

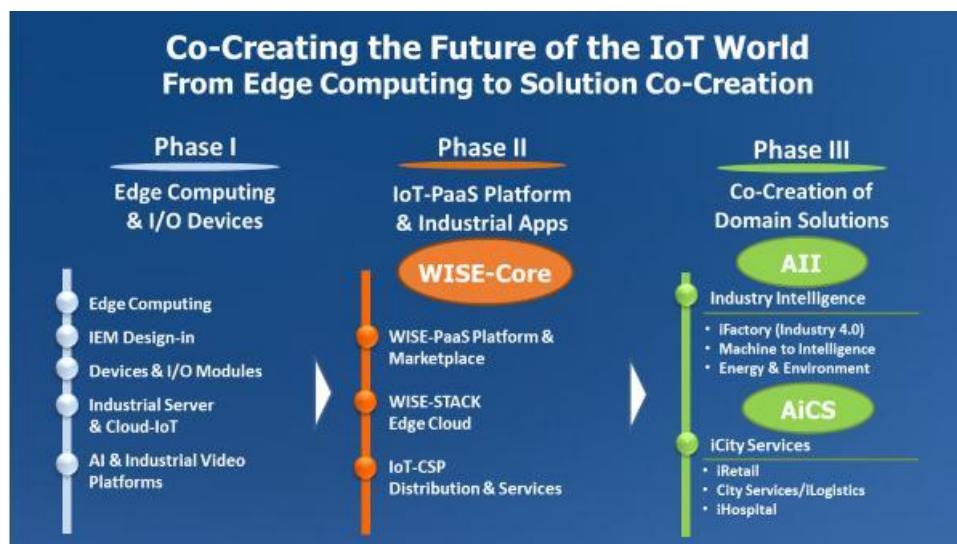
Risk: Talents Shortage for IoT Industry Paradigm Shift and Advantech's Development Strategies

Part I: Description of market situation:

1.1 IoT Industry opportunities and Advantech's strategy:

- Advantech's strategy toward industry opportunities

To fulfill our vision of "Enabling an Intelligent Planet", we are transforming from a product provider to a solution provider. We have 3 phases for the transformation. Phase I is our IPC related product for the solid foundation of Advantech. Phase II is IoT Platform, Phase III is IoT solutions in selected vertical domains and solution-based SaaS services business that leads Advantech to the future business model of Phase I & II & III.



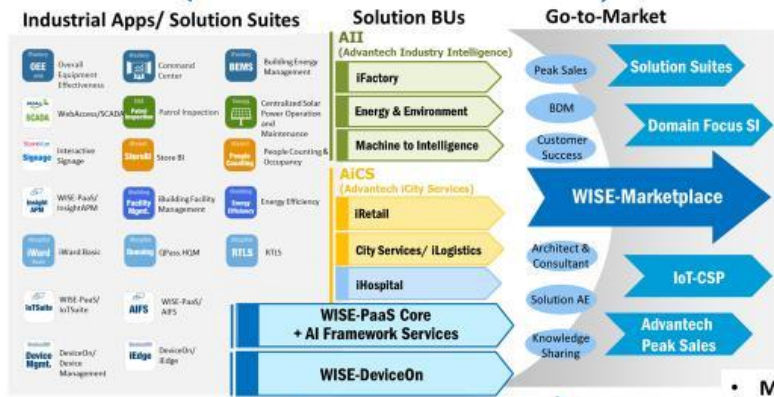
As referred in the section of emerging risk regarding industrial IoT business paradigm shift, the expected ratio of market shares for phase I, II, and III businesses will be 1:5:10. Given this compelling industry trend, the competition among IoT industrial peers for the related talents has become more and more severe.

- New businesses need new talents to support business development

Because new businesses of Phase II & III need talents with AI, Data, Cloud Skills and Technical Service skills, we are suffering talent shortage, especially for those talents with innovated skills as photo below shows:

• **AI expertise:**
SW Architect, SW RD,
SW FAE talents.

• **BDM/Sales/CSM:**
Eco-system, Domain-
focused talents.



• **SW SRP**
Solution PM, Solution
Consultant Talents.

• **Marketing**
eCommerce, Digital
Marketing, Subscription
Commerce Talents.

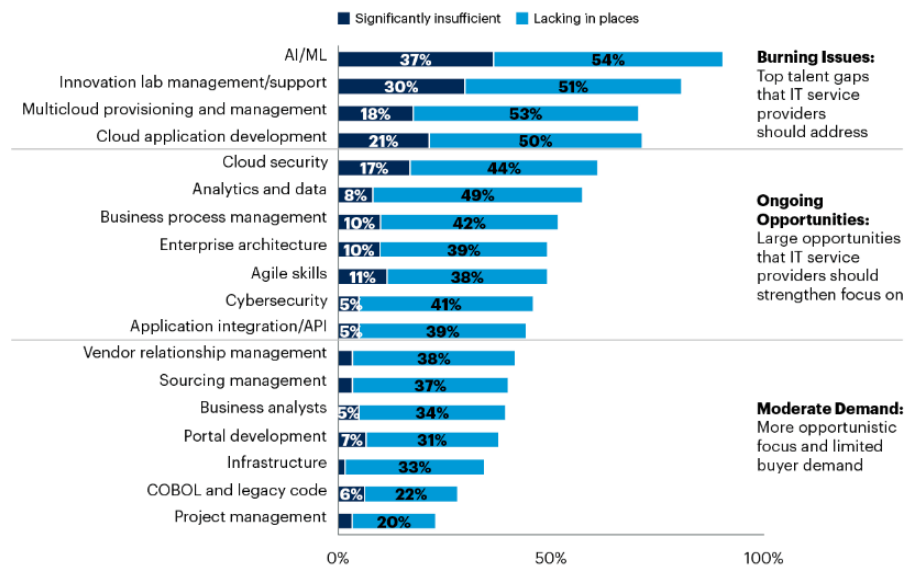


1.2 Talent Market Survey:

- Talent shortage will be a problem for IoT opportunities' development
According to Gartner, cloud adoption has grown by 388% since 2015, and Cloud is becoming a key priority, which leads to Talents shortage for the talents we need.

Top IT Talent Gaps Drive Opportunities for IT Service Providers

Percentage of Respondents



n = 32 to 61 insurance CIOs answering, excluding "N/A (No need for this skill)"
Q. How would you rate your resource capabilities in the following areas?
Source: 2021 Gartner CIO Survey
Note: Values below 3% are not shown
758490_C

Part II: Impact to Advantech:

- Hardware Engineer Shortage in Phase I business
Due to the development of IoT businesses, magnetic effect of semi-conductor and talent shortage, we have difficulties finding hardware engineer.
- Innovative Talents Shortage in Phase II & III businesses
Since Advantech is developing new businesses with cross-function services, we are pursuing innovated talents with different new skillset and different domain knowledge such as AI, Data, Solution, Digital Marketing, etc.
- Talent Development to shorten the gap between Supply and Demand
Because innovative talents are rare, we are planning to complete the talent development mechanism to cultivate the talents for new business to shorten the gap of talent shortage. We not only value Talent Recruitment to fulfill the talent that new business needs, but we also establish Talent development to help find the right people for us.

Part III: Mitigation that Advantech has taken

- Establishing SDC (Sustainability & Development Committee) and TA&C (Talent Acquisition & Cultivation) to manage with talent shortage:

We established SDC committee and TA&C team to focus on Talent Development Program and Talent Recruiting Programs to value and manage with issues concerning talents.

- Talent Recruiting Program:
 - Elite Champion: Actively recruit and headhunt experienced A+ talents
 - Campus hiring & Elite 100: Cultivate and recruit Hi-po Young talents and freshman.
 - Internal/External Referral: Complete Referral Mechanism.
 - Social Media: Employer branding, online recruitment platform.
 - Headhunting: Strategic cooperation for specific position.
- Talent development Program:
 - O&PR review meeting: Identify and discuss IDP for Hi-po talents.
 - WISE-IoT Org & SW Talent: Cultivate innovated talents for new business.
 - Elite LEAP Workout: Cultivate and promote internal talents.
 - Elite Mentoring Program: Enhance competence development by mentorship.
 - Training & certification: Internal training for Talents' core/leadership competence development.

- Establishment of Digital HR

By implementing global aligned HR digital platform, Advantech can achieve global talent database integration, global hi-po talent review, and accelerate global talent mobility, to mitigate talent shortage risk.