

Advantech adopts "Enabling an Intelligent Planet" as its vision and is dedicated to global sustainable development. By leveraging IoT technology and comprehensive product solutions, Advantech aims to boost customers' resource utilization and production efficiency, reduce energy waste and carbon emissions, and drive sustainable development. The company focuses on creating IoT software and hardware products and services across various sectors such as energy management, transportation and logistics, smart agriculture, smart factories, telehealth, education, and operation and maintenance services. Advantech is committed to progressively increasing the revenue contribution from sustainable smart solutions. Moreover, it integrates essential elements and frameworks into its own operations and tracks sustainability performance KPIs by aligning with the Reporting Framework for EU Taxonomy Classification for Sustainable Activities, as well as domestic and international sustainability trends.

- **Report Scope and Summary Content:** This report entails an analysis of the EU Taxonomy system framework and content, with a focus on identifying Advantech's value chain. This includes examining regulations pertaining to products, production processes, assets, investments, or operational activities. The report also investigates into following relevant technical screening standards and other associated regulations to establish sustainability standards and a classification framework for products, production processes, or operational activities. Additionally, it involves conducting an inventory and calculation of pertinent revenue, capital expenditures, and operating expenses. The scope of this report mirrors that of the 2023 Advantech Sustainability Report.
- **Reporting timeframe:** 2023
- **Reporting procedures:**
 - Step 1: Conduct research on benchmark companies. Study the 2022 EU Taxonomy disclosure cases of European industrial computer companies, and identify, classify, and correspond to sustainable economic activities of benchmark companies.
 - Step 2: Conduct research on Advantech's economic activities data. Based on the classification results of Step 1, collect and negotiate data with Advantech's departments such as product, production processes, research and development,

procurement, investment, and asset; and evaluate the relevance of 2023 economic activities based on economic activity descriptions.

Step 3: Consolidate and identify economic activities. Based on the activity list from Step 2, identify Advantech's 2023 EU Taxonomy Eligible economic activities, aligning them with 17 economic activities in the climate mitigation and climate adaptation sectors.

Step 4: Financial disclosure statistics. Based on the identification results of Step 3, calculate the relevant revenue, capital expenditures, and operating expenses for 2023 EU Taxonomy Eligible activities in the financial system.

Step 5: Proposals for annual improvement and KPI tracking. Based on the calculation results, plan to initiate improvement projects, including but not limited to enhancing financial system for the automatic calculation of financial disclosure data of sustainable products, aligning with international standards to continuously improve the sustainability of products and operational activities, and staying updated on the latest developments in sustainable regulations to constantly improve relevant performance.

- **Reporting Methodology Changes:** Last year's proportion of economic activities related to sustainability categories accounted for 18.5%. In comparison, this year, it has surged to 39.9%, thanks to the optimization of investigation methodologies and execution processes this year. Referencing the classification and significance of EU Taxonomy Classification for Sustainable Activities and peer differentiation results, Advantech further elucidated the connotation of economic activities based on the company's products and operational activities. Secondly, Advantech departments such as product, production processes, research and development, procurement, and investment evaluated the relevance of 2023 activities based on economic activity descriptions. This year, Advantech identified a total of 17 economic activities corresponding to climate mitigation and climate adaptation sectors, and based on this, inventoried Advantech's revenue related to 2023 EU Taxonomy Eligible activities, capital expenditure, and operating expenditure. In addition to the above calculation method, this year, integration was made with previous years' classifications, judgments, and calculations based on customer business projects and sectors. The methodology has been refined this year, as Advantech's products and solutions encompass over tens of thousands of items, making it impossible to ensure 100% accuracy and coverage of financial calculations. The calculation results of this report have also not been verified by a third-party auditor. In the coming year, the quality of reporting will continue to be revised and improved for quantified quality

Six EU Taxonomy environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Based on the six objectives and the EU Taxonomy Regulation, to determine the environmental sustainability and the compliance of the classification standards, the respective activity needs to meet at least one of the following criteria.

- Substantially contributes to at least one of the above environmental objectives.
- Do No Significant Harm (DNSH) to the remaining environmental objectives.
- Meet ‘minimum safeguards’ such as the UN Guiding Principles on Business and Human Rights.

After identifying applicable economic activities, reporting in accordance with the EU Taxonomy Regulation is as follows.

2023 Advantech Reporting for Taxonomy Eligible Economic Activities

Total (Currency: TWD)	Turn-over		Capital Expenditure		Operating Expenditure	
	Total Amount (Currency: TWD)	100%	Total Amount (Currency: TWD)	100%	Total Amount (Currency: TWD)	100%
	64,567,697K		1,197,587K		14,033,564K	
Turnover of taxonomy eligible activities (Currency: TWD)	Total Amount (Currency: TWD) 25,766,635K	39.9%	Total Amount (Currency: TWD) 477,914K	39.9%	Total Amount (Currency: TWD) 5,600,288K	39.9%
Turnover of taxonomy-non-eligible activities (Currency: TWD)	Total Amount (Currency: TWD) 38,801,062K	60.1%	Total Amount (Currency: TWD) 719,673K	60.1%	Total Amount (Currency: TWD) 8,433,276K	60.1%
Climate Change Mitigation Information and communication 8.1 Data processing, entrusted management and related activities	15,891,852	24.6%	294,758	24.6%	3,454,039	24.6%
Climate Change Adaptation	4,668,354	7.2%	86,588	7.2%	1,014,651	7.2%

Information and communication 8.2(2) Computer programs, consulting and related services						
2023 Green Product Manufacturing	2,580,329	4.0%	47,859	4.0%	560,826	4.0%
Climate Change Adaptation Construction and real estate 7.6(2) Installation and maintenance of renewable energy equipment	1,284,603	2.0%	23,827	2.0%	279,204	2.0%
Climate Change Mitigation Manufacturing 3.6(1) Other low carbon technologies	646,979	1.0%	12,000	1.0%	140,619	1.0%
Climate Change Adaptation Professional, scientific and technical activities 9.2 Near market research, development and innovation	396,311	0.6%	7,351	0.6%	86,137	0.6%
Climate Change Mitigation Manufacturing 3.4 Battery manufacturing	167,116	0.3%	3,100	0.3%	36,322	0.3%
Climate Change Mitigation Information and communication 8.2(1) Data-driven greenhouse gas reduction solutions	111,383	0.2%	2,066	0.2%	24,209	0.2%
Climate Change Mitigation Professional, scientific and technical activities 9.1(1) Near market research, development and innovation	10,333	0.0%	192	0.0%	2,246	0.0%
Climate Change Adaptation Construction and real estate 7.5(2) Installation and maintenance of energy control equipment such as building energy efficiency control equipment and energy-saving meters	9,375	0.0%	174	0.0%	2,038	0.0%

Remark: The proportion of capital expenditure and operating expenditure is estimated based on the proportion of turn-over.

● **Conclusion and proposals for future improvement:**

1. Screened out Advantech's activities that are compliant to EU Taxonomy Eligible economic activities and the result is 17 economic activities in total in the climate mitigation and climate adaptation sectors. Among them, the economic activities with the most corresponding items are: Climate Adaptation 8.2(2) Computer programs, consulting and related services, and Climate Mitigation 8.1 Data processing, entrusted management and related activities.
2. Based on the identification results, enhance product and solution standards: Make a substantial contribution to the environmental objectives and provide reference standards for optimizing sustainable economic activities in product planning, research and development, design, procurement, and asset acquisition, aiming to enhance the sustainability of Advantech's economic activities.
3. In terms of DNSH (Do No Significant Harm) compliance, it partially complies. Align with and optimize sustainable operational policies, management plans, implementation plans, product standards, etc., to improve sustainable performance in climate adaptation, water resource management, pollution management and prevention, biodiversity, and ecological conservation.
4. Improve the data quality of the EU Taxonomy for sustainable activities reporting by simplifying financial calculation processes and enhancing accuracy through systematic inventory, classification, and system annotation.
5. Due to Advantech's low-volume, high-variety production nature, the production of products and solutions encompass over tens of thousands of items; hence there are limitations in financial disclosures under the EU Taxonomy Regulation. For example, Climate Change Mitigation focuses on economic activities directly contributing to carbon dioxide reduction, which may not necessarily fully correspond to Advantech's products or services. Additionally, definitions of some economic activities or Technical Screen Criteria are unclear, making identification challenging for Advantech.
6. Advantech's global operations span across 27 countries, with as many as 14 operational sites in the EU region. Advantech will continue to pay attention to latest sustainability trends such as CSRD, understand the evolution of relevant indicators and technical standards, update identification results yearly, and focus on regulatory applicability and reporting progress.