

## Emerging Risk I: Paradigm Shift of Industrial IoT Industry Caused by Generative AI

Subject	Description
<b>Description of the Risk</b>	<p>Advantech as an industrial IoT technology providers, there are risks if not responding to generative AI well or fast enough, including</p> <ul style="list-style-type: none"> <li>• Failure to integrate generative AI leads to lost market share and reduced competitiveness against companies adopting advanced technologies.</li> <li>• Not incorporating generative AI results in inability to deliver intelligent, personalized, and efficient solutions, disappointing customers and eroding trust.</li> <li>• Without leveraging AI benefits, productivity suffers, causing higher operational costs and reduced efficiency for both the company and its clients.</li> <li>• Inability to adapt to generative AI limits market penetration and expansion, as competitors with advanced capabilities capture new opportunities.</li> <li>• Not embracing cutting-edge technologies makes the company less attractive to potential employees and talent, leading to recruitment and retention challenges.</li> </ul>
<b>Impact to Advantech</b>	<p>Advantech’s Industrial IoT Platform WISE-IoTsuite (formerly known as WISE-PaaS) is incorporating generative AI as part of its offerings to enterprise customers, along with other solution packages for vertical markets. Once ready with quality, there are potentially strong positive impacts such as:</p> <ul style="list-style-type: none"> <li>• Innovation Driven: Generative AI will drive industrial IoT technology suppliers to develop more advanced solutions, increasing product and service value.</li> <li>• Efficiency Improvement: Generative AI helps speed up data processing, improving the efficiency of IoT devices.</li> <li>• Smart Decision Making: Generative AI enables IoT suppliers to provide users with smart decision-making capabilities, reducing operational costs.</li> <li>• Market Expansion: Generative AI allows IoT suppliers to explore new markets, such as smart manufacturing and smart grids.</li> </ul> <p>To achieve this, an elegant strategy, well-organized and adaptive plans, and dedicated technical teams with experienced leaders have to be established in prior to some significant amount of works to assure the success. And this is a huge challenge to Advantech.</p>

**Mitigation actions**

- Keeping an eye on market trends: Regularly research and analyze market trends to understand competitors' strategies and technologies, maintaining competitiveness.
- Building partnerships: Establish partnerships with companies specializing in generative AI to jointly develop innovative solutions.
- Training and education: Provide training for employees to acquire skills in cutting-edge technologies, enhancing employee skills and competitiveness.
- Strengthening data management: Establish a comprehensive data management system to ensure data quality, supporting the training and operation of generative AI models.
- Enhancing security measures: Implement a comprehensive security strategy, including data encryption and identity verification, to protect data security.
- Complying with legal regulations: Understand and comply with relevant laws and regulations regarding generative AI to meet regulatory requirements.
- Building a flexible organization: Establish a multifunctional, cross-departmental team to quickly respond to market changes.
- Regularly evaluating outcomes: Regularly evaluate the results in the field of generative AI, and adjust strategies as needed.
- Shaping brand image: Build a competitive brand image through the introduction of competitive products and services.

## Emerging Risk II : Talents Shortage for IoT Industry and Advantech's transformation

Subject	Description
<b>Description of the Risk</b>	<p>Advantech businesses are transforming from Phase I IPC related product to Phase II IoT Platform and Phase III IoT solutions and services</p> <p>There is risk that new talent competition and shortage are both significant.</p>
<b>Impact to Advantech</b>	<ol style="list-style-type: none"> <li>1. Hardware engineer shortage owing to unbalanced supply and demand</li> <li>2. Innovated talents shortage in Phase II &amp; III businesses such as AI and cloud expert, SW engineers, go-to-market veteran, etc.</li> <li>3. Talent development needed to shorten the gap between Supply and Demand</li> </ol>
<b>Mitigation actions</b>	<ol style="list-style-type: none"> <li>1. Establishing SDC (Sustainability &amp; Development Committee) and dedicated TA/TD team (Talent Acquisition / Talent Development)</li> <li>2. Talent acquisition program: campus hiring, Elite 100/Champion, referral, headhunter, social media, etc.</li> <li>3. Establishing HR Marketing team to development external employer brand.</li> <li>4. Talent development program: Elite LEAP Workout, Elite mentoring Program, APEX, Advantech Institute, etc.</li> <li>5. Establishing HRIS team: Achieve global talent database integration and optimize HR productivity and efficiency by adopting AI and digital tools.</li> </ol>