

## **The Rules on Compliance and Risk Management**

### **(Purpose)**

Article 1 The Rules on Compliance and Risk Management (hereinafter referred to as “the Rules”) set forth the policies, systems, and methods of operation of compliance and risk management at AVANT CORPORATION (hereinafter referred to as "the Company") and our subsidiaries (hereinafter collectively referred to as "the Group") with the aim of deeply recognizing corporate social responsibilities, enhancing social credibility by complying with relevant laws and regulations in the performance of daily operations, and preventing risks and minimizing company losses.

### **(Definitions)**

Article 2 In the Rules, "compliance" refers to laws and regulations, internal rules, and corporate ethics (hereinafter referred to as " laws and regulations, etc."). "Risk" shall also mean any and all possibilities that may cause a physical, economic or credit loss or disadvantage to the Company.

### **(Policy)**

Article 3 Our basic policy is to promote activities related to compliance and risk management in accordance with the separately prescribed AVANT Code of Conduct (hereinafter referred to as the "Code of Conduct").

### **(Scope of Application)**

Article 4 The scope of application of the Rules shall be within the Group. The scope of application of the Rules shall be directors, employees, and temporary employees of our group and our cooperating companies.

### **(Responsibilities of Employees)**

Article 5 Persons to whom the Rules apply must not only faithfully comply with laws and regulations, etc. based on the Code of Conduct, but must also perform their duties with good sense and responsibility as members of society.

### **(Compliance and Risk Management Committee)**

Article 6 We shall establish the Compliance and Risk Management Committee and establish a company-wide management system in order to ascertain the status of compliance and risk management of the Group, to prevent compliance violations from occurring, to respond in the event of a compliance violation, and to implement appropriate risk management.

### **(Responsibility and Authority)**

Article 7 The responsibilities and authorities of each person in charge of implementing and promoting compliance and risk management shall be defined as follows:

(1) Responsibility and authority of the chairman

- (i) The Chairman of the Compliance and Risk Management Committee (hereinafter referred to as the "Chairman") shall be the Representative Director of the Company. The chairman shall ensure that all persons to whom the Code of Conduct applies are fully aware of the Code of Conduct and assume the highest responsibility for fulfilling the corporate responsibilities.
- (ii) The chairman shall ascertain the status of compliance with the Code of Conduct and shall promote efforts related to compliance and risk management.
- (iii) The chairman shall determine the responsibilities and authority of the Compliance and Risk Management Supervisor and the Secretariat for the implementation and operation of these Regulations.
- (iv) The Chairman reviews, approves, issues, and distributes compliance risk management documents.

(2) Responsibilities and powers prescribed by the chairman

- (i) The Compliance and Risk Management Representative of each company of the Group shall be a person separately appointed by the chairman and shall have the responsibility and authority to implement the following items.
  - 1) Promoting compliance risk management within the company and gathering information on opinions and suggestions of problems with the compliance risk management promotion system
  - 2) Reporting the information collected in 1) to the Compliance and Risk Management Committee
- (ii) The secretariat of the Compliance and Risk Management Committee (hereinafter referred to as the "Secretariat") shall be a person separately appointed by the chairperson. The secretariat shall undertake administrative tasks for the management of the Compliance and Risk Management Committee. In addition, action standards and communications created and developed by the Compliance and Risk Management Committee are managed.

(3) Responsibility and Authority of Persons Covered by These Rules

- (i) Persons to whom the Rules apply shall comply with the Code of Conduct, notifications, laws and other regulations when undertaking compliance and risk management efforts and shall perform duties in accordance with the instructions of the Compliance and Risk Management Committee.

(Structure and Responsibility)

Article 8 The structure of the Compliance and Risk Management Committee shall be operated by the Compliance and Risk Management Supervisor and the secretariat of each of our Group

(Responsibility for Distribution of Compliance and Risk Management Documents)

Article 9 In the event the Compliance and Risk Management Committee issues or revises the Rules, Code of Conduct, and other notices (hereinafter referred to as the "Compliance and Risk

Management Document"), the Compliance and Risk Management Committee shall promptly distribute such documents to the applicable persons.

(Evaluation and revision of compliance with compliance and risk management documents)

Article 10 The Compliance and Risk Management Committee shall regularly investigate the compliance and risk management document compliance status of persons to whom the Rules apply, and shall review the Compliance and Risk Management Document as necessary. In addition, opinions and requests regarding the compliance and risk management documents of those to whom the Rules apply shall be collected, the appropriateness thereof shall be assessed, and the contents shall be revised as necessary.

(Report to Board of Directors)

Article 11 The Compliance and Risk Management Committee shall report to the Board of Directors the status of promotion and compliance with Compliance and Risk Management, revisions to the Code of Conduct, and the occurrence of accidents and problems.

(Prohibitions for Employees)

Article 12 Persons to whom the Rules apply must not engage in any of the following acts.

(1) Compliance Prohibitions

- (i) Violation of laws and regulations by himself/herself
- (ii) Instruct and induce other employees to act in violation of laws and regulations.
- (iii) Acquiesce other employees' acts in violation of laws and regulations.

(2) Prohibitions in Risk Management

- (i) To be intentionally involved in the occurrence of risks.
- (ii) Do not intentionally take preventive measures while predicting that there is a risk of such a risk occurring.
- (iii) Failure to follow our instructions on resolving risks.
- (iv) Unauthorized external disclosure of information on risk resolution.
- (v) Other actions that are inconvenient to our group in preventing, generating, and resolving risks.

(Disciplinary Action, etc.)

Article 13 Our group may impose disciplinary punishments on employees who violate the provisions of the preceding article in accordance with the working regulations.

(Limitation of Discharge)

Article 14 Persons to whom the Rules apply may not be exempted from liability for acts in violation of laws and regulations conducted by them on the following grounds:

- (1) Lack of accurate knowledge of laws and regulations
- (2) No intention to violate laws and regulations
- (3) What was done in accordance with instructions and teaching by other employees
- (4) Actions taken for the purpose of promoting our interests

(Obligation to Report)

Article 15 Persons to whom the Rules apply must promptly report any violation of Article 12 by other employees in accordance with the Compliance Hotline Handling Procedures separately provided.

(Measures Against Risk)

Article 16 Persons to whom the Rules apply must actively foresee and appropriately assess specific risks and take the necessary measures in advance such as avoiding, alleviating, and transferring the risks so that the best results can be obtained at the minimum cost for our group.

- 2 Persons subject to the Rules shall, when requesting business decisions, willingly identify the specific risks foreseen in the relevant operations to the person in charge of approval and shall state the measures to be taken to deal with such risks.

(Actions to be Taken in the Event of a Specific Risk)

Article 17 Persons to whom the Rules apply shall respond when a specific risk occurs in accordance with the Risk Management Regulations.

(Advance Consultation)

Article 18 Persons to whom the Rules apply must consult with the Compliance and Risk Management Committee secretariat in advance if they are in doubt as to whether or not their actions or decisions violate laws and regulations.

(Compliance and Risk Management Training)

Article 19 For the following purposes, we will hold workshops for employees to whom the Rules apply as necessary.

- (1) Increasing awareness of compliance and risk management
- (2) Providing accurate knowledge of compliance
- (3) Providing accurate knowledge on how to prevent risks and how to respond when risks arise

(List of Emergency Reporting Parties)

Article 20 The Secretariat shall prepare and manage a list of recipients of reports (hereinafter referred to as the "List") in preparation for the occurrence of an emergency.

- 2 The list shall be regularly checked, and if there is any change, it shall be promptly corrected, etc., and efforts shall be made to keep it up to date at all times.

(Revision and Abolition of Documents)

Article 21 The revision or abolition of the Rules and the Code of Conduct shall be in accordance with the Management Rules of the Rules.

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