

Other Supplementary Info of Advantech's Risk Management

I. The independency of Advantech's Risk management function

The two Chairpersons of Risk Management Team, Corporate President of General Management and Chief Executive Officer supervise a wide range of business operation on daily basis and their roles are independent from business teams, while Head of Internal Audit actively participates in all major risk management processes.

Except for monitoring and auditing risk management performance, Head of Internal Audit also has involved in below aspects of risk management, whose role is proxy to that of Chief Risk Officer:

- ✓ Participating in the discussion and formation of annual risk management plan
- ✓ Coordinating and hosting quarterly risk management meeting
- ✓ Discussing the needed risk mitigation actions for major risks identified
- ✓ Initiating annual risk survey and advised the change of risk management priority
- ✓ Proposing for the enhancement of risk management processes to reflect the best practices

Based on the above, Advantech's risk management team has been functioned with adequate independence.

II. Internal Audit's audit of risk management processes in the last 2 years

Internal Audit team have conducted audit of the risk management processes in 2021&2022 for below aspects, and there have been reasonable enhancement for issues identified.

- ✓ Raw material shortage/lead time
- ✓ High inventory level & loss provision
- ✓ Sales order change or postponement
- ✓ Cyber security and IT infrastructure continuity
- ✓ RBU financial control and reporting issues
- ✓ Issues caused by global inflation and market demand decline
- ✓ RBU employee complaints
- ✓ Illegal use /download of software
- ✓ Environmental, health, safety related issues