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2.1 Operational Performance and Corporate Governance Structure

2.1.1 Company Profile

Since its establishment in 1983, Advantech has focused on the field of global Industrial Internet of Things (IIoT), providing corporate customers with a comprehensive range of services, including software and hardware system integration, customized design solutions, and localized global technical support. Now, we are the global leader in the IIoT intelligent systems and embedded platforms industry, with "Enabling an Intelligent Planet" as our corporate brand vision.

Advantech is a TWSE listed company, listed and traded on the Taiwan Stock Exchange since 1999 (TWSE2395). Its operating headquarters is located in Neihu Technology Park, Taipei, Taiwan. It has business locations spanning a total of 27 countries across regions including Europe, the Americas, and Asia; the Company's three major manufacturing centers are located in Linkou, Taiwan; Kunshan, China; and Fukuoka, Japan. Furthermore, it has established four major logistics management centers and 21 local service centers, delivering real-time, comprehensive integrated services to global customers through a fully developed service system.

Advantech and its affiliates specialize in the manufacturing, assembly, sales, and after-sales service of industrial computer related products (details in 2.1.2 Organization Chart). Its main business groups include: the four major business sectors: Embedded Sector, Intelligent System Sector, IIoT Automation Sector, and Intelligent Services Sector. The Company focuses on five major key markets including Edge Intelligent Systems, Smart Manufacturing, Energy and Utilities, Intelligent Healthcare, and Intelligent Retail and Services, providing diverse application solutions to meet the needs of customers across various industries. Embracing the trend of Edge Computing and Artificial Intelligence (AI), Advantech will focus its strategy on Edge Computing and Edge AI to bolster its global presence and enhance core competitiveness. By integrating our Edge Computing hardware platform products and the industrial IIoT software platform WISE-IIoT, with industry Edge AI solutions and industry knowledge, we will shift towards a co-creation-centered business model for integrated industry applications, helping our partners and customers to connect within the industry chain. Furthermore, we work closely with partners across different industries to "co-create" industry ecosystems, aiming to accelerate the realization of industrial intelligence.

Refer to: [Advantech Co., Ltd. introduction film.](#)

Worldwide Presence

3 Manufacturing Sites 4 Logistics Centers 21 Service Centers 27 Countries

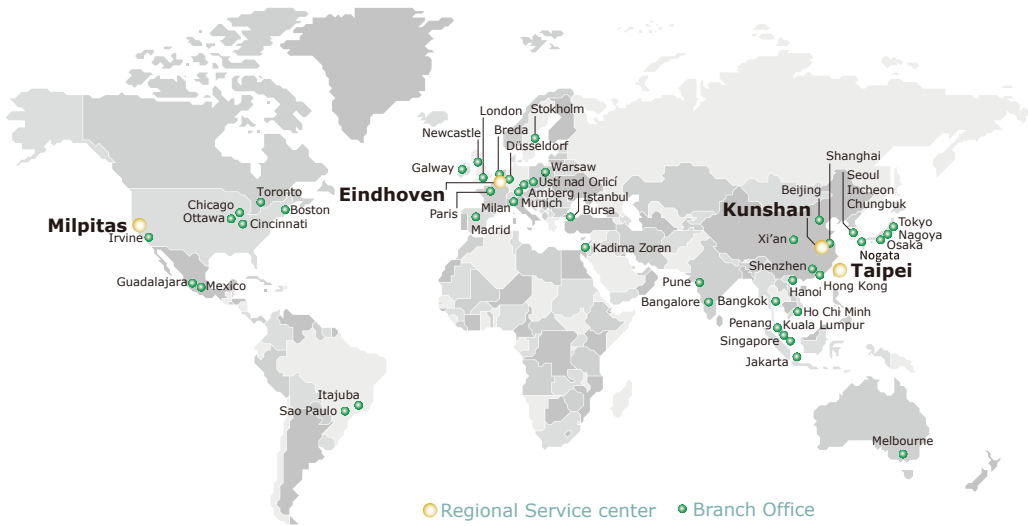


Figure 2.1.1 Distribution of Advantech operating locations

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Figure 2.1.2 Organizational chart of Advantech

Management Performance and Brand Value

In 2024, Advantech's consolidated revenue declined by 7% year-on-year due to systemic factors such as global high inflation, geopolitics, and the U.S. Presidential election. While the gross profit margin saw a slight increase compared to the same period last year, both the operating and net profit margins declined due to the slowdown in revenue performance. The EPS for 2024 was NTD10.45

Advantech has long remained focused on its core business while building a strong financial foundation. The Company maintains a high dividend payout policy to share business results with shareholders. In 2024, a total cash dividend of NTD 8.4 was distributed, representing a payout ratio of over 80%, reflecting Advantech's commitment to delivering greater shareholder value. For the historical financial performance please refer to the Company's official website. Since its founding, Advantech has focused on building its own brand. In 2024, with a brand value of USD 851 million, Advantech was awarded 5th place in Branding Taiwan, and has steadily remained in the top 5 of Branding Taiwan for seven straight years.

* According to the 2024 evaluation results by Interbrand, an internationally renowned brand valuation agency commissioned by the Industrial Development Administration, Ministry of Economic Affairs (MOEA). For more details, please refer to the [website](#)

Main products	2024			
	Sales amount (NTD thousand)	%	Product output (set/piece)	Percentage of production at self-owned facilities (%)
Embedded board and system	24,481,581	41%	3,256,697	99%
Industrial computers and industrial controls	29,136,515	49%	3,170,338	100%
After-sales service and others	6,168,197	10%	492,624	100%
Total	59,786,293	100%	6,919,659	99%

Table 2.1.1 Advantech's Products, Revenue Proportion, and Production Output for 2024

Note: The area of production plants is as follows: Manufacturing Center in Linkou, Taiwan (553,030 ft²); Manufacturing Center in Kunshan, China (1,107,821 ft²); Manufacturing Center in Fukuoka, Japan (162,902 ft²)

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Advantech Value Chain and Business Development

Advantech operates in the Industrial Computer (IPC) industry, which originated from factory automation and was first applied in the monitoring, testing, and control of instruments and mechanical equipment. However, with the integrated advancement of communication, networking, software, and optoelectronic technologies, industrial computers have expanded beyond traditional manufacturing to encompass diverse applications such as smart cities, retail, transportation, and healthcare. From MRT card readers and automated ticketing kiosks to POS systems, digital signage, and smart building management systems, this technological evolution has fueled the strong growth of the industrial PC (IPC) industry, ultimately prompting its renaming to "Intelligent Industry".

In terms of the upstream, midstream, and downstream relationships within the industry, the supply chain for industrial computers and embedded boards is as follows: In the upstream, there are components such as chipsets, CPUs, PCBs, DRAMs, logic ICs, connectors, passive components, and other components. The midstream sector includes I/O equipment, single board computers, barebone systems, industrial computers, and industrial computer peripherals. In the downstream, it includes system integrators, distributors, and end consumers. The upstream, mid-stream and downstream of the IoT are consolidated by the collaboration of different vendors to provide customers with effective services and form close partnerships. For more information, please refer to the chapter on Sustainable Supply Chain Management.

However, as the world is embracing the golden era driven by Edge Computing and AI, the rise of IoT and intelligent technology will reshape the industry landscape. As a global leader in industrial computers, Advantech launched a rebranding plan in 2024 with a forward-looking vision, evolving from a traditional IPC giant into a world-class leader in Edge Computing and Edge AI. Looking ahead, Advantech will focus its strategy on Edge Intelligent Systems, placing emphasis on five key markets including Smart Manufacturing, Energy and Utilities, Intelligent Healthcare, and Intelligent Retail and Services. By reinforcing its global presence as well as strengthening talent cultivation and the partner ecosystem, we strive to promote industry transformation and devise next-generation intelligent applications.

Advantech builds on its vision of "Enabling an Intelligent Planet", combining AIoT technology and industry ecosystem strategy to establish a solid foundation for sustained growth. In 2024, Advantech increased its focus on enhancing core competitiveness in the ASEAN region by expanding its operating location in Singapore and transforming it into an Asia-Pacific Business Development Center. The aim is to drive the comprehensive development of AI, strategic planning, brand, and PR. Advantech's Malaysia location will serve as a hub for after-sales maintenance services in the Asia-Pacific region, advancing its industry localization strategy, training local talent through industry-academia collaboration, and expediting the development of the

AIoT industry. In 2024, Advantech also completed the first phase equity acquisition of AURES Technologies SA, a well-known French provider of retail POS and KIOSK equipment. The acquired entity will be officially renamed "ADVANTECH-AURES", and by inheriting AURES's brand spirit and value proposition while integrating Advantech's abundant industry expertise, it will be dedicated to gaining a global leadership position in integrated solutions and services within the smart retail and catering market, thereby bolstering Advantech's key role in the field of smart city services.

In the future, through sound technical innovation and market expansion strategies, Advantech will embody the spirit of "Enabling an Intelligent Planet", working towards the goal of becoming a global leader in intelligent industry.

Regional market performance in 2024

US\$m	2024	2023	YoY	Rev%
North America	573	657	-13%	31%
Europe	312	388	-20%	17%
China	422	431	-2%	23%
North Asia	197	217	-9%	10%
Taiwan	121	103	+18%	6%
Asia Pacific and Overseas Emerging Markets	173	184	-5%	9%
Other Regions	71	94	-25%	4%
Total	1,869	2,074	-10%	100%

Figure 2.1.3 2024 Advantech Revenue Breakdown by Region (USD)

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2.1.2 Corporate Governance

Corporate governance is essential for long-term operations. Advantech values discussions and interactions with stakeholders. In terms of the Board of Directors' structure and functional committees, all self-expectations exceed the standards required by laws and regulations, and are reviewed and optimized annually.

For more details, please refer to the official [website Audit system](#), [Code of Ethics and Business Conduct](#), and [Guideline for Insider Trading Prevention Management](#), [*Article of Incorporation](#)(note 1).

Note 1: "In accordance with the Company Act, any amendments to Advantech's Articles of Incorporation must be approved by the shareholders' meeting."

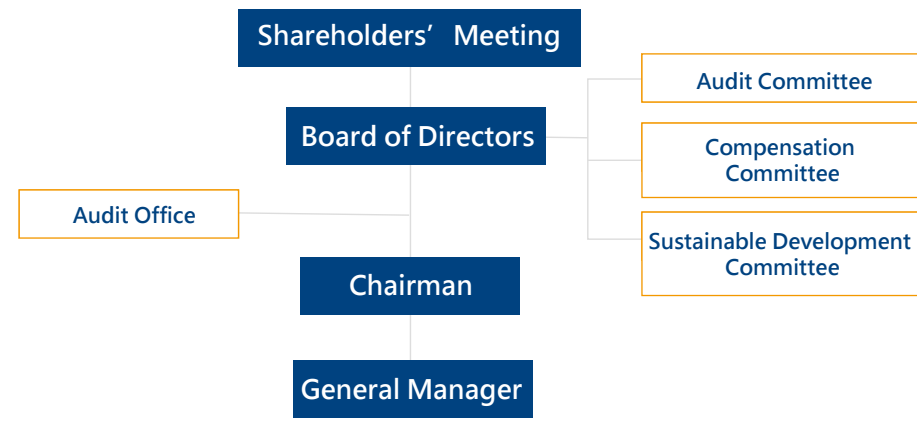


Figure 2.1.4 Advantech Corporate Governance Structure

Composition and functioning of the Board of Directors

Advantech is committed to enhancing the effectiveness of its Board of Directors and has implemented a comprehensive [director selection system](#). Board member appointments adhere to a [diversity policy](#), with evaluations encompassing industry background, professional expertise, age, and gender balance to foster a broad range of perspectives. In addition to considering international market outlook, professional and academic achievements, and risk management capabilities, Advantech also plans to incorporate sustainability expertise into the evaluation criteria for Board members. The selection of director candidates follows the candidate nomination system under "Article 192-1 of the Company Act", and are elected by the shareholders' meeting from the list of candidates; independent directors are recruited in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". In addition, according to the Company Act, the Board of Directors shall execute its duties

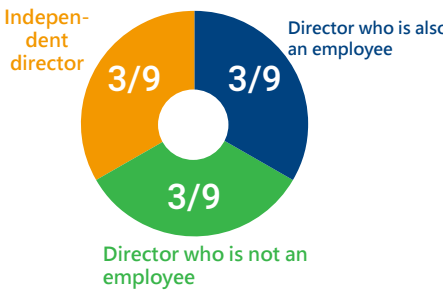
in accordance with applicable laws and regulations, the Articles of Incorporation, and resolutions of the shareholders' meeting. Should any resolution result in damage to the company due to violation of such provisions, the directors participating in the resolution may be held liable for compensation. However, those who expressed dissent and had it recorded in the meeting minutes shall be exempt from such liability. Advantech also procures Directors and Officers Liability Insurance (D&O Insurance) for all board members annually. For further details regarding the D&O Insurance policy, please refer to page 49 of the 2024 annual report.

Advantech is currently in its 15th term of Board of Directors, consisting of nine members. The current board term spans from May 25, 2023, to May 24, 2026. The composition of the current Board of Directors and the developmental goals for the upcoming 16th term are illustrated in the figure below. One Board seat will be designated to the Advantech Cultural and Educational Foundation, ensuring representation of public welfare stakeholders in the Board's composition. Overall, the composition of Advantech's Board of Directors complies with the principle of diversity. The directors' diverse professional perspectives are constructive and beneficial to the Company's ability to cope with operational, industry, and sustainability impacts. The average tenure of the 15th Board of Directors as of the end of December 2024 was 9.8 years.

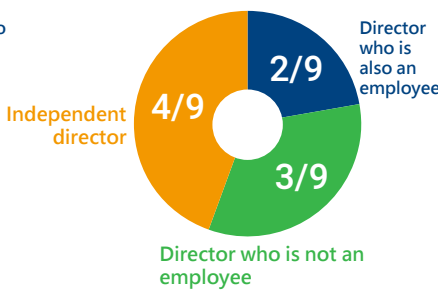
For more details, please refer to the official website: Board of Directors.

For details on the minimum seat requirements for independent directors and female directors, please refer to the official website Corporate Governance Best Practice Principles

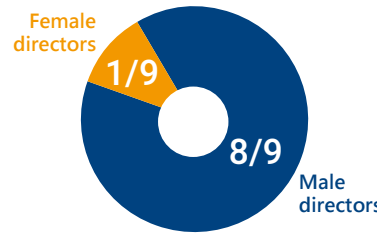
Diversity on Board of Directors the 15th term



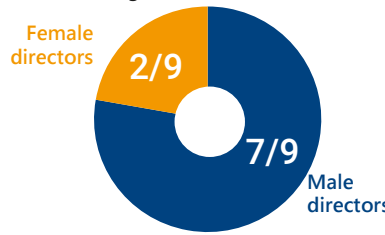
Diversity on Board of Directors Targets for the 16th term



Director gender distribution the 15th term



Director gender distribution Targets for the 16th term



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In terms of sustainability expertise, Director Jeff Chen previously served as Global Vice President and Asia President at Stanley Black & Decker. With extensive experience in managing large international corporations and expertise in M&A strategy and multinational operations, he brings valuable diverse and global perspectives to Advantech's sustainability governance decisions. Director Ji-Ren Lee, on the other hand, has professional experience in corporate strategy, talent development, and risk management across various companies. His wealth of practical experience in corporate governance is essential in establishing a strong governance framework and ensuring effective oversight of sustainability mechanisms. The current composition of the Board of Directors embodies the spirit of sustainability. In the future, efforts will be made to further enhance the sustainability functions of the Board. The Founder and Chairman, K.C. Liu, also serves as a CEO. The Company complies with the conflict-of-interest avoidance provisions set forth in the "[Board of Directors Rules of Procedure](#)" and has implemented a robust co-governance mechanism to enhance the balance of power and mitigate conflicts of interest.

- The definition of Advantech's controlling shareholders is the same as that in the annual report. Refer to the official website for details [Top ten shareholders](#).

Functional Committee of the Board of Directors

The setup of functional committees exceeds regulatory requirements. 2024committee composition and implementation status are as follows:

Functional Committee	Members	Attendance rate	Resolution items (Please refer to official website)	External expert consultants Provide opinions but have no voting rights
Compensation Committee (statutory)	Independent Director, Ming-Hui Chang (convener) Independent Director, Benson Liu Independent Director, Chan-Jane Lin	100%	2024	
Audit Committee (statutory)	Independent Director, Benson Liu (convener) Independent Director, Ming-Hui Chang Independent Director, Chan-Jane Lin	100%	2024	
Audit Committee (statutory)	Independent Director, Benson Liu (convener) Independent Director, Ming-Hui Chang Independent Director, Chan-Jane Lin	100%	2024	Ellen Lee/DDI Consultant (talent strategy)

Expanded Sustainable Development Committee (SDC) Mechanism

In July 2022, Advantech officially established the Sustainable Development Committee (SDC) at the board level to hold meetings quarterly to formulate the Company's long-term development strategy. Among them, the Q1 / Q3 SDC meeting is positioned as an "Expanded SDC", inviting all directors, external experts, consultants, and senior management on an expanded basis to discuss in-depth Advantech's business model innovation, business inheritance, medium and long-term vision, and other key development issues. In 2024, two expanded SDCs were convened. Discussion topics included the corporate operating structure and transition towards a Sector Driven model, which involves reforming the past business model centered on "products" , completely shifting to an "industry" focused approach, concentrating on industry-specific vertical markets, consolidating internal resources, targeting pioneering industries, and driving product innovation in response to industry demand. Guided by the diverse professional insights of external consultant teams and Sustainable Development Committee members, Advantech is streamlining its global organization, forming a talent pipeline and expert industry teams, in a bid to promote the long-term transformation of its corporate operating structure. Other topics discussed included the optimization of internal corporate management systems and talent training; revitalization of financial and investment issues including M&A; key AI industry technologies and trends; strategic topics such as Emerging Business Department development; and policies on compensation structures and incentive systems. This mechanism enables the broad integration of opinions from external consultants, fosters internal consensus, and drives reform, embodying the power of collective intelligence and execution.

- For details, please refer to the official website [Functional Committee](#).

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Board of Directors Operations Status, Continuing Education, and Evaluation

Operating status: The Board of Directors convened five meetings in 2024. Board members demonstrated good attendance, the agenda proceeded smoothly, and proposals were thoroughly discussed and effectively resolved through active engagement. In general, the Board functioned efficiently.

For details, please refer to the official [website Board of Directors' operating status](#):

Job Title	Name	Number of attendance	Number of absences	Attendance rate (%)
Chairman	K.C. Liu	5	0	100%
Director	Advantech Cultural and Educational Foundation Representative: Chaney Ho	5	0	100%
Director	K and M Investment Co., Ltd Representative: Wesley Liu	5	0	100%
Director	AIDC Investment Corp. Representative: Tony Liu	5	0	100%
Director	Jeff Chen	5	0	100%
Director	Ji-Ren Lee	5	0	100%
Independent director	Ming-Hui Chang	5	0	100%
Independent director	Benson Liu	5	0	100%
Independent director	Chan-Jane Lin	5	0	100%

Continuing education status and operating strategy

In 2024, each director received an average of 7.2 hours of training, higher than the statutory minimum requirement of 6 hours. Advantech encourages directors to pursue continuing education and keep abreast of international trends in their professional fields. Besides regularly disclosing information on governance courses offered by professional organizations such as the Taiwan Corporate Governance Association, Securities & Futures Institute (SFI), and Taiwan Institute of Directors for reference. The Company organized director training seminars, and topic selection is determined based on the broad operational risk map and material topic. In terms of lecturer selection, external industry consultants and experts from academia are invited according to topic. The course content balances theory and practice to maximize the strategic effect on business operations. In November 2024, Advantech held an internal professional development course for directors titled "Strategic Integration of Growth Objectives and M&A Activities." The course aimed to facilitate in-depth discussion among directors and managers on topics such as M&A strategy-related knowledge, risks, and management. For the course, David D.R. Wang, Chief Executive Officer and President of Yageo, was invited as a lecturer to share Yageo's M&A process and success stories through interactive discussions with directors and managers. Also invited was Dr. Allen Tsai, Founder of the Taiwan Institute of Directors, who contributed his insights and experience in the M&A market. Going forward, bespoke training plans will be developed for individual directors by considering the diversity of their backgrounds and areas of expertise, with the aim of boosting their core competencies. Continue to elevate the professionalism and international perspective of the directors through precision training. Recently, ESG has become an inevitable obstacle for companies, and Board members are vigorously absorbing ESG-related knowledge to make sure that their advice for Advantech's strategic development remain relevant and contributes to the Company's long-term growth.

Overview of directors' ESG continuing education for 2024

Director	Organizer	ESG continuing education	Total hours of continuing education
Wesley Liu	Taiwan Corporate Governance Association	An exploration of corporate employee remuneration strategy and tool application	3
Chaney Ho	TWSE	2024 Cathay Sustainable Finance and Climate Change Summit	6
Benson Liu	Taiwan Corporate Governance Association	20th (2024) Corporate Governance Summit	6
	Taiwan Corporate Governance Association	Seminar on Strengthening Resilience and Sustainability Governance	2
Chan-Jane Lin	Taiwan Corporate Governance Association	Co-Creating the Green Ecosystem: Megatrend and Vision-TCX Operations and Prospects	1
	Taiwan Corporate Governance Association	Seminar on Strengthening Resilience and Sustainability Governance	2

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Board of Directors evaluation mechanism:

Advantech has established a rigorous evaluation mechanism for the Board of Directors and functional committees. [Annual self-evaluations](#) are conducted and [external evaluations](#) conducted by third-party professional institutions every three years. The Board of Directors reports the evaluation results in the first quarter of each year. To address deficiencies, the management team coordinates resources and collaborates across departments to make improvements every year. Advantech has completed its 2024 internal self-assessment of the performance of the Board of Directors, individual directors, the Audit Committee, the Remuneration Committee, and the Sustainable Development Committee. The specific assessment results and improvement plans were reported to the Board in Q1 of 2025.

CEO and senior managers compensation system

Policy objective: Regularly assess the salaries and compensation of managers to incentivize the CEO and senior managers to achieve the Company's goals, generate profits, and enhance business performance, as well as consider the reasonable correlation with future risks. Operations are carried out in accordance with Advantech's "Measures for the Management of Managers' Salary and Remuneration."

Governance unit: Advantech has established a functional "Compensation Committee" at the Board level. The 15th term comprises three independent directors serving as members, thereby ensuring its independence. External consultants are also called upon to improve decision-making quality: Third-party consulting firms are regularly appointed to investigate remuneration levels and trends; external expert consultants are invited to provide insight and analysis depending on the topic from time to time to assist the Remuneration Committee in making an overall assessment and proposing optimal remuneration policies.

Deliberation process: The Remuneration Committee is responsible for the periodic review of compensation policies, frameworks, and standards for managers, as well as the performance assessments and compensation systems for both directors and managers of the Company. In doing so, the committee considers factors like industry compensation levels, individual and corporate performance, and the reasonable association with future risks, submitting its findings to the Board for deliberation. Furthermore, Advantech values the participation and feedback of stakeholders, including shareholders. In addition to fully disclosing individual director remuneration information in the annual report, Advantech also reports on the "Allocation of Employee Remuneration and Director Remuneration" at the annual shareholders' meeting, informing shareholders and soliciting feedback. Advantech's 2024 Annual Shareholders' Meeting was held on May 30, with a shareholder attendance rate of 93.11%. The report proposal "Allocation of Employee Remuneration and Directors' Remuneration" has been submitted to shareholders for their attention, and no objections were raised during the meeting.

○ For details, please refer to the official website [Remuneration Committee, 2024 Shareholders' Meeting minutes, 2024 Annual Report \(P21~24\)](#) Director Remuneration

Remuneration structure and short-term and long-term incentive program

- **Fixed salary:** Includes base salary, various allowances, and a fixed annual bonus equal to one month's salary. This is determined according to their respective professional qualifications and market compensation benchmarks.
- **Variable salary:**
 - Short-term incentive program - Cash bonuses: The bonuses are awarded based on their performance achievements from the previous year and are divided into personal performance bonuses and team profit-sharing bonuses.
 - Long-term incentive program - Share Options / Stock Warrants (incl. ESOP, PSOP*): Long-term incentive program - Stock options (including ESOP and PSOP*): This is designed to retain top talent and incentivize long-term value generation. The program features a three-year performance appraisal period, with a five-year deferral period for disbursement. Progress towards targets is assessed annually on a rolling cumulative basis, culminating in a final performance evaluation at the end of the vesting period.

*ESOP: Employee Stock Option Plans, PSOP: Performance Stock Option Plans.

Performance metrics: Divided into financial and strategic metrics, these include qualitative and quantitative metrics for regular performance evaluations. The strong association between compensation and performance bolsters strategy execution and sustainable growth.

Financial Indicators	Performance metrics include revenue growth rate, profit growth rate, ROE, and the relative metric TSR (Total Shareholder Return). The relative metric TSR performance is tied to the CEO's performance and benchmarked against the annual average of the top 50 Taiwanese electronics companies (by market cap), with a direct correlation to CEO compensation.
Strategic Indicators	Growth-oriented KPIs and KPIs for project-based business transformation initiatives are developed based on key corporate strategies and broken down into detailed execution steps for continuous progress. In principle, the weighting between financial and strategic metrics is typically allocated 50/50 for the CEO and senior management.

Risk linkage: The clause stipulates that if a significant risk event occurs that materially damages the company's goodwill, if there is a substantial breach of labor contract or work regulations, or if performance expectations are impacted significantly, previously disbursed compensation—including bonuses and phantom stock (regardless of any deferral period)—may be subject to clawback from the CEO and management, thereby ensuring robust risk control.

Severance and retirement benefits: Advantech does not have a severance pay system in place. In terms of retirement benefits and contribution rates, directors are not entitled to retirement benefits. Senior management's retirement benefits and contribution rates are consistent with those of general employees, in compliance with regulations set by the Ministry of Labor and the Labor Pension Act.

○ Please refer to Ministry of Labor's official website [New Labor Pension System Introduction](#), 2024 annual report (P21~24) " [Directors' Remuneration](#)" and " [Managers' Remuneration](#)" form.

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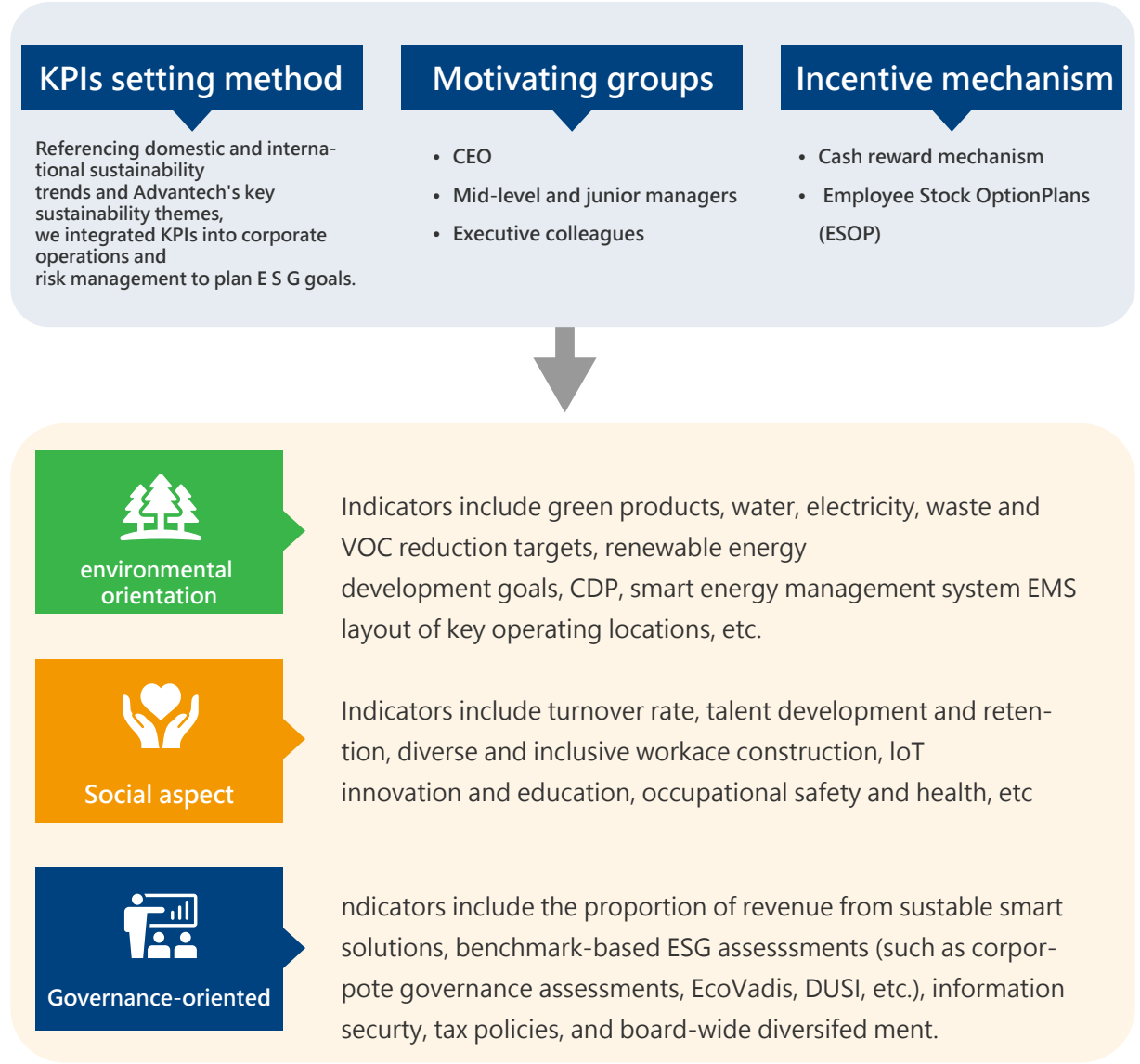
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ESG Performance and Incentive Mechanism

Advantech has continued to advance its vision of "Enable an Intelligent and Sustainable Planet". In 2022, they established and implemented an ESG KPI incentive mechanism for senior executives, including the Chairman, Co-Governance President, senior management, responsible managers, members of the ESG Corporate Sustainability Development Office, and other accountable colleagues. This mechanism includes ESG sustainability indicators such as environmental, social, and governance aspects. Major performance evaluation items for 2024 are planned. The incentives and remuneration are mainly based on Employee Stock Option Plans (ESOPs) supplemented by performance bonuses. The calculation period is Q1 of each year, with distribution taking place in Q2 and Q3. At the same time, goals and promotion plans are set and regularly evaluated by benchmarking domestic and international sustainability trends, Advantech's operations and risk management mechanisms. Payments are made based on sustainable goals, quantitative indicators, and actual performance. In 2024, as part of the execution results, Advantech awarded over 14,000 shares and over NTD 3.4 million in cash incentives to senior management, junior and middle management, and frontline staff for their excellent ESG performance.



The ESG KPI incentive mechanism planning is outlined below:



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Shareholding requirements of CEO and senior management

Advantech believes that the long-term ownership of the Company's shares by the senior management team can strengthen the concept of connecting with the long-term interests of shareholders. According to the "Salary and Remuneration Measures for the Management" published by Advantech's Remuneration Committee on October 28, 2022, it is specified that the number of shares held in the Company by the Chief Executive Officer / CEO and President of the Company shall not be less than 10,000 shares, in order to fulfill the commitment to sound corporate governance. In 2024, the Founder and Chairman of the Company, K.C. Liu, held shares equivalent to approximately 1,269.84 times his fixed salary, while the average shareholding for the three Co-Presidents was 8.38 times their respective fixed salaries (the calculation includes spouses' shareholdings).

Annual total compensation ratio

- In 2024, the ratio of the annual total compensation of the highest paid individual to the median annual total compensation of other employees of the organization: 12.1 (6 major regions)
- YOY ratio: The ratio of the annual percentage increase in the total compensation of the highest paid individual to the median annual total compensation percentage of other employees in the organization: -1.88

Description:

Calculation methods for salary types and definitions, annual total compensation, and the median for other employees, etc., follow the GRI Standard, based on a ranked sampling of the total annual compensation of all company employees.

1. In 2022, the annual salary multiple was calculated using 5 major regions. In 2023 and 2024, it was calculated using 6 regions. (In 2022, complete compensation statistics for the US, one of the 6 regions, were unavailable and thus could not be disclosed.)
2. Due to its high correlation with Advantech's overall operational performance, the highest individual annual compensation experienced a negative change, reflecting the impact of Advantech's overall results in 2024. Given that the Company's overall operational performance has a relatively limited impact on employee compensation levels, the median annual total compensation for other employees in the organization still recorded a positive increase. Consequently, YOY Ratio is negative.
3. Median annual salary: Since complete raw data is not available for some overseas regions, the following formula is used for calculation. The denominator is the median for the six major regions, calculated using the average total annual compensation within those regions and based on the formula for calculating the approximate median using grouped data.

Medium approximation=
$$L + \frac{(N/2) - B}{G}$$

- L is the average of the group containing the median
- n is the total number of data transactions
- B is the cumulative number of transactions including each group before the median
- G is the number of transactions in the median group

Integrity management: Compliance with Laws, Anti-corruption, and Anti-competitive

Integrity management is an important part of the internal control mechanism of corporate governance. Advantech identifies applicable laws and regulations and coordinates with relevant internal units to assess, develop, and implement corresponding internal policies, thereby ensuring effective legal compliance with practical operations. The principles of compliance with laws, anti-corruption, anti-competition, and social responsibility in integrity management are closely tied to the Company's reputation, which is a key foundation of Advantech's commitment to sustainable operations.

Key Promotion Projects in 2024

- ◆ In compliance with the amendments to the Gender Equality in Employment Act, Advantech headquarters completely updated its "Measurement for Prevention, Correction, Complaint and Punishment of Sexual Harassment in Workplace of Advantech Co., Ltd."
- ◆ A more comprehensive sexual harassment response mechanism has been established, including the formation of a Sexual Harassment Committee and the engagement of external professionals to provide support.
- ◆ Provide holistic training programs, with a strong emphasis on employee well-being (mental, emotional, and physical health).
- ◆ Ensure full compliance with the latest regulatory requirements

Promotion and Implementation of Integrity Management

Advantech's integrity management education and training course is mandatory for all employees, designed to strengthen their awareness of corporate ethics, legal compliance, and the culture of integrity. The course includes the "Advantech Code of Ethics and Business Conduct", "Advantech Business Conduct", and the "Employee Integrity Commitment Letter," promoting the Company's policies on anti-bribery, anti-corruption, and the prohibition of improper benefit acceptance, demanding our employees to uphold the principles of fairness, transparency, and integrity.

The training also explained the company's comprehensive reporting system, allowing employees, suppliers, and external stakeholders to report suspicious behavior through a reporting mailbox or hotline. The company protects the identity of whistleblowers, and independent investigations and handling of reports by the audit department are conducted. The company protects the confidentiality of the identity and content of the whistleblower and strictly prohibits retaliation or unfair treatment. Advantech adheres to a zero-tolerance policy for retaliation. Relevant reporting channels and complaint resources are also publicly available for employees to use.

Through this training, we hope that every employee will become familiar with the Code of Conduct for Business Integrity, clearly define the boundaries of workplace behavior, effectively utilize reporting resources, and work together to maintain an honest and fair operating environment within the company.

Purchasing department	IT department	human resources department	Legal department	Audit department
Suppliers are required to sign the Integrity and Ethics Commitment Letter through the Supplier Management System. In 2024, the return rate reached 99%.	An education and training system has been established, which includes periodic reminders to complete training sessions and associated assessments.	Training programs are conducted covering topics such as the Code of Integrity and the Advantech Code of Conduct.	Regulatory compliance is ensured through annual reporting to the Board of Directors. Under the supervision of the Board, compliance with relevant regulations is strictly maintained.	Whistleblowing procedures have been established, along with effective accounting and internal control systems, to audit and prevent unethical behavior.

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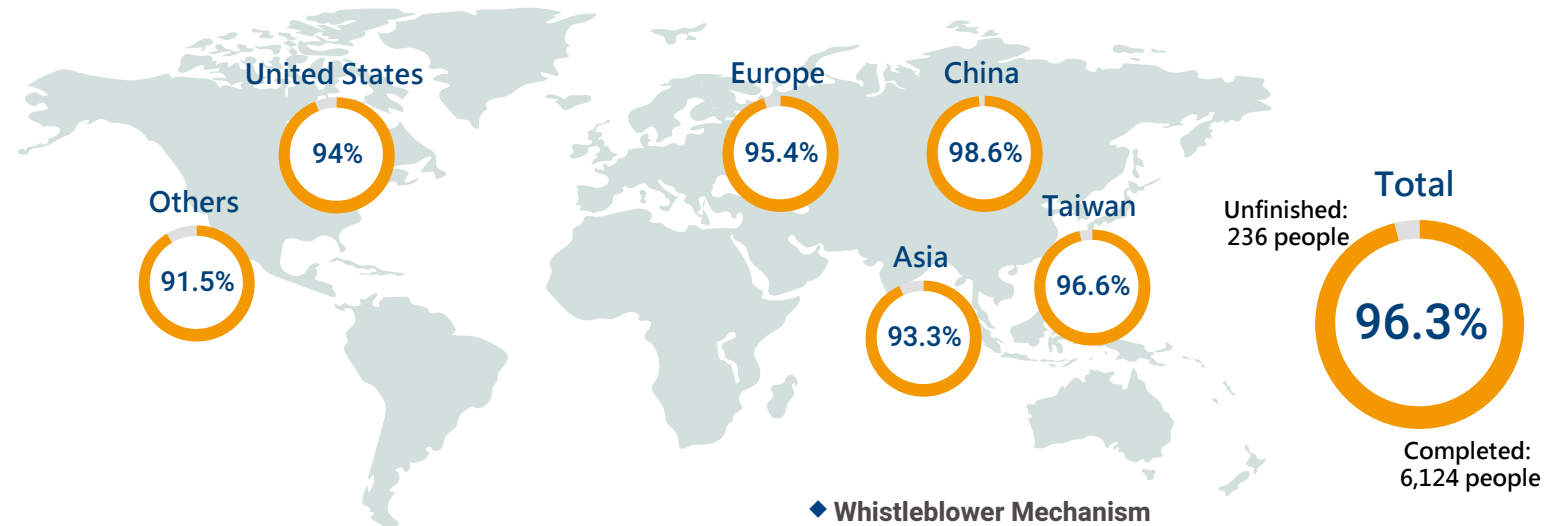
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Integrity management education and training outcomes

(Data source: as of October 18, 2024)

2024 Completion rate of the online integrity management test



Completion rate of online integrity test globally

Below are Advantech's material breach of laws and regulations in 2024:

*Definition of material breach of laws and regulations: Any breach of laws and regulations as per the material information listed by the Financial Supervisory Commission (Taiwan, ROC).

Material breach of laws and regulations (including incidents of fines and non-monetary sanctions) in 2024

- ◆ Corruption and bribery incidents: 0
- ◆ Discrimination and harassment incidents: 0
- ◆ Breach incidents of customer privacy data: 0
- ◆ Conflicts of interest incidents: 0
- ◆ Fraud, money laundering, and insider trading incidents: 0
- ◆ Anti-competitive behavior, Antitrust and Monopolistic Practices, and Market Manipulation incidents: 0
- ◆ Other incidents involving integrity management or material breach of laws and regulations: 0
- ◆ Significant pecuniary losses caused by relevant legal proceedings and penalties in 2024: 0 (including pecuniary losses during this report and during previous reporting periods)

◆ Whistleblower Mechanism

Advantech has established a comprehensive whistleblower mechanism for employees, suppliers, and stakeholders to report any violations of integrity or misconduct. Reports can be submitted either in writing or via email to the Audit Supervisor. All reported cases are independently investigated by a special task force appointed by the Chairman, and when necessary, the Audit Committee is informed. The company ensures confidentiality of the whistleblower's identity and the content of the report, strictly prohibiting any retaliation or unfair treatment. All investigation materials are securely maintained to guarantee a fair process and proper case follow-up. Relevant documents can be accessed on the company's [official website](#). Advantech adheres to a zero-tolerance policy for retaliation." The company protects the confidentiality of the identity and content of the whistleblower and strictly prohibits retaliation or unfair treatment.

- ◆ In 2024, the number of "anti-competitive behavior, antitrust and monopolistic practices, and market manipulation incidents" was 0, pecuniary losses from litigation amounted to NTD 0 (including pecuniary losses during this report and during previous reporting periods)

◆ Political donations in 2024: 0

- For compliance with laws and anti-corruption information, please refer to Advantech's official website: [Significant internal regulations](#), [Integrity Business Code](#), [Insider Trading Prevention Management Policy](#)
- For internal audit system-related information, please visit Advantech's official website: [Internal Audit - Investor Relations - Advantech](#)

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Tax policy

Advantech adheres to the spirit of altruism, aspires to, and is committed to giving back to society while the Company is thriving. In terms of tax policy, it is our responsibility to pay reasonable taxes to contribute to the social and economic environment of the countries where we operate, refrain from engaging in aggressive tax arrangements, and comply with all relevant tax laws and regulations. According to the Group's tax policy, Advantech headquarters and subsidiaries in Taiwan and abroad shall abide by the following principles:

- Act at all times in compliance with the spirit and the letter of the relevant tax laws and regulations in the countries in which we operate.
- Advantech complies with Organization for Economic Cooperation and Development (OECD) Transfer Pricing Guidelines to prepare three-tier transfer pricing documentation.
- Transfer pricing is set based on the "arm's length principle." Profits from each operating entity are reasonably remunerated for the risk and complexity of each entity's activities.
- Advantech's major decisions are made mainly based on business purposes, and then supplemented by tax analysis to search for optimal solutions.
- Do not engage in any arrangement that transfers value created to low tax jurisdictions or tax havens simply for reducing tax burden. Do not use tax havens or tax structures whose sole purpose is for tax avoidance.
- Assess tax risk periodically and reduce it by negotiating Advance Pricing Agreement (APA) with local tax authorities in the countries Advantech generates high income.
- Build mutually respectful relations with tax authorities based on mutual trust and communication, information transparency, and tax payment with integrity.

Tax Governance

Advantech is subject to tax laws and regulations in the various jurisdictions in which it operates or conducts business. Changes in tax laws and regulations could increase tax liabilities and compliance burdens, which will have an adverse impact on business operations. In order to effectively manage tax risks, Advantech complies with the tax laws and regulations, understands its tax liability and compliance status, identifies potential tax risks, prioritizes the issues, and handles them on a case-by-case basis. Technology tools are also being used for effective tax management. The aforementioned tasks and results are regularly reviewed by the management.

The strategy development of global finance and tax is led by the management, which delegates day-to-day responsibility to the headquarters' finance manager. Local accounting teams execute the tax filings in compliance with tax laws and regulations. In addition, Advantech has engaged external tax consultants and CPA firms for tax reporting and compliance services. Advantech's Audit and Risks Committee, delegated by the Board, oversees the quality and integrity of the accounting, auditing, and financial control practices of Advantech through periodic reviews of certain major matters. These include accounting policies and procedures, internal control systems, legal compliance, and corporate risk management, among others. Advantech's Tax Policy is reviewed by the Audit and Risks Committee and approved by the Board.

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Tax Payment Status

(Unit: NTD thousand)

Country	Revenue	Net profit before tax	Current tax expense	Income tax paid	Number of employee
Taiwan	43,338,046	10,997,870	1,599,583	3,559,095	3,531
China	26,225,611	113,565	89,328	14,376	3,333
United States	18,518,902	743,537	181,895	111,672	533
Netherlands	9,526,209	-256,838	34,509	64,553	168
Japan	3,521,999	241,581	79,108	111,734	225
Korea	2,772,606	21,978	5,474	22,743	109
Other	4,214,041	863,167	96,413	103,554	950
Total	108,117,414	12,724,860	2,086,310	3,987,727	8,849

*Note:

- 1.The revenue, net profit before tax, and tax information in this table are aggregated amounts of audited local financial figures and intra-group related party transactions are not excluded.
- 2.The net profit before tax in the above table includes investment gain(loss) accounted using the equity method.
- 3.For the names of all constituent entities of the Group and their main business activities, please refer to the Appendix.

Table 2.1.2 2024 Revenue, net profit before tax, employee information and tax information (Unit: NTD thousand)

Effective tax rate

The Group's effective tax rate and cash tax rate for 2023 and 2024 are as follows:

Item	2023	2024	Average
Net profit before tax	13,266,699	10,974,528	12,120,614
Income tax expense	2,477,366	2,086,310	2,281,838
Income tax paid	3,315,259	3,987,727	3,651,493
Effective tax rate	18.67%	19.01%	18.83%
Case tax rate	24.99%	36.34%	30.13%

Source: pages 10 of the 2024 Advantech Co., Ltd. Consolidated Financial Statements; please refer to the "Consolidated Statements of Cash Flows" on page 13 for income tax payments.

*Note

- 1.Effective tax rate = Income tax expense ÷ net profit before tax
- 2.Cash tax rate = Income tax paid ÷ net profit before tax
- 3.Advantech's effective tax rate and cash tax rate for 2024 were 19.01% and 36.34%, respectively, while the average effective tax rate and cash tax rate over the past two years were 18.83% and 30.13%, respectively. Both rates are higher than the 2024 S&P Global CSA Handbook's average effective tax rate (15.39%) and cash tax rate (15.09%) for the "Technology Hardware & Equipment" industry group.

Table 2.1.3 Effective Tax Rates (unit: NTD thousand; %)

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2.2 Information Security Management

Name of material topic	Description
Information Security Management	Advantech recognizes that information security issues are critical to the Company's operational stability, product safety, and brand value as a global leader in the IoT industry. These factors are critical for stakeholders such as employees, customers, and investors. Furthermore, the FSC also amended regulations to mandate information security requirements for TWSE / TPEx listed companies. In the event of a major information security incident, they are required to publicly disclose material information.
Management strategy	The National Institute of Standards and Technology's (NIST) Cyber Security Framework (CSF) serves as the foundation for the Company's information security management strategy. The framework has five main functions: Identification, protection, detection, response, and recovery primarily refer to the measures that need to be managed or adopted at each stage of a company being attacked: before the incident (identification and protection), during the incident (detection and response), and after the incident (recovery).
Policy or commitment	To safeguard Company and customer interests, we are dedicated to upholding information security, continuously evaluating the efficacy of information security management, and minimizing the frequency of information security incidents.
Positive impact	Recognizing the increasing importance of the positive impact of information security and supply chain information security in the technology industry, the Company's efforts in fortifying information security can raise customer confidence, enhance overall corporate risk management, and enhance resilience against operational risks.
Negative impact	<p>Information security breaches can negatively impact business operations by leading to the breach of confidential information, system service disruptions, reputational damage, customer loss, and increased legal risks for the Company.</p> <ul style="list-style-type: none">◆ The following actions and measures are implemented to respond to negative impacts:◆ Implement a multi-layered defense-in-depth strategy through security mechanisms such as firewalls, endpoint protection, privileged account management, and two-factor authentication◆ Continue to detect and monitor information security risks and establish an information security incident monitoring, response, and handling mechanism◆ Implement 3-2-1 data backup for important systems and establish a remote disaster recovery mechanism.◆ Introduce an information security management system to increase the overall sophistication of information security practices.◆ Continue to organize information security awareness campaigns to reinforce employee information security awareness.
2024 target achievement overview	<ul style="list-style-type: none">◆ Microsoft Security Score exceeds 70%◆ Information security risk rating up to 78◆ The availability of key application systems reached 99.9%◆ Conducted Information security awareness courses, achieving a completion rate of 91.7%◆ Following social engineering email testing, headquarters and overseas subsidiaries achieved a pass rate of 84.3% and 77.4%, respectively◆ Quarterly information security newsletters are distributed, with information security contests organized for Advantech's global IT departments.◆ Target coverage rate of 100% for web security filtering and zero trust network access are implemented at headquarters and in Taiwan.

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Name of material topic	Description
2025 Goals	<ul style="list-style-type: none">◆ Information security risk rating up to 80◆ IT operations in Europe, North America, and China achieve ISO 27001 certification: 2022 revised standard◆ Target coverage rate of 100% for web security filtering deployment in Japan and Singapore◆ Target coverage rate of more than 80% for Zero Trust Network Access and NAC deployment at headquarters and in Taiwan◆ Continue to expand the deployment of vulnerability patching tools on host systems within IT machine rooms, with a target coverage rate exceeding 80%◆ The information security management dashboard system becomes operational, enabling centralized monitoring of key information security indicators across the four major regions: Taiwan, China, North America, and Europe.◆ Azure cloud environment information security score exceeds 65%◆ Complete the dual network project at Kunshan, China and major locations in Taiwan
2030 Goals	<ul style="list-style-type: none">◆ Advantech introduces global web security filtering and zero trust network access◆ The information security risk rating score remains higher than the industry standard, and is maintained at no less than 85◆ Certification to the ISO 27001:2022 standard for global factory operations
Key action plans or programs in 2024	<ul style="list-style-type: none">◆ Headquarters IT server room operations and maintenance, the backbone network, and OT operations and maintenance at the Linkou plant complete the transition to ISO 27001: 2022 standard◆ Introduce Security Access Service Edge (SASE), a cloud architecture that integrates network security and access control to enhance the security and performance of Internet use◆ Fortify the digital asset management system to better understand and address Advantech's global information security risks, while also assessing the security posture of outsourced third-party suppliers.◆ Develop the proprietary information security management dashboard system and complete preliminary testing and phased functional objectives by the end of 2024.◆ Form a Security Committee for product information security and convene regular meetings to discuss relevant topics and monitor work progress.
Effectiveness assessment	<ul style="list-style-type: none">◆ Continue to increase Microsoft Security Score to 70%◆ Introduce information security risk rating tools, continuously monitor information security risk status, and take corresponding improvement measures to gradually improve the information security risk score to 78◆ Headquarters passed the external audit by a third-party certification body, maintaining compliance with the requirements of the ISO/IEC 27001:2022 standard for operations within the certified scope
Stakeholders impacted by the material topic and actions implemented by Advantech	<ul style="list-style-type: none">◆ Employees: Provide mandatory online courses on information security and complete tests.◆ Customers: Respond to customer questionnaires and audits, and provide relevant supporting records as needed.◆ Suppliers and contractors: All suppliers are required to complete the Information Security Management Declaration. Suppliers of critical components and system services must also submit an risk self-assessment form and undergo regular information security audits.◆ Shareholders and investment institutions: The Company's major action plans and results for improving information security are disclosed through the Company's annual and sustainability reports.◆ Partners: Report and address information security issues together◆ Government, public associations, and the media: Respond to inquiries from government units and relevant public associations, and provide supporting records as necessary.

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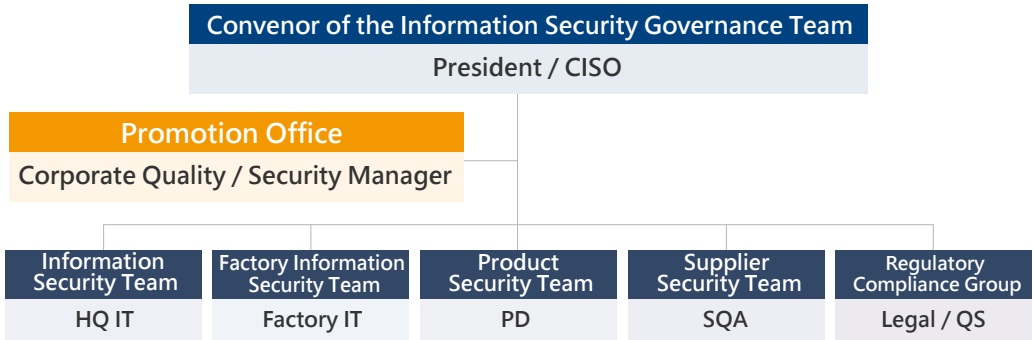
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Information Security Policy and Organization

To safeguard the interests of Advantech and customers, we are dedicated to upholding information security, continuously monitoring information security management performance, and minimizing the frequency of information security incidents. To demonstrate the Company's commitment to information security, Advantech has appointed the President as Chief Information Security Officer (CISO). A cross-departmental Information Security Governance Team has been formed, led by the Quality Control and Information Security teams. This team is in charge of promoting information security in various areas including computer information systems, physical environments, product security, supply chain management, and regulatory compliance. The Information Security Governance Team convenes a meeting every six months to review the management effectiveness, information security-related issues and directions. The Company also regularly reports the implementation status to the Risk Management Committee to integrate information security into the organization's risk management.



2.2.1 Information Security Governance Team Organizational Structure

Information Security Management Strategy

The National Institute of Standards and Technology's (NIST) Cybersecurity Framework (CSF) serves as the foundation for the Company's information security development roadmap. The framework has six main functions:

Identification, protection, detection, response, recovery and governance primarily refer to the measures that need to be managed or adopted at each stage of a company being attacked: before the incident (identification and protection), during the incident (detection and response), and after the incident (recovery).

In response to the United States Securities and Exchange Commission (SEC)'s rules governing cyber security risk management, governance, and disclosure of related events for Listed Companies, the Company has policies and relevant procedures for cyber security risk assessments; also supervise the cyber security risks of third-party service providers, and has contingency procedures and cyberattack recovery plans in place for cyber security incidents.

Furthermore, to enhance the management of product-related security issues, the Company established a Security Committee in October 2024. The Committee is composed of representatives from the R&D departments of various business units, IT and cyber security, Quality Assurance, and other relevant functions, with the executive of the QA unit serving as Chairperson. The Committee convenes regularly to address matters related to the Company's products, including regulatory compliance, vulnerability management, development processes, and overall governance.



Figure 2.2.2: Security Committee Organizational Structure

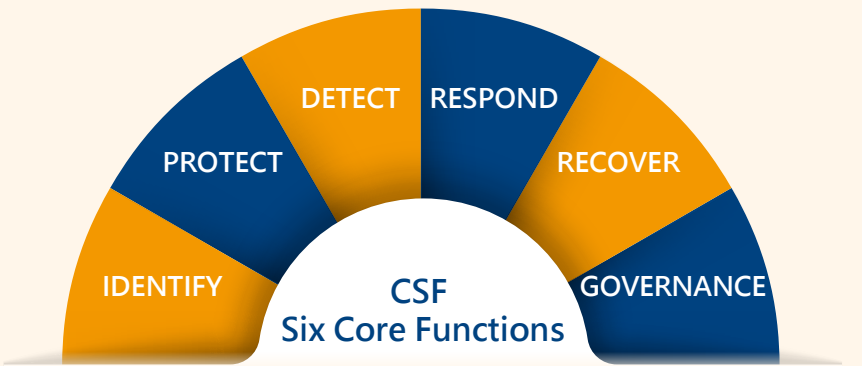


Figure 2.2.3: Cybersecurity Framework(CSF) 2.0 formulated by the US National Institute of Standards and Technology (NIST)

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Furthermore, the Company actively participates in information security information-sharing organizations such as the Taiwan Chief Information Security Officer Alliance (CISO Alliance) and the Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC) to obtain early warnings, threat intelligence, and vulnerability information related to information security. In collaboration with external security vendors and expert resources, the Company continues to monitor the latest trends, technologies, and developments in the field to strengthen its defense structure and measures, thereby effectively mitigating emerging threats.

In addition, the Company constantly assesses internal and external information security risks and trends to formulate corresponding information security management strategies accordingly. The current strategy focuses on reducing the attack surface, improving the visibility of information security risks, enhancing information security governance and risk awareness, as well as strengthening information security resilience. The information security-related action plans and key work achievements for 2024 are explained below.

Information security action plans and key achievements

Information security management system maintenance

Advantech obtained "Information Security Management System (ISMS) ISO/IEC 27001:2013" certification in 2019 and has continuously maintained the validity of the ISO/IEC 27001 certificate. In 2024, headquarters IT server room management and backbone network, as well as Linkou plant OT operations, achieved certification to the ISO/IEC 27001:2022 standard. By following the management framework and control requirements of international standards across the four dimensions of strategy, management, technology, and awareness, the Company continues to improve the depth and scope of its information security governance.

Reinforce employees' information security awareness

To enhance employees' awareness of information security, we have included information security as an annual compulsory course, providing e-Learning courses and online tests. In response to the increasing frequency of phishing mail attacks, the Company also

simulates phishing mails from hackers through social engineering drills to test employees' awareness of information security risks. Furthermore, a quarterly information security e-newsletter is issued, which includes the latest information security trends, recent major domestic and international information, cyber security incidents, important announcements, etc., thereby raising employee awareness and vigilance regarding information security.



Information security education and training course

In 2024, general employees were given online or face-to-face courses. The courses mainly covered common information security risks and countermeasures, Advantech's information security policies and regulations, prevention of ransomware and phishing mails, software security control, and information security incident notification. 4,160 hours of employee information security training courses were completed throughout the Company, with a total of 6,241 employees participating. Moreover, to address the growing threat of social engineering attacks, an awareness seminar was held, featuring an external expert speaker who used real-world cases to illustrate attack methods and response strategies, with a total of 61 participants.

In terms of product security, Advantech has successively obtained IEC 62443-4-1 (Secure process development lifecycle requirements) and IEC 62443-4-2 (Technical security requirements for IACS components) certification. To enhance relevant departments' understanding of the standard and strengthen internal implementation capabilities, the Company conducted four IEC 62443 training courses in 2024 for 230 participants, accumulating a total of 6,440 training hours.



Social engineering drill

To increase employees' vigilance and response capabilities regarding phishing mail attacks, the Company conducted two phishing mail simulation tests (initial and follow-up) targeting employees at headquarters and overseas subsidiaries. These were complemented by online courses and tests to bolster their effectiveness. In total, 27,486 test emails were sent. The test results indicated a pass rate of 81.7% and 77.4% for headquarters personnel and overseas subsidiary personnel, respectively.



Information security e-newsletter and information security rewards campaign

In addition to the ongoing information security education and training courses and social engineering drills, in 2024, quarterly information security e-newsletters were issued to global employees. The newsletters featured important announcements, case studies, key achievements, etc.

Furthermore, in the information security competition organized by headquarters IT for global subsidiary IT Departments, regional IT Department experts formed teams to propose innovative ideas and implement solutions that improve the Company's overall information security. A total of 9 teams signed up for the competition, and 4 teams were rewarded.

System and network security

In recent years, Advantech has continued to strengthen its information security framework, having completed the introduction of endpoint protection tools, multi-factor authentication mechanisms, privileged account management, and application firewalls, etc. We have also reinforced network security segmentation by upgrading network firewalls. In 2023, an endpoint management and security solution was implemented to enhance system vulnerability management and support patching operations. The solution has been deployed on over 10,000 computer devices, with plans for continued expansion. Target

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coverage rate of 100% for web security filtering deployment at headquarters and in Taiwan, and WAF protection coverage for the Taiwan server farm reached 84%

To minimize exploitable vulnerabilities in the internal information operating environment, the Company conducts system vulnerability scans every six months and commissions a third-party expert organization to perform network and system penetration testing on an annual basis. The results of the 2024 penetration test did not reveal any high-risk vulnerabilities, and patching was completed for all identified vulnerabilities.

In addition, to increase the visibility of overall information security risk, Advantech has introduced an information security risk scoring tool. Using non-intrusive technology, this tool collects the digital footprints of the Company exposed on the Internet, then classifies and analyzes it based on ten major risk dimensions to derive a risk factor and rating. Through continuous detection and monitoring using the information security risk scoring tool, the Company completed the patching of 88 high-risk and 58 medium-risk vulnerabilities this year.

Business continuity management (BCM) and disaster recovery drill

Considering that information services may be impacted by internal or external disasters or human error, Advantech planned for a remote disaster recovery mechanism utilizing the Linkou plant, with Neihu and Linkou locations serving as mutual remote disaster recovery and remote data backup locations. Advantech's IT department completed a disaster recovery drill for critical network and system services this year, with all aspects of the exercise completed within the Recovery Time Objective (RTO), validating the effectiveness of the framework and system for disaster response.

In response to potential operational disruptions at the plant due to disasters, the Company's Linkou plant conducted a BCM plan drill this year, using fire as the scenario. During the drill, relevant response plans and actions were executed according to emergency response levels and chronological order. The drill included simulating the notification of external fire departments for disaster relief assistance.

Supply chain information security management

Addressing the risks to the supply chain information security ecosystem, which have increasingly emerged in recent years as hacker groups compromise suppliers or third-party vendors and use them as entry points to launch attacks on other companies. Advantech has integrated information security risk into supplier rating and management. Besides requiring all suppliers to submit an information security declaration form, for suppliers with potential information security risks, the Company employs methods such as self-assessment forms, information security risk rating tools, and online audits to assess partners' information security posture, enabling timely identification and response to potential risks. This year, 88 suppliers completed information security risk self-assessments, and a sample of nine suppliers was audited to assess the implementation status of their information security management measures.

Product security

Aside from continuously expanding its product lines certified to IEC 62443-4-2, Advantech's platform products such as Industrial Computers, servers, etc., have also collaborated with renowned domestic certification laboratories to obtain IEC 62443-4-2 VOC (Verification of Conformity) certification, thereby assisting system integrators in achieving IEC 62443-3-3 certification. Overall, we have maintained a steady pace in obtaining information security certification for our products.

As the EU Cyber Resilience Act (CRA) was passed by the Council of the European Union on October 10, 2024, and came into effect this year, it is expected that manufacturers providing relevant software and hardware services will need to be fully compliant before the end of 2027. Advantech will approach this cautiously and implement a three-step plan to ensure full compliance for its products sold in Europe.

- I. Implement product security development best practices based on IEC 62443-4-1.
- II. Continue to secure IEC 62443-4-2 or VOC certification for products.
- III. Once CRA compliance methods are announced, implement them on all products sold in Europe.

Lastly, in terms of product support policy, we will introduce a Security Advisory to disclose product security vulnerabilities and solutions, demonstrating a proactive, preventive, responsible, and reliable attitude towards product information security challenges.

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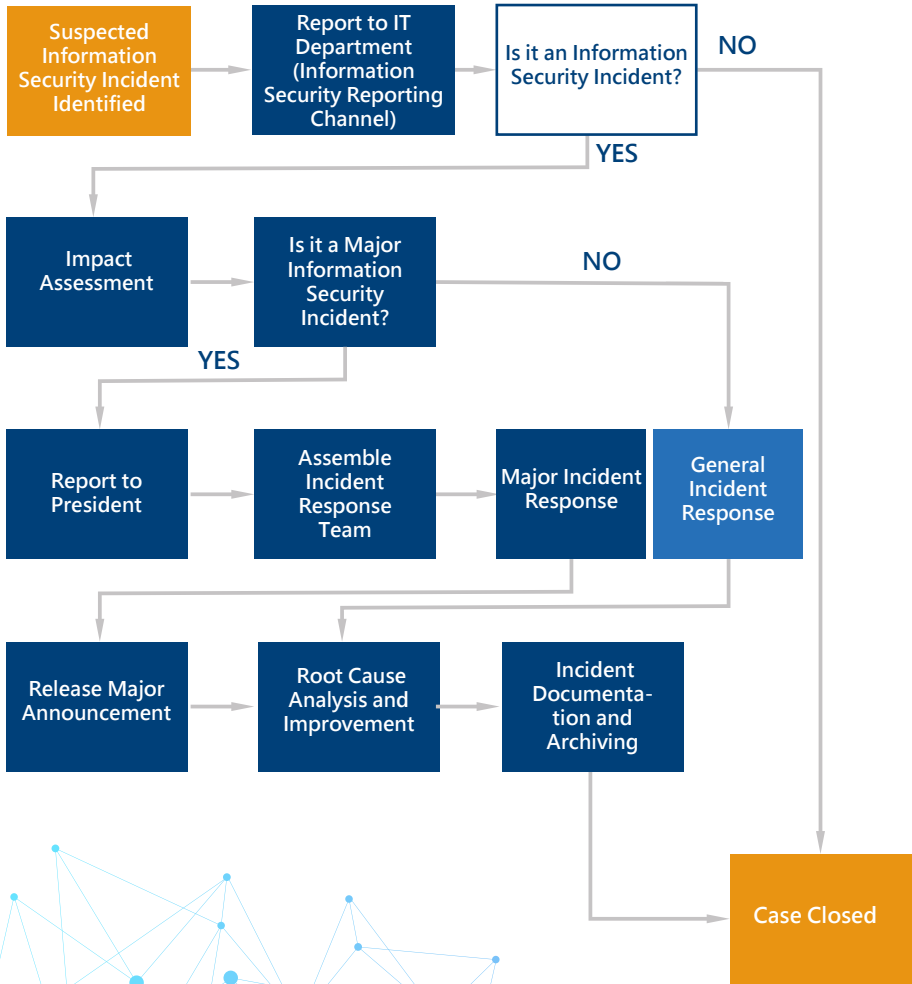
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Information security incident reporting and handling

Our company has established procedures for the reporting and handling of information security incidents. Upon receiving internal or external reports of a potential incident, the designated information security reporting contact is responsible for evaluating whether it qualifies as an incident and assessing its potential impact. If it is a major information security incident, it will be reported to the President (who also serves as the Chief Information Security Officer) and an incident response team will be established to handle it.



From 2021 to 2024, the company has not experienced any critical information security incidents, the number of information leakage incidents is 0, and there is no impact on customer rights or employee personal information due to information leakage. We experienced 14 cyber attacks this year; however, none had a significant impact on our operations. Of these, 12 were phishing mails, and two were suspected to be attacks by hackers or malicious software.

After identifying the causes of the incidents, particularly those involving computer viruses, the IT department not only continued to fine-tune and enhance the performance of endpoint protection and antivirus tools, but also bolstered employee awareness campaigns on phishing mail prevention to increase their vigilance through social engineering drills.

Type of information security incident	2021	2022	2023	2024	Total number of events by type
Cyber attacks experienced (e.g.: hackers or viruses)	3	0	1	14	18
Disruption of external services (e.g.: utility power, internet connection, cloud services)	1	0	1	0	2
Human error	1	3	0	0	4
Equipment failure	1	2	1	0	4
Total number of annual information security incidents	6	5	3	14	28

2.2.1 Information security Incidents in the Last Three Years

Internal Information Security Audit

Before preparing for the external ISO/IEC 27001 audit, our company arranges for the units within the scope to conduct self-audits. The audit items and schedule are clearly defined, and the audits are carried out by personnel designated by each department. During the audit, relevant documents and actual operations are inspected according to the standard requirements. Any non-conformities are identified and improvement suggestions are provided. After completion, an audit report is written, and corrective actions are developed to address the issues. The implementation of these actions is continuously monitored to ensure readiness for the external audit.

Additionally, in 2024, our company's audit department conducted an audit of the current state of information security. Several deficiencies were identified, serving as directions for improvements in information security maintenance and operations. This also ensures management support and drives continuous improvement, thereby enhancing the overall maturity of our information security management.

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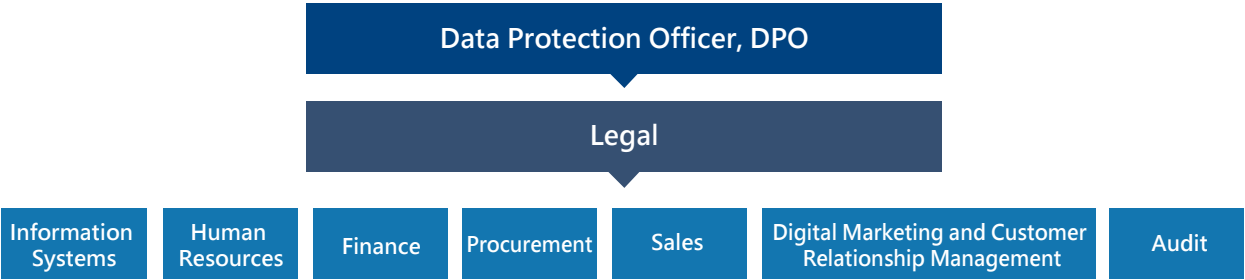
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Privacy protection

To ensure that everyone can use Advantech's various services with peace of mind, Advantech has formed a personal data protection team under the legal affairs organization and formulated the "Advantech Co., Ltd. Personal Data Protection Manual" and "Privacy Protection Policy". Protection of privacy rights by laws and the General Data Protection Regulation (GDPR).

Organizational chart of the personal data protection team



Privacy protection

- Access to internal data is controlled based on user privileges, and users must submit an internal application form to request access.
- New employee hires are entitled to privacy-related education and training.
- The Procurement Department announces Advantech's privacy policy in the SRM (Supplier Relationship Management) system every year, and requires suppliers to sign it during login before performing related operations.
- Privacy-related clauses in the standard contract that both parties are required to abide by.
- Establish Advantech's privacy policy and explain Advantech's processing and protection of personal data in detail. Please refer to Advantech's privacy policy for details:
Chinese <https://www.advantech.com/zh-tw/legal/privacy>
English <https://www.advantech.com/en/legal/privacy>

Privacy protection for digital marketing and customer management

- Implement access controls and data segregation based on user's geographical region and other relevant regulations, to ensure the accurate management and proper usage of customer data.
- The customer data source channel will request customers to read Advantech's Privacy Statement, and relevant consent will be recorded.
- Corresponding compliance principles have been developed based on the privacy requirements of various countries including Japan, Turkey, California (USA), and the EU GDPR, etc.

Privacy-related consent signed



2.3 Sustainable Supply Chain Management

Name of materiality	Importance of this materiality to Advantech
Sustainable supply chain management	As a global leader in IoT, Advantech's supply chain topics are not only closely related to its operational resilience and supply chain stability, but also have an impact on the Company's product quality, brand values, and long-term competitiveness. For stakeholders such as employees, customers, suppliers, and investors, a sustainable supply chain serves as the cornerstone of shared growth and sustainable development.
Management strategy	<ul style="list-style-type: none">◆ Optimize the core competitiveness of the supply chain◆ Strengthen the sustainability and resilience of the supply chain
Policy or commitment	Advantech is committed to promoting sustainable supply chain management and requires suppliers to comply with its "Supplier Code of Conduct" policy, continuously improve their performance in labor human rights, occupational safety and health, environmental protection, business ethics, and management systems to jointly form a responsible supply chain, reduce risks, and promote sustainable development.
Positive impact	The positive impact of a sustainable supply chain lies in the fact that promoting the sustainable transformation of a supply chain effectively mitigates environmental pollution, occupational safety, and labor rights risks, in turn increasing the entire supply chain's environmental and economic benefits. By establishing a responsible and transparent supplier management system, Advantech strives to enhance external stakeholders' trust in its commitment to corporate sustainable development and social responsibilities, thereby improving the Company's market competitiveness.
Negative impact	<p>The negative impacts of a sustainable supply chain may originate from environmental pollution, occupational safety, and labor human rights problems caused by suppliers, all of which will weaken Advantech's brand value. Additionally, as suppliers undergo sustainable transformation, there may be increases in procurement costs, extended lead times, and inconsistent qualities, which can lead to additional pressure on product costs. Furthermore, when certain suppliers do not meet sustainability standards, it is necessary to replace them or re-evaluate the supply chain, which may lead to short-term operational instability and resource waste, in turn affecting the Company's operational stability.</p> <p>Advantech' s countermeasures against negative impacts are outlined as follows:</p> <ol style="list-style-type: none">1. Create a supplier sustainability assessment mechanism: Regularly evaluate suppliers' environmental and social performance and trace supplier information through questionnaires, on-site audits, and other means, and incorporate sustainability indicators into procurement decisions.2. Establish a tiered management strategy for the supply chain: Engage in more intensive negotiations with PVL suppliers, such as signing codes of conduct, conducting capacity building, and assisting supplier transformation plans. On the other hand, streamline the management of non-PVL suppliers through screening and assessment.3. Formulate response and backup plans: Establish backup sources for high-risk suppliers to mitigate the risk of single-source dependency, and implement a supply chain risk early warning system to prevent material shortages and regulatory violations.4. Internal governance and cross-departmental integration: Establish a dedicated team responsible for the sustainable management of the supply chain within the organization, consolidate resources from procurement, quality, legal, and ESG departments, and incorporate sustainability goals into internal KPIs to strengthen organizational focus and execution.
2024 target achievement overview	<p>100% achievement of the 2024 targets:</p> <ul style="list-style-type: none">◆ 100% of Tier 1 suppliers comply with Advantech's Supplier Code of Conduct◆ None of the PVL suppliers use conflict minerals◆ Expanded the scope of the annual ESG audit to reach 77.5% of tier 1 suppliers, achieving the 60% target◆ Completed 100% improvement for significant suppliers' deficiencies

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Name of materiality	Importance of this materiality to Advantech
2025 Goals	<ul style="list-style-type: none">◆ 100% of Tier 1 suppliers comply with Advantech's Supplier Code of Conduct◆ None of the PVL suppliers use conflict minerals◆ Expand the scope of the annual ESG audit to reach 60% of tier 1 suppliers◆ Completed 100% improvement for significant suppliers' deficiencies◆ 100% of high-carbon emission suppliers complete the GHG inventory
2030 Goals	<ul style="list-style-type: none">◆ 100% of Tier 1 suppliers comply with Advantech's Supplier Code of Conduct◆ None of the PVL suppliers use conflict minerals◆ Expand the scope of the annual ESG audit to reach 80% of tier 1 suppliers and ensure that 100% of the deficiencies of significant suppliers are addressed◆ 100% of PVL suppliers complete the GHG inventory
2024 key action plans or programs	<ul style="list-style-type: none">◆ Request suppliers to sign and comply with the "Advantech's Supplier Code of Conduct"◆ Perform annual supplier conflict minerals due diligence in compliance with the OECD's third-party mechanism◆ Regularly identify high-risk suppliers for audits and provide necessary counseling
Effectiveness Assessment	<ul style="list-style-type: none">◆ Evaluate every year whether the achievement status (KPI) has improved compared to the previous year according to the set management policies and goals as a method of management improvement.◆ Propose improvement solutions annually by referencing supply chain management best practices from DJSI and other benchmarking peers.
Stakeholders impacted by the material topic and actions implemented by Advantech	<p>Suppliers and contractors :</p> <p>Advantech conducts annual evaluations of its suppliers, which include quality, procurement, and ESG sustainability management. Furthermore, the Company irregularly holds supplier conferences and exchanges to facilitate ongoing communication. Advantech is also actively involved in supplier development and training, providing resources to suppliers to support collaborative development across the supply chain. This collaboration promotes innovation in technology incubation and the use of novel materials. These efforts are detailed in the sustainability report, which provides a comprehensive overview of supply chain issues, allowing stakeholders to fully understand and evaluate the Company's supply chain practices.</p>

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Performance highlights

100%

100% of significant suppliers have completed the signing of the "Supplier Code of Conduct Consent".

100%

100% of new suppliers are evaluated for compliance with environmental standards

100%

100% of significant suppliers have signed the "Declaration of Non-Use of Conflict Minerals".

100%

100% of significant suppliers completed the counseling and improved their deficiencies.

Achieved

Expanded the scope of the annual ESG risk identification to reach 77.5% of tier 1 suppliers, totaling over 800 companies, achieving the 60% target

2.3.1 Overview of Advantech's Industrial Value Chain

Advantech is committed to building a sustainable supply chain ecosystem for the IoT with the concept of creating a win-win situation as the core. The Company offers services to the IIoT industry, sourcing components from upstream manufacturers, conducting in-house assembly and production, and delivering the finished products to customers. Due to the characteristics of the industry, the purchased products are diverse and highly customized. Currently, the supplier database contains tens of thousands of supply items. To ensure supply chain stability and quality, and to understand its manufacturing process, Advantech regularly conducts supplier evaluations that cover quality performance and implementation, technical process capability, commercial cost management, local supply chain priority, and sustainability. We also maintain ongoing communication with suppliers to integrate corporate social responsibility and the concept of sustainable supply chain management into our evaluation criteria. It is hoped that through Advantech's sustainable supply chain management, suppliers can improve their sustainability capabilities and become our long-term partners. Furthermore, Advantech's Chief Operation Officer/COO regularly reviews supply chain procurement practices and management performance during the Meeting of Quality Management (MQM) to achieve supply chain sustainability management goals.

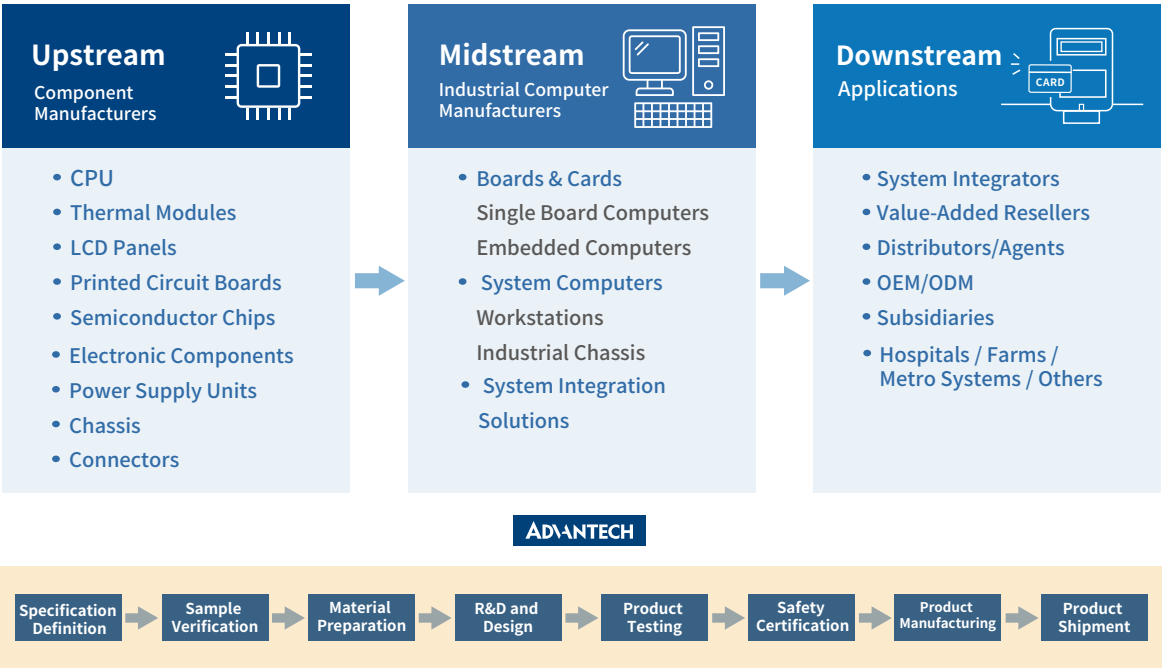


Figure 2.3.1 Advantech's industrial value chain

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Supplier composition and procurement layout

Advantech has a diverse and versatile product portfolio, with extensive product applications in fields such as IoT embedded computing, industrial computers and their peripherals, cloud computing, industrial automation, and communication systems. In response to the diverse product characteristics and applications, Advantech has developed a dynamic and highly interconnected supply chain system that encompasses a wide range of raw materials, including ICs, printed circuit boards (PCBs), electronic components, wires, plastic parts, metal parts, and packaging materials. Advantech's main supplier categories are divided into material suppliers and service-type contractors (such as security, cleaning, and engineering). In particular, material suppliers have a significant impact on operations and production. Consequently, Advantech defines material suppliers as tier 1 suppliers and categorizes them into two categories based on their attributes. These include direct material suppliers (materials directly related to production, such as main components and mechanical parts) and indirect material suppliers (materials not directly used for product production or auxiliary consumables, such as equipment, packaging materials, and alcohol).

To manage material suppliers and resource allocation effectively, Advantech subcategorizes suppliers to implement sustainability management. The supplier subcategories are: tier 1 suppliers and non-tier 1 suppliers, significant suppliers (including significant tier 1 and significant non-tier 1 suppliers), and high sustainability risk suppliers, as shown in the figure. In particular, suppliers with high annual procurement amounts, two types of suppliers, including those providing critical raw materials or irreplaceable items, and those identified as having high sustainability risks through ESG evaluations, are defined by Advantech as significant suppliers. To date, Advantech has identified 291 significant suppliers, which account for 82.5% of the total procurement amount.

Category		Number of suppliers		Procurement amount ratio
Significant suppliers	Significant tier 1 suppliers	291	291	82.5%
	Significant non-tier 1 suppliers		0	



- Tier 1 suppliers: Suppliers supplying Advantech with direct or indirect materials
- Non-tier 1 suppliers: Upstream suppliers who are Advantech's direct trading partners. In response to the introduction of recycled materials in 2025, a source investigation will be conducted on these suppliers, and based on these findings, they will be progressively included in the scope of sustainable supply chain management.
- PVL suppliers: These are tier 1 suppliers with a procurement amount of over 80% or a high level of strategic alignment.
- Significant suppliers: These are suppliers with high annual procurement amounts, those supplying critical and irreplaceable raw materials, and those identified as having high sustainability risks through ESG evaluations.

2.3.2 Supply Chain Management Goals and Strategies

Sustainable supply chain management goals

Optimize the core competitiveness of the supply chain	Strengthen the sustainability and resilience of the supply chain
Require suppliers to follow Advantech's Supplier Code of Conduct"" to improve labor, safety and health, environmental management, ethics and management system performance; actively provide counseling for suppliers to improve core competencies and reduce the risk of operational interruption.	Advantech actively reduces the environmental impact of the supply chain. We constantly monitor and evaluate the supply chain's performance, including the product lifecycle, to identify potential risks and opportunities. We also set electricity, water, waste, and carbon reduction goals in conjunction with our suppliers to mitigate climate change, thereby laying the foundation for the sustainable development of our supply chain.

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Advantech believes that supply sustainability is a key commitment to corporate sustainable operation and recognizes the challenges to supply chain posed by factors such as geopolitics. Therefore, we aim to apply our consistent global brand strength to reinforce relationships with customers and partners worldwide, striving to create sustainable corporate value and build a mutually beneficial and thriving industry chain. Advantech has a global procurement unit and a quality management unit to implement supplier management. Based on the principle of cooperation and symbiosis, Advantech manages supplier selection criteria and processes, conducts risk assessments, performance evaluations, audit counseling, education and training, and hosts supplier conferences to incorporate sustainability requirements into day-to-day supply chain management. Advantech's procurement strategy focuses on diversifying procurement risks and reducing costs. To ensure substitutability and maintain competitiveness, at least two suppliers are selected for materials. For electronic components with high commonality, a second source management mechanism has been established. Moreover, safety stocks of key materials are maintained to mitigate risks arising from supply shortages or quality issues. Advantech categorizes materials by tier and assigns dedicated procurement personnel to analyze market information. By regularly reviewing market trends and adopting a centralized procurement strategy, Advantech establishes a list of PVL suppliers and monitors their capabilities in cost, quality, delivery date, and supply continuity to enhance collaboration efficiency and obtain high-quality materials with stable delivery times.

In addition to evaluating the labor, environment, and business ethical management of Advantech's operations in accordance with the RBA Code of Conduct, Advantech also actively requests the sustainable management of the supply chain by requiring suppliers to sign the "Supplier Code of Conduct Consent." In addition to local laws and regulations, we also regulate business behavior in various aspects such as labor rights and interests, health and safety, environment, business ethics, and management systems. At the same time, Advantech requires suppliers to communicate sustainability requirements to their next-tier suppliers by signing the "Supplier Code of Conduct," so as to promote the implementation of sustainable practices throughout the supply chain and forge a more resilient and impactful supply chain by taking action.

Cost considerations

Ensure the price competitiveness of our products and services through price negotiations and procurement optimization

Quality considerations

Establish a rigorous quality assurance mechanism to ensure that our products and services meet high quality standards

Delivery considerations

Ensure timely delivery and mitigate supply risks through supply chain collaboration and performance evaluation

Supply continuity considerations

Assess the production capacity, financial status, and operational capabilities of new suppliers, and ensure the stable supply of critical components and products through a diversified supplier network and risk management plans.

Sustainable procurement and a low-carbon supply chain

Establish ESG supply chain operational performance metrics with our suppliers, and develop a sustainable raw material procurement program along with a carbon emission monitoring mechanism

Strategic cooperation

Form long-term partnerships with our suppliers to enhance innovation and competitiveness



Figure 2.3.3 Advantech supplier management strategy

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New supplier management

In terms of new supplier selection, Advantech adopts a three-stage supplier screening and reviewing process. Suppliers must sign the purchase agreement and sustainability commitment documents such as the "Supplier Code of Conduct Consent" and the "Integrity and Integrity Commitment Letter." All new suppliers are subject to on-site audits unless they meet all of the following conditions: their products are already widely used in the industry, they are a sole and irreplaceable source, and they have been qualified through international standard certifications. In such cases, they may be listed as qualified vendors upon approval of certification documents by the evaluation team. These audits focus on quality management, procurement practices, and ESG sustainability performance. In 2024, applications were received from 266 potential new suppliers, of which 257 passed the review process and were approved as Advantech's official suppliers.

Stage one Commitment documentation and international certification	Mandatory items:	Bonus items:
	Supplier Code of Conduct Consent, Declaration of Non-Use of Hazardous Substances, Integrity and Integrity Commitment Letter, and Supplier Information and Cyber Security Management Declaration	Possesses management system certifications such as ISO 9001, ISO 14001, ISO 45001, and has adopted a systematic HSF management
Stage two Supplier review and sustainability evaluation	Management principles	2024 Implementation percentage
	Perform a supplier profile review by signing the "Supplier Code of Conduct Consent"	100%
	Adopt ESG sustainability risk assessment to evaluate new suppliers (including labor, safety and health, environmental management, ethics, etc.)	100%
	Passed the "Supplier Audit Form" evaluation (on quality systems, design controls, procurement services, etc.)	100%
Stage three Result determination and continuity management	◆ Suppliers who meet Advantech's review and selection criteria will be officially qualified as trading partners and incorporated into the Company' s existing annual supplier management process to ensure ongoing compliance with Advantech' s requirements, promote continuous performance improvement, and implement exit mechanisms. ◆ Suppliers who fail to meet the review and selection criteria will not be included in Advantech's list of qualified suppliers to uphold supply chain quality and ensure sustainable operations.	

Existing supplier management

Through a comprehensive supplier management system, Advantech ensures that all its suppliers continue to meet the Company's demand in quality and sustainability. All significant suppliers are required to sign the "Supplier Code of Conduct Consent" and undergo a supplier profile review to ensure they meet the Company's supply chain management standards. To materialize sustainable management, Advantech also conducts ESG sustainability risk assessments for suppliers, covering aspects such as labor rights, environmental protection, safety and health, and business ethics, maintaining a 100% evaluation rate. Additionally, plans are in place to increase the percentage of on-site evaluations in the future to ensure continuous improvement in suppliers' operational and sustainability management performance.

Type	Management principles	Implementation percentage	Future management priorities
All significant suppliers	Perform a supplier profile review by signing the "Supplier Code of Conduct Consent"	100%	Include the supplier code of conduct in the contract
A total of 291 suppliers completed the implementation and signing	Adopt ESG sustainability risk assessment to evaluate suppliers (labor, safety and health, environmental management, ethics, etc.)	100%	Maintain the evaluation percentage
2024 audit of existing suppliers	Perform a supplier profile review by signing the "Supplier Code of Conduct Consent"	100%	Include the supplier code of conduct in the contract
Total planned ESG implementations: 790, 100% completion rate	Adopted written/on-site ESG sustainability risk assessments for existing suppliers (covering labor, safety and health, environmental management, ethics, etc.).	100%	Maintain the evaluation percentage
Total planned quality audits: 61, 100% completion rate	Passed the "Audit Form for Third-Party Suppliers" evaluation (on quality systems, design controls, procurement services, etc.)	100%	Increase the percentage of on-site evaluations

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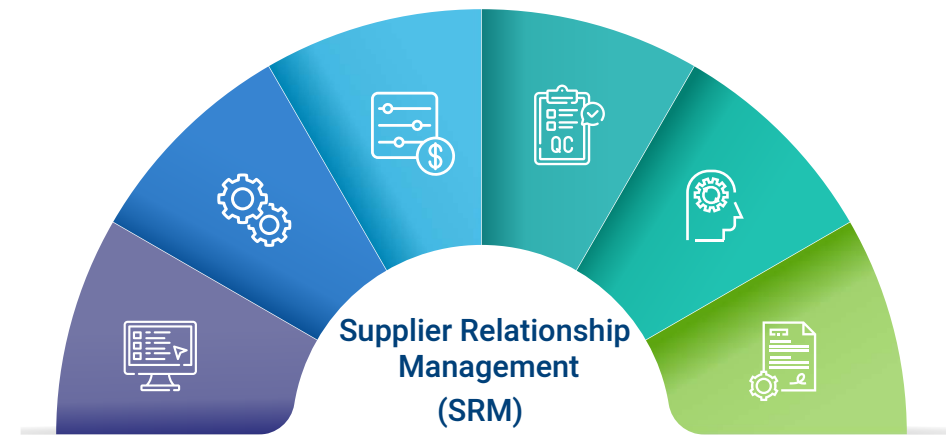
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Supplier Relationship Management (SRM)

Advantech implements supplier life cycle management and integrates supplier communication channels through the Supplier Relationship Management (SRM) platform. The platform's functions include contract formulation, price and quality management, new and existing supplier audits, and information announcements. By managing data online, we can realize offline improvements to effectively create a sustainable supply chain.



Contract management

- Procurement contract
- Supplier code of conduct
- Confidentiality agreement and ethics

Supplier quality management

- New supplier selection and audit
- Continuous improvement and elimination
- Tracking of abnormal quality indicators

Sustainable supply chain management

- Supply chain environmental responsibility principle
- Circular supply chain
- ESG risk assessment and management

Strategic sourcing

- Strategic classification and grading
- Sustainable procurement policy and target supplier selection

Price management

- Smart quotation
- Bid management
- Cost and business conditions

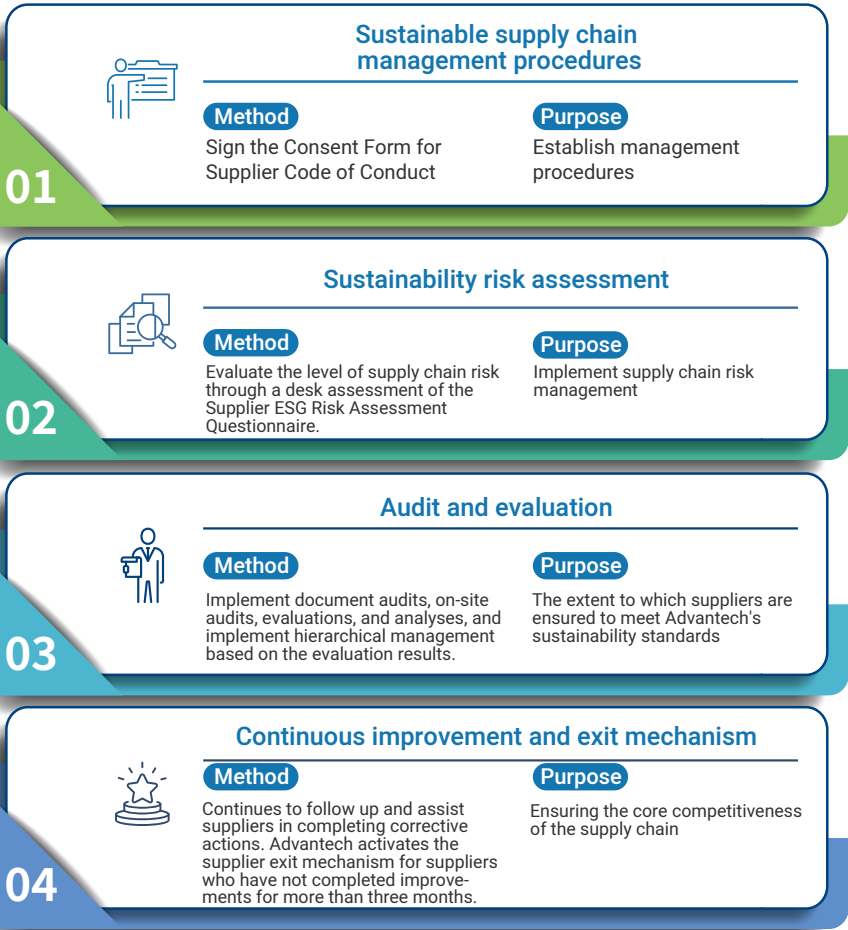
Order and delivery management

- Delivery date response
- Equal material preparation among suppliers
- Mid- to long-term demand planning

2.3.3 Sustainable Supply Chain Management Process and Achievements

Sustainable supply chain management implementation guideline

To implement Advantech's procurement and supply chain policy, a four-stage supply chain sustainability management process has been established. Through annual continuous improvement cycles and exit mechanisms, Advantech ensures that suppliers meet its standards and continuously enhance their sustainability performance.



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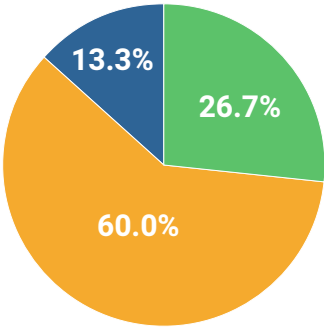
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Supplier sustainability evaluation

Advantech has established ESG thresholds for its suppliers (including new suppliers and existing suppliers). To become an Advantech supplier, in addition to signing the supplier code of conduct, PCB suppliers are also required to pass ISO 9001 and ISO 14001 certification. In addition, in order to understand and identify potential risks in the supply chain, Advantech refers to the Supplier Selection Criteria when conducting supplier screening. During the screening process, factors such as sustainability or business operations are also considered to conduct supplier survey and evaluation. The ESG screening aspects include, but are not limited to, governance, environmental, social, national, industry, product collaboration, and business operation relevance. These factors account for 26.7% of the overall procurement evaluation and are considered a priority condition for becoming an Advantech supplier. The overall supplier screening items include the following:

Category	Aspect	Selection criteria	Percentage
ESG sustainability	Governance	<ul style="list-style-type: none">◆ Business ethics, integrity management, information disclosure and intellectual property protection, and identity protection◆ Publicly disclosed information or corporate governance evaluation records (e.g., annual report or sustainability report)◆ Financial statement review and analysis	26.7%
	Environmental	<ul style="list-style-type: none">◆ Compliance with environmental regulations, environmental management system (waste, air pollution, etc.), carbon management, hazardous substance management◆ Local suppliers are prioritized to reduce transportation energy consumption and emissions	
	Social	<ul style="list-style-type: none">◆ Labor regulation compliance, occupational health and safety management, human rights, labor practices◆ Review public litigation records or media information reports to see if there is any risk of negative impact related to social topics, including but not limited to human and labor rights	
	Country	<ul style="list-style-type: none">◆ Prohibition of the use of conflict minerals and the U.S. Prohibited Materials List◆ Ensure compliance with existing international sanctions regulations to avoid accidental violations◆ Monitor regulations prohibiting the import or export of specific goods or transactions involving countries under economic sanctions	
	Industrial	<ul style="list-style-type: none">◆ RBA code of conduct, management of energy and resources consumption during the production process◆ Manufacturing processes involve the intensity of resource usage and the risk of energy consumption (such as the supply stability and backup measures for the energy needed for production)◆ Regional regulatory trends for industries with potential pollution (such as environmental regulations for the spray painting or electroplating industries, or whether there are trends of migration bans)	
Quality process	Product	<ul style="list-style-type: none">◆ The resource intensity of the area where the product is manufactured, such as land use scalability, labor structure, integrity of upstream and downstream supply chains, and delivery lead time◆ Suppliers who meet specific product certification requirements, such as choosing UL-certified factories to produce specific products	60.0%
Business cooperation	Operations related	<ul style="list-style-type: none">◆ Industry investigation and business analysis: Survey of the suppliers' customers and brands, or the industry reputation of their technology and quality◆ Whether production emergency response procedures have been formulated for their business operations	



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Supplier Risk Identification and Audit Counseling

To uphold the core principles of sustainable supply chain management, Advantech has been issuing the Advantech ESG Risk Assessment Audit Form, designed based on the RBA Code of Conduct 7.0 and SAQ, to existing suppliers every two years since 2021. Suppliers are required to indicate their implementation progress of the four sustainability aspects (labor, health and safety, environmental management, and business ethics) in the questionnaire and provide relevant supporting documents. These include management system certification or related operational records. The results of the suppliers' self-assessment serve as the basis for subsequent sustainability risk management.

Starting from 2024, Advantech expanded the scope of its ESG sustainability risk assessment from PVL suppliers to tier 1 suppliers to determine their sustainability risks. Meanwhile, to implement supplier sustainability risk management, enhance supply chain resilience, and promote co-creation of supply chain value, Advantech upgraded its sustainable supply chain management strategy in 2024, which included expanding the scope of investigation and investing more resources in empowering and training suppliers. The 2024 ESG sustainability risk assessment survey included written surveys of 284 PVL suppliers and expanded the scope to include 1,127 tier 1 suppliers. The overall response rate for PVL suppliers was 100%, and the response rate for tier 1 suppliers was 77.5% (achieving the 2023 target of 60%). In particular, the percentage of high sustainability risk suppliers (those with a total score below 80 or with critical items) accounted for 3.4% of tier 1 suppliers, and all of them have completed improvements.

Advantech has established that if a potential high-risk supplier scores below 80 points or has critical items in the written review, the supplier will be required to propose corrective action plans, complete the improvements, and respond within three months. If the issues are not resolved, their supplier qualification will be revoked. The desk assessments stage identified potential high-risk suppliers, a total of 38 suppliers with scores below 80 (out of 100) or have critical items. These suppliers were classified as potential high-risk. Advantech offers tiered support for suppliers identified with high sustainability risks, including online or on-site counseling, and formulates improvement plans with ongoing monitoring to ensure issues are addressed and risk levels are mitigated.

An analysis of the risk management performance of potential high-risk suppliers across various sustainability aspects revealed that 61% of suppliers had deficiencies due to inadequate understanding of the questionnaire content, while 39% failed to meet standards in the four major sustainability aspects. Further analysis showed that among suppliers with management deficiencies, 9% were related to labor management, 28% to health and safety, 34% to environmental management, and 28% to business ethics. To help potential high-risk suppliers improve their sustainability management capabilities, Advantech applies a counseling mechanism to enhance

suppliers' understanding and implementation of ESG requirements. As a result, 36 suppliers met the low-risk standards. However, two suppliers failed to meet the standards or had critical items, resulting in a downgrade by Advantech.

According to the results of on-site audits, the most significant deficiencies were found in environmental management, accounting for 45%, primarily due to inadequate chemical management procedures or failure to implement them according to standards. Health and safety issues made up 27%, with the main concern being insufficient management of emergency safety equipment. Business ethics deficiencies also accounted for 27%, mainly related to the need for suppliers to upgrade their systems and mechanisms for personal data protection. No labor management deficiencies were identified in this audit, indicating a relatively high level of supplier compliance in this aspect. A total of nine deficiencies were found during the on-site audits, and 100% of the deficiencies have been completely rectified, demonstrating Advantech's proactive measures and effectiveness in promoting sustainable supply chain development.

All priority and other non-conformities have been addressed with corrective action plans in place, resulting in a **100%** implementation rate

Item	Number of suppliers		Percentage	
	Actual	Target	Actual	Target
ESG risk assessment survey distribution coverage (tier 1 suppliers)	1,127	1,127	100.0%	100%
Significant suppliers performing ESG audits	291	291	100.0%	100%
The percentage of significant suppliers with a total score below 80 points (or possesses critical items)	38	<50	13.0%	<15%
Implementation of improvement plans for potential high-risk significant suppliers	38	<50	100.0%	100%
Termination of cooperation with suppliers for serious violations	0	0	0.0%	0.0%
Assist potential high-risk significant suppliers in completing ESG counseling and implementing improvement measure	38	All	100.0%	100.0%/100%

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Classification	Primary deficiency uncovered	Cause of deficiencies	Improvement actions	Provide resources
Labor	There are no requirements prohibiting the use of forced, bonded (including debt bondage), or compulsory labor; nor are there prohibitions against involuntary or exploitative prison labor, slavery, or human trafficking.	Suppliers lack relevant management awareness	Suppliers are required to formulate relevant policies and measures and enhance their implementation performance.	Provide suppliers with suggestions on labor policies or measures for their reference and implementation.
Health and safety	Implementation of firefighting, notification, and evacuation training, as described in Article 15-5 of the "Enforcement Rules of Fire Services Act," has not been carried out. A drill shall be held at least once every six months and last for at least four hours. The local fire department shall be notified in advance.	Suppliers lack relevant management awareness	Suppliers are requested to enhance the promotion of environmental health and safety (EHS) management regulations and relevant regulatory requirements and strengthen their implementation.	Provide suppliers with recommendations for fire safety promotion and management for their reference and implementation.
Environment	Hazardous substance management standards and management measures have not been established (must comply with environmental regulations such as RoHS and REACH).	Suppliers lack relevant management awareness	Suppliers are required to establish hazardous substance management standards and conduct regular inspections to ensure the classification and storage of hazardous substances.	Provide suppliers with recommendations on hazardous substance management standards for their reference and implementation.
Business ethics	There are no relevant procedures or requirements prohibiting the promise, provision, authorization, giving, or receiving of bribes, as well as illegal or improper benefits, and the provision of other forms of benefits.	Suppliers lack relevant management awareness	Suppliers are required to formulate relevant policies and measures and enhance their implementation performance.	Provide suppliers with suggestions on policies or measures for reference and implementation.
	There are no established procedures or requirements to ensure that information required by laws and regulations is properly managed and disclosed without false or inaccurate content.	Suppliers lack relevant management awareness	Suppliers are required to formulate relevant policies and measures and enhance their implementation performance.	Provide suppliers with suggestions on policies or measures for reference and implementation.
	There are no established procedures or requirements in place to prevent intellectual property rights infringement or unauthorized duplication, including customer-related information.	The supplier has not documented the actual management mechanisms in place.	Suppliers are required to formulate relevant policies and measures and enhance their implementation performance.	Provide suppliers with suggestions on policies or measures for reference and implementation.
	Procedures or requirements have not been established to ensure that the Company's information complies with regulatory requirements and that it has not issued false or misleading public statements.	The supplier has not documented the actual management mechanisms in place.	Suppliers are required to formulate relevant policies and measures and enhance their implementation performance.	Provide suppliers with suggestions on policies or measures for reference and implementation.

Table 2.3.3 Significant suppliers ESG audit deficiencies and improvement actions taken in 2024

Implement the supplier evaluation and elimination mechanism

To implement supplier sustainability and performance management, Advantech has devised a supplier performance rating system that categorizes suppliers into four levels from A to D based on their scores (A is above 95, and D is below 70). This serves as a performance evaluation mechanism for managing suppliers. Relevant departments assess suppliers through quarterly Management Circle of Supplier (MCS) and evaluation results, applying a tiered rating system with corresponding reward, disciplinary, and elimination mechanisms. The management measures for suppliers with different evaluation results are as follows

	Levels	Management measures
 Rewards	A	Suppliers who receive an A-level rating for four consecutive quarters are recognized with Excellent Supplier Awards and honored at the annual supplier conference. In terms of business cooperation, they are given priority for increased order allocation and opportunities to participate in new projects.
	B	Maintain existing partnerships
 Disciplinary actions	C	Suppliers are placed on a watch list and required to submit relevant reviews and improvement measures.
 Eliminations	D	Suppliers receiving a C rating for two consecutive quarters, or those found to have committed other serious violations of Advantech's policies, will be suspended from applying for new projects. Their order quantities will be reduced and switched to secondary supplier status. Since eliminating them immediately may affect shipments, the elimination mechanism will be implemented after alternative solutions are in place. For suppliers who remain uncooperative with improvement efforts within two years, Advantech will reduce or suspend purchase quantities and revoke their supplier qualifications.

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Promote a low-carbon supply chain

Prioritize procurement locally

To bolster regional strategic cooperation and reduce CO₂ emissions generated from manufacturing and transportation processes, Advantech continues to implement a localized procurement strategy, prioritizing local suppliers in its procurement activities over the years. Advantech's global operations span six Regional Business Units (RBUs). Given that the main manufacturing bases are currently located in Taiwan and Kunshan, the procurement strategies and performance disclosed in this report focus primarily on these two regions. Overall, Advantech Taiwan's local procurement amount in 2024 was NTD 10.9 billion, with a ratio of approximately 82%. Due to Advantech Taiwan's centralized procurement of some electronic components and peripheral raw materials, Advantech Kunshan's local procurement ratio accounted for about 43% of the total amount*, a slight increase compared to 2023. The overall local procurement ratio in 2024 was 68%. The summarized local procurement amounts and ratios of the Company in recent years are shown in Figure 2.3.2.

Carbon inventory management plan

In 2024, Advantech officially announced its supply chain carbon reduction plan at the supplier conference, emphasizing that carbon reduction has become a crucial trend in global industrial development and a key factor in enhancing supply chain resilience and competitiveness. In response to international trends and external carbon management requirements, Advantech expects all PVL suppliers to complete organizational carbon inventory and obtain external verification by 2027, thereby building a greener, more sustainable, and competitive supply chain.

To help suppliers effectively address the challenges of carbon inventory and reduction, Advantech will invest dedicated counseling resources by providing professional training, technical guidance, and experience sharing. This support aims to assist suppliers who have not yet completed their carbon inventories in building carbon management capabilities and ensuring the smooth progress of their inventory and verification efforts. Additionally, Advantech encourages suppliers to adopt low-carbon technologies and solutions to reduce carbon emissions in their operations and manufacturing processes, achieving the overall carbon reduction goal for the supply chain.

Looking ahead, Advantech will continue to fortify its partnerships with suppliers, ensuring the implementation of carbon reduction actions through regular communication and progress reviews. This serves to create a more resilient green supply chain, working together towards a sustainable, net-zero future.

Procurement locally ratio of Advantech Taiwan and Advantech China-Kunshan from 2023 to 2024

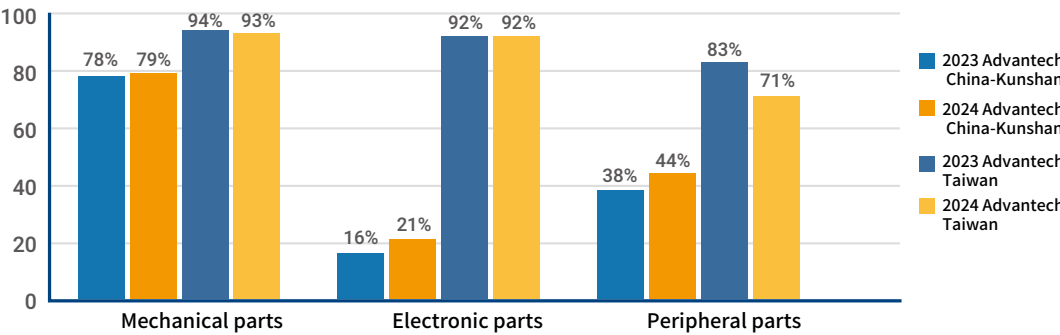



Figure 2.3.2 Local procurement ratio of Advantech Taiwan and Advantech Kunshan between 2023 and 2024

*Note:
1. Definition of procurement locally: Advantech Taiwan - the counterparty is a manufacturer with Taiwan's GUI number; Advantech Kunshan - the counterparty is a manufacturer in China.
2. The decrease in the percentage of local procurement of electronics materials at Kunshan is primarily attributed to the adoption of a self-purchasing strategy in 2020, under which most suppliers are agents registered in Taiwan.

Require  **Carbon inventory of the organization as a whole**

GHG inventory check

Suppliers must obtain an external carbon inventory verification (ISO 14064-1))

CATEGORY	2025 年	2026 年	2027 年
PCB, Connector, Power supply, CPU	High carbon emission suppliers to complete carbon inventory (mandatory requirement)	Obtain external verification	
EE, Mechanical Packaging, Cable, Touch, LCD, Others		Complete carbon inventory (mandatory requirement)	Obtain external verification

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2.3.4 Establish Supplier Sustainability Competencies

Supply chain sustainability improvement plan



In 2024, Advantech continued to advance its supplier improvement program by empowering and training its partners to enhance their sustainability capabilities, ensuring alignment with ESG requirements and strengthening sustainable supply chain management. Advantech plans multi-level training activities for different supplier categories and needs, including supplier code of conduct courses, supplier conferences, carbon management courses, and theme workshops, comprehensively covering environmental, social, and governance topics while emphasizing practical application and capacity building. In 2024, three themed workshops were held for 122 representatives from 64 significant suppliers (accounting for 22% of all significant suppliers). Counseling resources were planned based on supplier types, providing empowerment courses on intelligent energy solutions, SDG topics, as well as environmental, health, and safety (EHS) practices, laying a robust foundation for the sustainable development of the supply chain.

In 2025, Advantech will continue to strengthen the suppliers' sustainable development capabilities. To ensure precise allocation of counseling resources and continuously enhance fundamental sustainability literacy, Advantech will adopt a categorized management approach based on suppliers' characteristics and needs. Multi-level, theme-based learning and exchange mechanisms will be designed accordingly to different suppliers with adequate support. The new year plan encompasses core topics like renewable energy, carbon management, biodiversity, and sustainable information disclosure. It will provide more in-depth and targeted learning opportunities through medium and large-scale forums, small workshops, and project-based counseling for high-carbon emission suppliers. Furthermore, Advantech will join forces with industry benchmarks, government agencies, academic institutions, and research institutions to integrate diverse professional resources, share the latest industry trends and practical experiences, assist suppliers in understanding important development trends and sustainable implementation strategies, and ensure that both suppliers and Advantech achieve their long-term sustainable development goals (SDGs).

Advantech's ESG Training Program for Procurement Personnel and Internal Stakeholders (including Operations, ESG Office, R&D, Finance, Investor Relations, Senior Management, etc.) for 2024 The training courses covered the following areas :

- 1. Carbon Management: Accelerating Net Zero!Internal Carbon Pricing Governance Rules: Understanding governance practices for internal carbon pricing.Sustainability Initiatives: Defining sustainability goals and setting a scientific approach to carbon reduction.Corporate Sustainability Benchmarks: Advancing towards a net-zero emission, low-carbon transformation.
- 2. ESG General Awareness:Global Sustainability Commitments Review: A comprehensive overview of global progress on sustainability and net-zero targets.ESG Essentials From Concepts to Actions – A mandatory introduction to ESG principles and how to implement them in business operations.
- 3. Biodiversity: The Next Step in Corporate Sustainability!Trends and Frameworks in Biodiversity: Exploring the latest trends and frameworks in corporate biodiversity management. Carbon Credits and Forest Carbon Sequestration: Examining the real and illusory aspects of forest carbon credits, and whether tree planting alone can offset carbon emissions.
- 4. ESG Executive Courses:ESG Corporate Case Studies: Practical, real-world examples of ESG implementation in companies.New Business Opportunities in Sustainability: Understanding new business opportunities arising from the global shift toward sustainability.

2023~2024 annual improvement and empowerment results

Course/conference name	Course/conference content	Participants	Number of participants/ Number of companies	Training materials	
Supplier code of conduct	The courses covered the four major topics of labor and personnel, environmental management, health and safety, and business ethics to help suppliers understand Advantech's supplier sustainability regulations.	Tier 1 suppliers	856		This course aims to help suppliers understand Advantech's supplier sustainability regulations, which we uses as an indicator for supplier ESG risk assessment.
Advantech Supply Chain Management Forum	The 2024 Advantech Supply Chain Management Forum focused on the theme of "sustainable supply chain", aiming to upgrade supply chain management as well as accelerate the industry's green transformation and innovative development through in-depth cross-industry exchanges and trend analysis.	PVL suppliers	204 people/113 suppliers		The forum focuses on sustainable supply chain development and resilience enhancement, covering key topics such as carbon reduction management, digital transformation, and supplier sustainability strategies. Through the sharing of practical experiences and the analysis of corporate case studies, the forum aims to help suppliers understand global supply chain trends, improve their ESG compliance and operational efficiency, and work together to build a competitive, sustainable supply chain.

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Course/conference name	Course/conference content	Participants	Number of participants/ Number of companies	Training materials	
Carbon management - RE100	The role of RE100 in achieving net zero and the analysis of the global and Taiwan renewable energy market.	PVL suppliers	384 people/285 suppliers		This course helps suppliers understand the positive impact of renewable energy on reducing carbon emissions from their operations, while also explaining its significance and addressing supplier-related questions regarding the use of renewable energy.
		Internal supply chain management/ product development/ ESG Corporate Sustainability Development Office/ investment unit	149 people		This course helps our colleagues understand the positive impact of renewable energy on corporate operational carbon emissions and highlights its importance in achieving carbon reduction goals within supply chain management.
Theme workshop: Sustainability Transformation on Two Fronts - Digitization and Decarbonization	Intelligent energy solutions	PVL suppliers	56 people		The workshop introduces the application of digital technology in sustainability management, such as energy monitoring, smart manufacturing, and supply chain digitization. Furthermore, it combines international carbon reduction trends with practical corporate case studies to help enterprises formulate transformation strategies that strike a balance between competitiveness and environmental sustainability.
Theme workshop: Corporate ESG GET MOVING	SDG-themed workshop	PVL suppliers	36 people		The course focuses on the United Nations SDGs and the ESG implementation framework, guiding enterprises to understand the key role of ESG in sustainable operations and assisting them in determining the strategic direction of sustainable development via practical case study analysis.
Theme workshop: In-Depth Look at Supplier EHS Risk Evaluation	An analysis of EHS regulations	PVL suppliers	30 people		The course covers environmental, health, and safety (EHS) risk assessment methods, provides an in-depth analysis of relevant Taiwanese regulatory requirements, and assists suppliers in bolstering their risk management capabilities to meet Advantech's management standards for a sustainable supply chain.

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2.3.5 Conflict Minerals Procurement Management

Tantalum, tin, tungsten, and gold (collectively known as 3TG minerals) are key materials for the operation of electronic products. Our global product portfolio, including industrial computers and peripherals, cloud computing and industrial automation, communication systems, IoT intelligent systems, and embedded platforms, relies heavily on these materials, especially electronic components. For example, tin is used in solder, tantalum in capacitors, tungsten in electrical contacts, and gold in electrical connection coatings. These components are crucial to our products.

To ensure the avoidance of minerals from Conflict-Affected and High-Risk Areas (CAHRAs), Advantech rigorously complies with the Responsible Business Alliance (RBA) Code of Conduct and implements a conflict-free minerals policy. Advantech not only refrains from procuring metals from CAHRAs but also requires its suppliers to comply with this policy, ensuring that the supply chain respects human rights and is not involved in conflict activities. As of 2024, 100% of Advantech's PVL suppliers have signed the "Declaration of Non-Use of Conflict Minerals," and all of Advantech's products are guaranteed to be conflict-free.

As a brand company, Advantech does not directly purchase raw ore or unrefined 3TG minerals. Due to the multiple tiers involved in the supply chain, once the raw ore is smelted, refined, and transformed into ingots, gold bars, or other mineral derivatives, its origin becomes difficult to trace. Smelters and Refiners (SORs) serve as key control points for raw ores and are best positioned within the supply chain to verify the origin of minerals. Suppliers who engage in direct collaboration with Advantech and influence procurement decisions are considered PVL suppliers. Advantech relies on them to identify and assess supply chain risks and provide relevant information on 3TG mineral SORs.

Advantech continues to comply with the "Due Diligence Guidance" of the Organisation for Economic Co-operation and Development (OECD) as the basis for its "Conflict Minerals Management Plan". The Company investigates the mineral sources of its suppliers through the Conflict Minerals Reporting Template (CMRT) to confirm whether the 3TG smelters have passed audits by independent third-party organizations such as RMI, LBMA, or RCJ. Moreover, Advantech has expanded its sources of component suppliers to minimize risk, avoid reliance on single suppliers, and demand the supply chain to establish diverse procurement channels. If a non-compliant smelter is identified in the supply chain, Advantech will require the supply chain to either switch to a compliant alternative smelter certified by the aforementioned audit organizations and submit a removal plan for the non-compliant smelter, or assist the relevant smelter in passing an independent third-party audit to ensure the compliance and sustainability of the entire supply chain.



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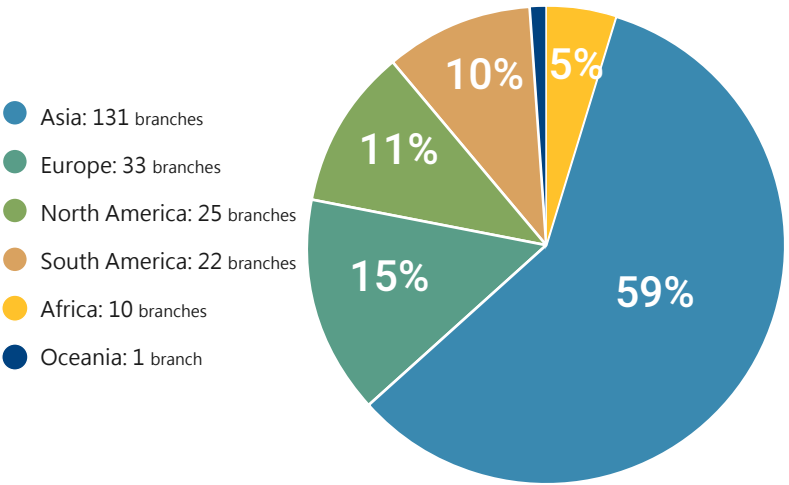
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According to the conflict minerals due diligence results for 2024, we identified 222 smelters in our supply chain. Among these, 215 smelters have been certified as meeting the "Responsible Minerals Assurance Process (RMAP)" standards (or equivalent cross-recognition assessments). There are currently seven smelters in the certification process, with qualified smelters achieving a compliance rate of 96.8%.

	2020	2021	2022	2023	2024
Qualified smelters	245	246	249	226	215
Smelters currently in the program*	0	9	10	6	7
Total	245	255	259	232	222
Percentage of qualified smelters	100.0%	96.5%	96.1%	97.4%	96.8%

*Smelters currently in the program: Refers to smelters that have committed to accepting the RMAP assessment, completing relevant documentation, and arranging an on-site evaluation. Currently in the pre-assessment, assessment, or corrective action stage. Advantech monitors the progress of these smelters participating in the program every quarter to ensure the compliance and sustainability of the supply chain.

2024 conflict minerals survey smelter distribution



In addition to 3TG, we have expanded the scope of our survey to include cobalt and mica in 2024. Cobalt is a key material for manufacturing batteries and magnetic alloys, while mica can be used in the exterior coatings of electronic products. This year's due diligence identified 83 cobalt smelters and seven mica smelters.



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2.4 Risk Foresight and Crisis Management

Advantech defines various risks in alignment with its overall operational strategy and implements an Enterprise Risk Management System (ERM) to establish a structured mechanism for proactively identifying, precisely assessing, effectively monitoring, and strictly controlling risks. Prevent possible losses within the risk tolerance range and continuously adjust the best risk management practices according to changes in the internal and external environment. Major risks identified through Advantech's ERM process include economic, environmental, and social issues. Economic issues include business succession, management of overseas business subsidiaries, sustainable supply chains, information and cyber security, and cross-border tax issues. Environmental issues include low-carbon and eco products, climate transition risks, etc.; social issues include talent cultivation and retention, labor relations, personal data protection, etc.; the results of annual survey on material sustainability issues are also used to identify and assess major risk issues each year. Taking 2024 as an example, material sustainability issues were also considered as the main strategic or operational risk issues in ERM, for the proportion of up to 70%.

Advantech uses the ERM mechanisms to reduce or mitigate the potential impact of risks on the Company's revenue, costs, and reputation; at the same time, we proactively explore opportunities that may arise from sustainability risks, such as investing in solar energy, wind power, and electric vehicle-related applications, and developing energy management platforms that can be applied to different industries.

Risk management governance framework and organization

As the highest governance unit for risk management, the Board of Directors oversees the overall risk management mechanism and approves update of policy and procedures. The Board of Directors, and also by delegation to Sustainable Development Committee and Compensation Committee are responsible for the supervision and tracking of pan strategy risk topics and global risks, while Audit Committee are responsible for the supervision and tracking of operational risks.

The Risk Management Team ("the Team") serves as the Company' s highest risk management authority and is responsible for overseeing and enhancing the risk management processes. Each year in Q4, the Team launches a risk survey and identification process, and coordinating with responsible management units to finalize the assessment and mitigation plans for major risks by early the following year. Given rapid fluctuations in the business environments, a mid-year review is also conducted to reassess major risk exposures and adjust mitigation actions accordingly. Major risk topics and corresponding mitigation actions are incorporated into quarterly risk management meetings or senior management meetings to facilitate discussion and monitor implementation progress.

Functional managers are responsible for developing mitigation actions for identified

risks and overseeing actions implementation. Internal Audit, meanwhile, closely monitors and also facilitates various risk management processes, while also providing enhancement suggestion. When necessary, Internal Audit conducts audits on specific risk topics. Generally, major risks with unclear implementation progress would be prioritized for annual project audits. Proposals for enhancing ERM mechanism are jointly developed by the Risk Management Team and Internal Audit through collaborative discussions. The Company also engages external consultants as needed to provide counseling, conduct audits, and offer recommendations on the risk management related mechanism and its operations.

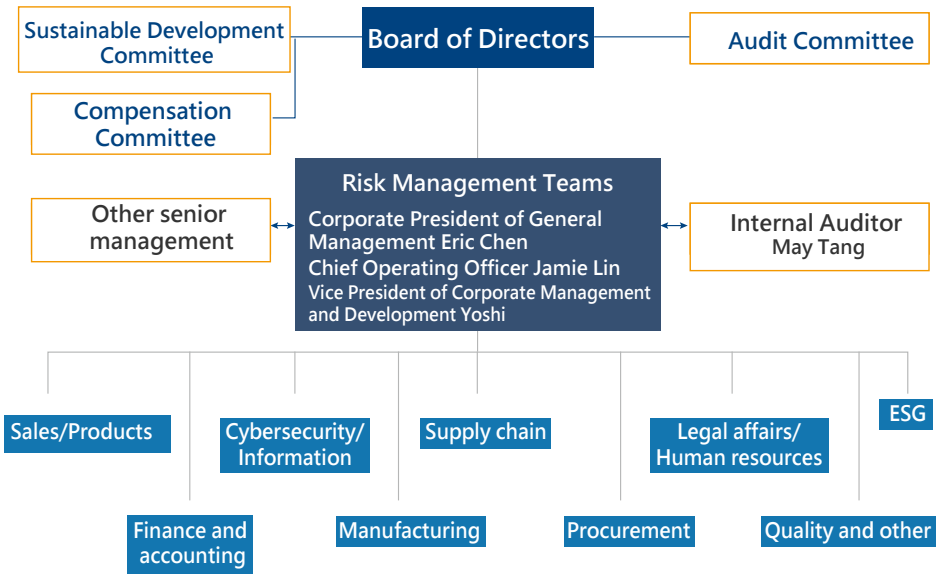


Figure 2.4.1 Risk Management Organization

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Three lines of defense model for risk management and others

Three lines of defense model	Corresponding unit	Role
First line: those responsible for risk	Operational/functional unit manager in charge and front-line employee	<ul style="list-style-type: none">◆ The manager in charge is responsible for planning and implementing risk management mechanism at the first line.◆ Manager in charge and front-line employee are accountable for proper completion of the response actions.
Second line: risk management and compliance oversight	Risk management team: <ul style="list-style-type: none">◆ Led by Corporate President of General Management and Chief Operation Officer (COO)◆ Depending on the nature of risk topic, the Chairman, President of business units and other senior executives will be invited to join the discussion	<ul style="list-style-type: none">◆ Supervise the implementation and effectiveness of risk management response measures.◆ Supervise quality compliance with the quality unit, and supervise legal compliance with the legal unit.
Third line: independent Internal Audit	Internal audit team	<ul style="list-style-type: none">◆ In-depth participation and supervision of risk management meetings and execution of risk management mechanism.◆ Provide independent and objective assurance services to ensure the effectiveness of risk management and compliance processes.◆ Perform comprehensive audits targeting significant risk issues

For the following information, please refer to the risk management page of the Company's website ([Chinese/English](#))

- ◆ Risk management governance framework
- ◆ Risk management policy and procedures
- ◆ Risk management mechanism and processes
- ◆ Emerging risks
- ◆ Major risk sensitivity analysis

The high risks highlighted in orange area on the risk map have exceeded the Company' s tolerable risk appetite, and it is necessary to adopt respective risk mitigation strategies and actions as priority to reduce the probability of occurrence or the level of potential impact, and the actions progress shall be closely monitored.

Advantech's Risk Map

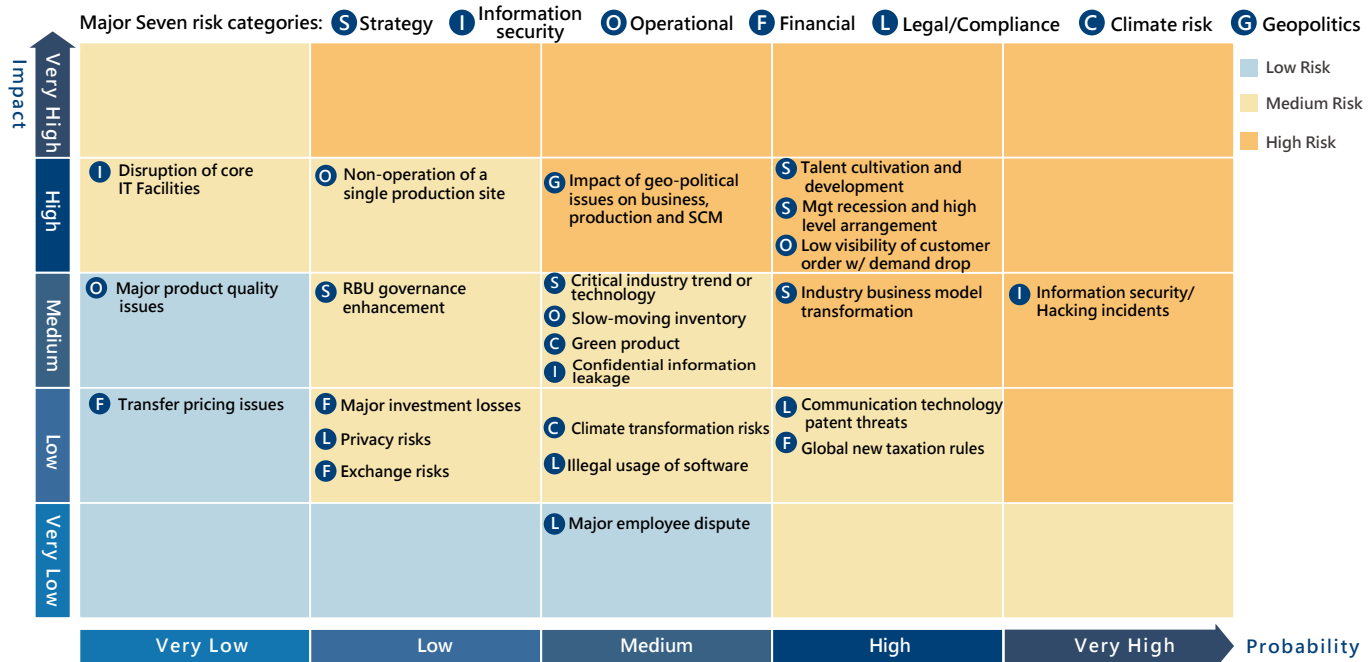


Figure 2.4.2 2024 Advantech's Risk Map

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Mitigation actions and risk appetite for major risk items

Major risk items	Main mitigation actions	Risk appetite and mitigation approach
Talent cultivation and development	<ul style="list-style-type: none">◆ Optimization of salary and benefits structure to improve the recruitment rate of high-potential talent and the retention rate of internal A-level talent.◆ Engage external consultants to conduct compensation analysis to optimize compensation competitiveness.◆ Strengthen A talent cultivation and engage in IDP (Individual Development Plan) planning and execution◆ Optimize the performance appraisal mechanism and provide training for leaders	Considered a high risk, it is necessary to reduce the likelihood of risk occurrence and reduce the losses that may be caused by potential incidents
Business succession and executive arrangement	<ul style="list-style-type: none">◆ Establish a clear leadership succession plan and develop a strong leadership pipeline◆ Improve internal job rotation mechanism and develop international management talent◆ Identify critical position and arrange succession candidates, and formulate a three-year development plan◆ Provide a platform for the succession pipeline and conduct deliberate practice	Considered a high risk, it is necessary to reduce the likelihood of risk occurrence and reduce the losses that may be caused by potential incidents
Impact of international disputes on production and logistics	<ul style="list-style-type: none">◆ Expand the selection and use of materials from China◆ Expand Fukuoka Japan office as a backup manufacturing site◆ Establish an outsourcing partnership in Malaysia, and to conduct partial product trial production◆ Expand CTOS assembly capability and capacity in major overseas regions	Considered a high risk, the negative impact of risks on revenue and profitability must be lowered
Transformation of industry business models	<ul style="list-style-type: none">◆ Establish a cross-sectors collaboration mechanism for Solution Architects and industry experts◆ Establish sector driven KPIs◆ Cultivating new businesses and setting the direction for talent and new venture incubation	Considered a high risk, it is necessary to reduce the likelihood of risk occurrence and reduce the losses that may be caused by potential incidents
Customer demand has weakened, leading to limited order visibility	<ul style="list-style-type: none">◆ Strengthen software and integration services to enhance customer loyalty◆ Establish an approval mechanism for order postponements and cancelations, enhance order management, and improve flexibility in production and delivery◆ Close tracking of unshipped orders, including customized and standard products	Considered a high risk, the negative impact of risks on revenue and profitability must be lowered
Cyber security/ hacking incidents	<ul style="list-style-type: none">◆ Cyber security testing and strengthening of security awareness among employees◆ Introduction of the confidential data protection mechanism◆ IT hosts information security rewards campaign; cyber security newsletters are sent quarterly◆ Introduction of cyber security service incident management platform◆ Tracking of the patching execution for server vulnerability	Considered a high risk, it is necessary to reduce the likelihood of occurrence and reduce the losses that may be caused by potential incidents.

Figure 2.4.3 Major risk items and mitigation actions

Project highlight 1

Inclusion of strategic risks



In 2024, the Risk Management Team invited the newly established Corporate Management and Development Department to participate in the risk identification and assessment processes, conducting impact analyses and developing mitigation action plans for pan strategy risks. The risk map was also updated to encompass pan strategy and pan operation risks, thereby strengthening the Company’ s overall risk management framework and expanding its coverage.

Project highlight 2

In 2024, two global management guidelines were formulated



The Risk Management Team, in collaboration with Internal Audit, conducted a comprehensive review of cross-functional workflows in the areas of "Sales Order Postponement and Cancellation" and "End-of-Life Material Procurement and Management.", and followed by optimization suggestions. Later, relevant global guidelines were jointly developed and subsequently communicated to applicable domestic and overseas units. These efforts contribute to mitigating the potential impact of the risk items: "customer demand has weakened, leading to limited order visibility" and "increase in slow-moving inventory".

Project highlight 3

Implementing Business Continuity Management System (BCMS) in 2024



A third-party organization has been engaged to provide counseling in the implementation and enhancement of the BCMS (Business Continuity Management System) at the Linkou plant. The two-year project was launched in 2024, and phase one of the project, including target and risk assessment, impact analysis, and recovery plan, has been completed. The project helps to ensure the Linkou plant may resume normal operations within a reasonable timeframe in the event of risks or natural disasters. This helps to mitigate the risk item "non-operation of a single production site" and avoid potential impact.