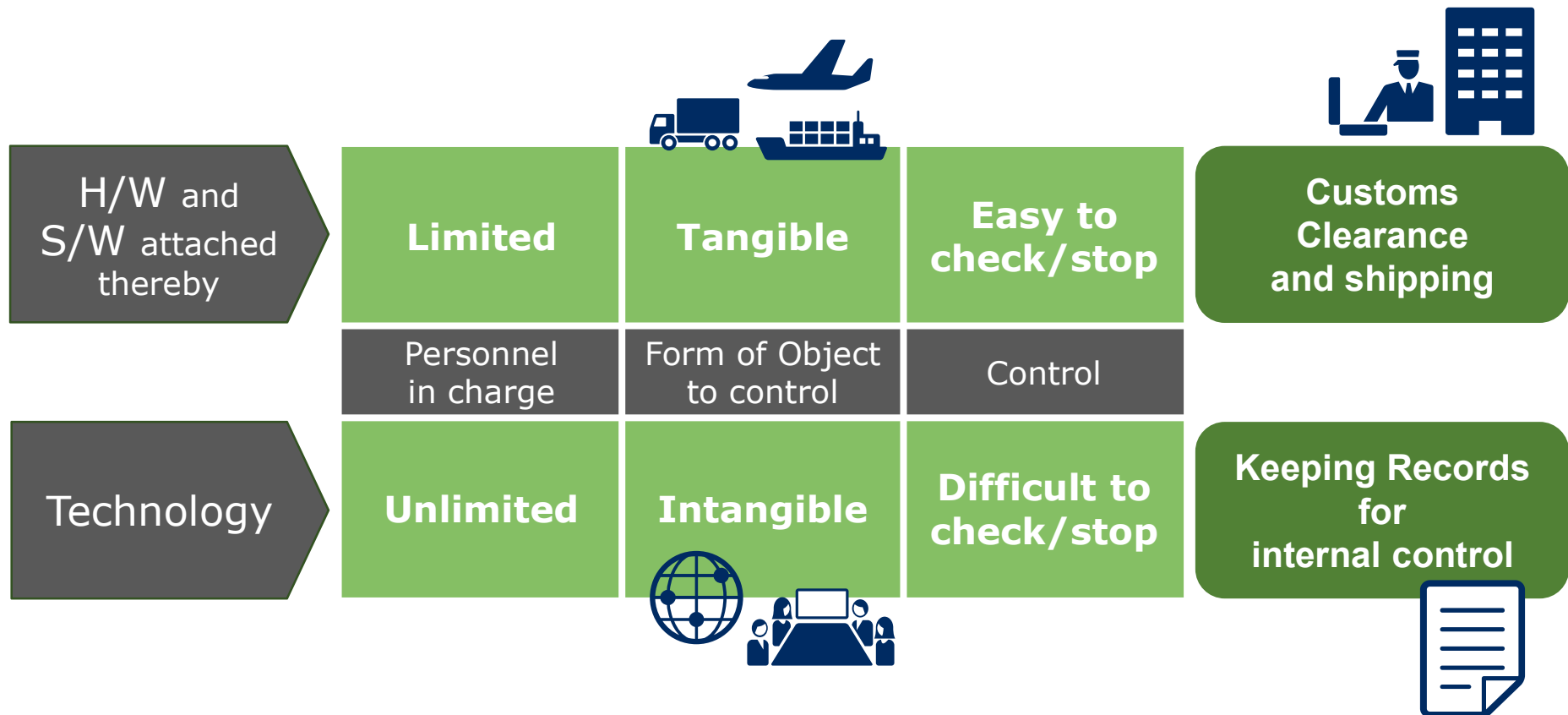
4. Training

Training courses from Basics to Practical ones through web site and f2f classroom sessions as one-year cycle

Target Customers

Basics | Practical

Target Customers		
Personnel in charge of STC	Sales Div.	
	Product/ Eng'g Div.	
Expat-to-be		
All employees		

Web-based Training

Orientation for beginners

Drill on Tech. Classification for beginners

Web-based Training

Update of Control List

Drill on the US EAR

Drill on Tech. Class.

Classroom Seminar

F2F guidance to Mgt.

Web-based Training

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5. Audit

2-types of Audit depending on the sensitivity

Type of Business

Export of Listed Strategic Items?	Yes	**On-site Audit** once a year
	No	**Paper Audit** once a year
No Export		**Survey** every 3 years

Internal Audit could be a motivator for improvement
- Check-up to see if practices are in accordance with ICP
- Providing hints for improvement rather than just pointing-out the flaws

Survey to see if there is any export transactions

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Training and Internal Audit are pre-/post-gears for maintenance

- Constitutes 'Plan' & 'Check-Action' respectively of 'P-D-C-A' cycle to 'do' Screening/Verification
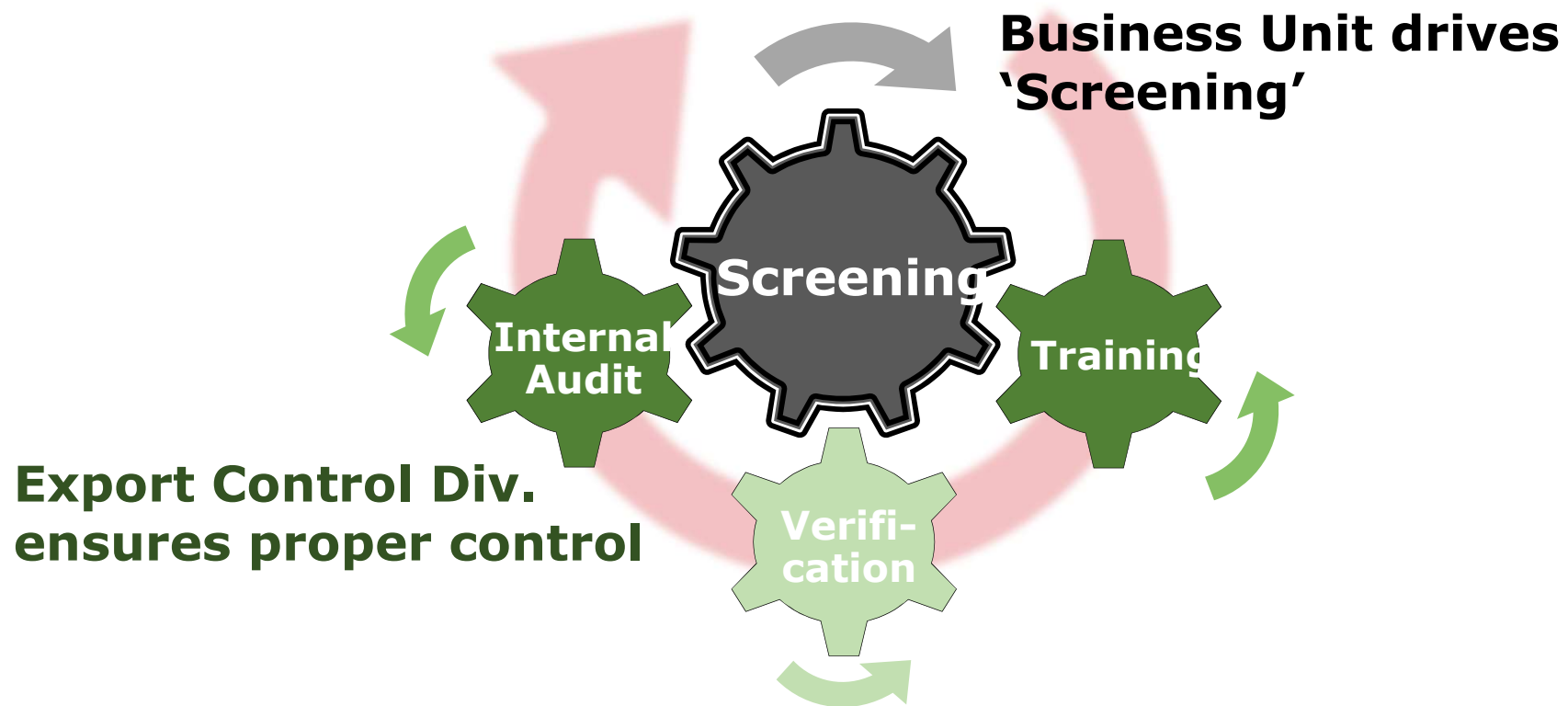
Business Unit drives 'Screening'

Screening

Internal Audit

Training

Verifi-cation

Export Control Div. ensures proper control

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Craft your own process and organization to fit your business

● Clear mission and responsibility

● Integrated into business process

● Risk-based approach

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Risk-based Approach

Sharing 'Risks' in mind is essential between Business Unit and Export Control Div.

- Top Management Commitment
  to create compliance culture
- Risk Assessment and Risk Response
  Measures
  - Clear Procedures in writing, Execution,
    and Records Keeping for Accountability
  - Training and Audit for Sustainability
- Communication

Screen-ing

Audit

Train-ing

Verifi-cation
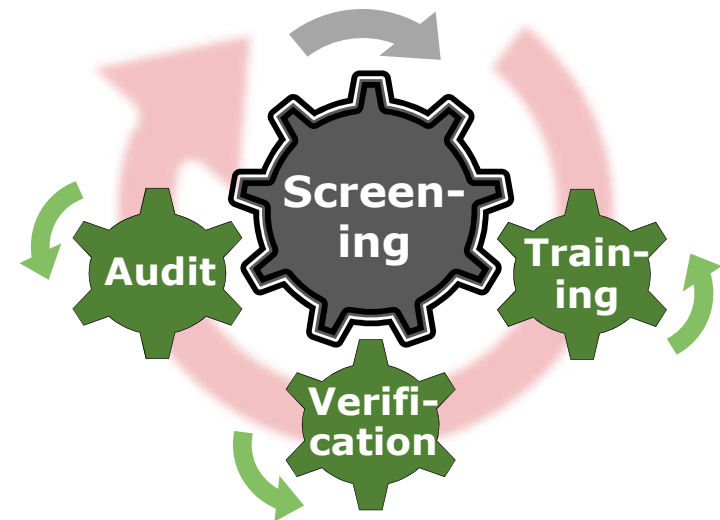
Care to Reputation Risk

- ICP is implemented in every foreign entity regardless of whether relevant laws and regulations are enacted or not

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