

Advantech Co., Ltd. 2Q 2023 Board of Directors Meeting Report and Discussion Items



Apr. 28th, 2023

Board of Directors - Reports

(Please inform the directors of the complete report, no resolution is necessary)

Reports	AC
1. Derivatives report for 1Q 2023	✓
2. Execution status of the internal audit in 1Q 2023	✓
3. Impact of international disputes on production and logistics	✓
4. Status of directors' liability insurance coverage	-
5. Status of the company's greenhouse gas inventory verification plan	-
6. Commitment to bio-diversity and non-deforestation	-
7. Editing status of the 2022 Sustainability Report	-
8. Report on the communication with all stakeholders	-



Report item 5): Status of the company's greenhouse gas inventory verification plan

Picture 1

Schedule Planning

Phase 1

Subsidiaries of listed companies with a capital amount of 50-100 bn **have completed the individual company inventory.**

2023

2024

2025

2026

2027

2028

2029

FSC: Pathway to sustainable development for listed companies - Timeline for carbon inventory and verification

Phase 2

1. Listed companies with a capital amount exceeding 100 bn, as well as consolidated **subsidiaries** in the steel and cement industries, **have completed their inventory.**

2. **Inventory of individual companies listed** with a capital amount of 50-100 bn.

Phase 3

1. Consolidated **subsidiaries** of listed companies with a capital amount of 50-100 bn **have completed their inventory.**

2. **Inventory of individual companies listed** with a capital amount less than 50 bn.

Phase 4

Consolidated **subsidiaries** of listed companies with a capital amount of less than 50 bn **have completed their inventory.**

Capital amount of Advantech **77.8 bn**

Phase 1

Listed companies with a capital amount exceeding 100 bn and those in the steel and cement industries **have completed verification.**

1. Consolidated **subsidiaries** of listed companies with a capital amount exceeding 100 bn and those in the steel and cement industries **have completed verification.**

2. Individual companies with a 50-100 bn capital **have completed verification.**

1. Consolidated **subsidiaries** with a 50100 bn capital **have completed verification.**

2. Individual companies with a capital amount of less than 50 bn **have completed verification.**

Consolidated **subsidiaries** with a capital amount less than 50 bn **have completed verification.**

Inventory Schedule

Verification Schedule

Carbon Inventory and Verification Schedule for Advantech Co., Ltd. and Subsidiaries:

Year	Y2022	Y2023	Y2024	Y2025	Y2026
Main Item	Greenhouse gas inventory and verification for the parent company and AKMC. (Completed)	Greenhouse gas inventory and verification for subsidiaries in Taiwan (Greater Taipei area). (Completed)	Greenhouse gas inventory and verification for subsidiaries in Taiwan (outside of Greater Taipei area).	Greenhouse gas inventory and verification for subsidiaries in Asia.	Greenhouse gas inventory and verification for subsidiaries in Europe, America and Australia
Work Plan	<ul style="list-style-type: none"> Obtained third-party certification from SGS. Reported in 2022 BOD. 	<p>Completed the third-party certification from SGS and expect to obtain the certificate in 2Q 2023.</p> <ul style="list-style-type: none"> Advanixs Huan Yan Water Solution Advantech Intelligent Services (AiCS) Advantech Corporate Investment (ACI) Advantech Intelligent Health (AIH) LandMark 	<ul style="list-style-type: none"> Better Auto Holdings (Better Auto) 	<ul style="list-style-type: none"> AJP ASG AMY AIN AVN AKR ARU AIL ATH 	<ul style="list-style-type: none"> ATR AEUH ABR AMX ATC AAC(BVI) AAU
Estimated Cost (\$NT)		\$280 k	\$700 k	\$6.3 m	\$4.9 m

Some Have Completed Ahead of Schedule

* On average, the estimated cost for guidance and verification per company is about TWD \$ 600k - \$ 700k, with a total estimated investment of about \$12.6 - \$14.7 m. (The estimate allows for future growth potential)

Report item 6): Commitment to bio-diversity and non-deforestation

International Sustainability Trends

- According to the 2022 Global Risk Report survey, the risk of bio-diversity loss has risen to 3rd place.
- Various international sustainability standards are adding, updating, and introducing draft content related to biodiversity, such as GRI, TNFD, etc.
- Over half of the global GDP is related to nature; all industries depend directly or indirectly on natural resources, and ecosystem collapse could lead to significant operational risks.

Sustainability Rating Requirements:

- ① **GRI** is also updating its GRI 304: Biodiversity 2016 standard;
- ② **CDP** announced in its “2025 Vision” that it will expand its scope to oceans, land use, and biodiversity. The 2023 CDP questionnaire will expand the biodiversity, ocean plastics, and marine pollution sections;
- ③ **DJSI** updates its biodiversity section every year and, in addition to commitments, focuses more on biodiversity risk assessments within the company's value chain;
- ④ **TNFD** (Taskforce on Nature-related Financial Disclosures) is expected to introduce its framework in 3Q 2023.

Report item 6): Commitment to bio-diversity and non-deforestation

Bio-diversity Commitment

- In 2022, Advantech has developed a bio-diversity commitment in accordance with DJSI requirements, awaiting approval at the board of directors' meeting.
- Advantech currently plans to fully implement the biodiversity commitment at all of our global direct operational locations by **2025**.

2023 progress:

- Discussion and formulation of the year for the positive impact goal, bio-diversity risk assessment, and setting net-zero loss target.

Non-Deforestation Commitment

- In 2022, Advantech has developed a no-deforestation commitment in accordance with DJSI requirements, awaiting approval at the board of directors' meeting.
- Advantech currently plans to fully implement the no-deforestation commitment at all of our global direct operational locations by **2025**.

2023 progress:

- Discussion and formulation of a no-deforestation project at the headquarters and main operational locations (e.g., introducing the application of FSC into green office practices and paper packaging materials).

Gap

- We lack the capability to assess biodiversity risks. Currently, Advantech has no planned evaluation process to assess **risks and opportunities related to biodiversity and corresponding actions in the operational process (value chain)**. Cooperation between industry and academia solely on the biodiversity topic is insufficient to cope with international trends. It is planned to **start planning and implementing specific projects in the 2nd half of 2023, depending on the resources available**.

Report item 7): Editing status of the 2022 Sustainability Report 1-2

• Significant Progress in 2022

- **Introduction of new sustainability indicators:**
Adopting **SASB's** sustainability disclosure indicator for the Computer and Peripherals Industry, as recommended by FSC.
- **Adoption of the latest GRI 2021 guidelines:**
 - ① Investigation, description, and remedial measures of **significant impacts** of key topics.
 - ② **Bilateral dialogue and communication with stakeholders.**
 - ③ Planning of output processes for key topics.
 - ④ Implementation of due diligence investigations focusing on **E, S, and G** dimensions.
 - ⑤ Enhancing the representation of the “**Human Rights**” topic in corporate sustainability reports.
- **Expansion of the report's scope to major overseas RBUs.**
- **Double verification** to enhance report credibility: In addition to SGS inspection, PwC **verification and assurance** are added.

• Planned Improvements in 2023

- Adding the “**Human Rights**” chapter”
- Significant progress and expansion in key chapters such as “Occupational Safety and Health”, “Sustainable Intelligent Product Solutions”, “Living Wage”, “Supply Chain Sustainability Management”, and “Green Products”.

• Areas for Improvement in 2023

- Need to further enhance the qualitative presentation and **comprehensive data collection for overseas RBUs** (Region HR).
- The process of key topic investigation needs to strengthen the participation of board of directors and external experts, and **reinforce positive and negative impact analysis**.
- It's suggested to start planning for next year's report in 3Q in advance.

Report item 7): Editing status of the 2022 Sustainability Report 2-2

• Results of the 2022 Sustainability Report Stakeholder Questionnaire and Impact Survey

Scope of Investigation	Stakeholders	Number of Valid Questionnaires Received		
		HQ & Global Sites	Advantech China	Subtotal
Attention	Employees	622	54	676
	Clients	24	8	32
	Partners, Universities & Research Institutions	30	17	47
	Suppliers & Contractors	65	91	156
	Media, Public Associations & Government	20	4	
	Shareholders & Investment Institutions	31	X	
	Community, Social Groups & NPOs'	18	1	
Impact	Board of Directors & Senior Executives	31	6	
Total		841	181	1022

322 more valid responses were received than last year

Stakeholder questionnaire participation: For each valid questionnaire returned, Advantech donated NTD \$100 to a non-profit organization, **totaling a donation of NTD \$102,200** to the following units:

- **Guandu Nature Park:** Adopted 5 hectares of wetland for ditch and drain maintenance, promoting bio-diversity. (50% of the donation)
- **Tse-Xin Organic Agriculture Foundation:** Adopted 102 trees at the Shalun afforestation site in Taoyuan and performed maintenance work for 3 consecutive years. (50% of the donation)

Donations contribute to **bio-diversity**

• Results of the Significant Subject Investigation

1	Information Security Management
2	Green Design & Product Sustainability Responsibility
3	Promotion & Education of IoT Applications
4	Sustainable Intelligent Solutions
5	Co-Creation with Customers and Partners
6	Supply Chain Sustainability Management
7	Risk Foresight & Crisis Management
8	Labor Relations & Workplace Diversity Inclusion
8	Innovation Mechanism
10	Human Rights
10	Talent Cultivation & Development

Report item 8): Report on the communication with all stakeholders

- **Completed in 2022**

- **Stakeholder questionnaire collection diversified:** in addition to Advantech Headquarters, we've enhanced the collection of questionnaires from our overseas RBUs.
- **Investigation of positive & negative impacts enhanced :** as per the latest GRI requirements, we have included the investigation of impacts on the environment, society (people, human rights), and the economy.
- We have increased the description of **two-way communication** with stakeholders.

- **Improvements for 2023**

- **Expansion of the subjects for the positive & negative impact investigation:** in addition to the senior management, we recommend including other appropriate stakeholders in the investigation.
- **Strengthening “two-way communication” with stakeholders:** currently, the communication with stakeholders tends to be single-way”. In the future, we can suggest to various responsible units to establish “two-way” communication channels and to collect quantitative data.

Advantech Co., Ltd.

Minutes of the 15th Meeting of the 14th Board of Director

1. Time: 13:30 on Friday, April 28, 2023
2. Location: Meeting Room B1, No. 1, Alley 20, Lane 26, Rueiguang Road, Neihu District, Taipei City
3. Chairman: K.C. Liu Recorder: Jean Ko

4. Attendance status of directors:

- **Present Directors:** The Founder and Chairman of Advantech, AIDC Investment Corp. Representative, Advantech Foundation Representative, K and M Investment Co., Ltd Representative, total 7 participants.
- **Directors who requested leave:** Non
- **Absent directors:** Non
- **Attendees:** Auditor Assistant Vice President, 3 co-governance vice-presidents, Senior Manager of Finance, Corporate Governance Officer leader, Senior Manager of Global Business Operations

5. Report Items:

Report item 6): Commitment to bio-diversity and non-deforestation

The global requirements for biodiversity and no deforestation are becoming stricter in response to international sustainability trends and sustainability assessments (CDP, DJSI, TNFD). After consulting with PwC advisory team and internal execution team, Advantech plans to fulfill the biodiversity and no deforestation commitment at all global direct operation points by 2025, with a specific schedule to be developed and promoted.

Report item 7): Editing status of the 2022 Sustainability Report

The work on Advantech's 2022 sustainability report is currently in progress, with both Chinese and English versions expected to be published synchronously in June this year. Major developments in 2022 include: (1) Added sustainability indicator (adopted the latest SASB indicator - Computers and peripheral industry from the Financial Supervisory Commission). (2) Adopted the latest version of GRI 2021 guidelines. (3) Expanded data scope to major overseas RBUs. (4) Dual verification to enhance the credibility of the report (existing SGS inspection, added PwC verification and assurance).

Report item 8): Report on the communication with all stakeholders

1) In 2022, the company has completed the diversified collection of stakeholder questionnaires, and apart from Advantech headquarters, the collection of questionnaires from overseas RBUs has been strengthened. 2) The company has intensified positive and negative impact surveys, according to the latest requirements of GRI, the surveys on environmental, social, and economic impacts have been included. 3) Increased two-way communication with stakeholders.

研華股份有限公司 第十四屆第十五次董事會議事錄

壹、會議時間：中華民國一十二年四月二十八日(星期五)下午 13：30
貳、會議地點：台北市內湖區瑞光路 26 巷 20 弄 1 號(本公司 B1 會議室)
參、主席：劉克振 紀錄：柯際雲

肆、董事出席狀況：

出席董事：劉克振、研華投資股份有限公司代表人張凌寒、財團法人研華文教基金會代表人何春盛、科展投資股份有限公司代表人劉蔚志、陳弘澤、劉文正、林焯娟 (人數：7)

請假董事： (人數：0)

缺席董事：無 (人數：0)

列席者：稽核主管唐梅、陳清熙總經理、張家豪總經理、蔡淑妍總經理、劉蔚廷資深經理、柯際雲公司治理主管、廖胤翔資深經理 (人數：7)

伍、報告事項：

案由四：本公司生物多樣性承諾及不毀林承諾。

經理廖胤翔說明：因應國際永續趨勢及永續評比(CDP、DJSI、TNFD)等，全球對生物多樣性、不毀林相關要求更趨嚴謹。研華經諮詢 PwC 顧問團隊、內部執行團隊評估可行性後，訂於 2025 年於全球直營據點全面履行生物多樣性及不毀林承諾，具體進程將擬定並推進。

案由五：本公司編製 2022 年永續報告書執行情形。

經理廖胤翔報告說明：研華 2022 年永續報告書目前作業中，預計今年 6 月中英文版報告書同步出刊。2022 年重大進展：(1)新增永續指標 (採用金管會最新 SASB 指標-電腦及週邊設備業)。(2)採用最新版 GRI 2021 準則。(3)擴大資料範疇至海外主要 RBU。(4)雙驗證提升報告書可信度 (既有 SGS 查驗外，新增 PwC 查證與確信)。

案由六：本公司與各利害關係人溝通情形報告。

經理廖胤翔報告說明：1)2022 年已完成擴增利害關係人問卷多樣化收集，除研華總部外，強化海外 RBU 問卷收集數量。2)強化正負向衝擊性調查，依 GRI 最新要求將對環境、社會、經濟衝擊查調納入。3)增加利害關係人雙向溝通。