

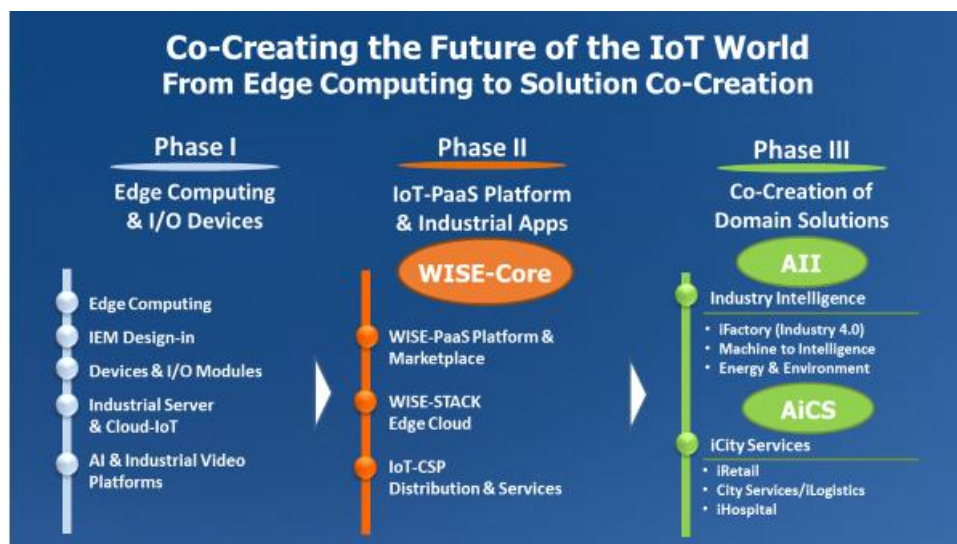
Risk: Talents Shortage for IoT Industry Paradigm Shift and Advantech's Development Strategies

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.



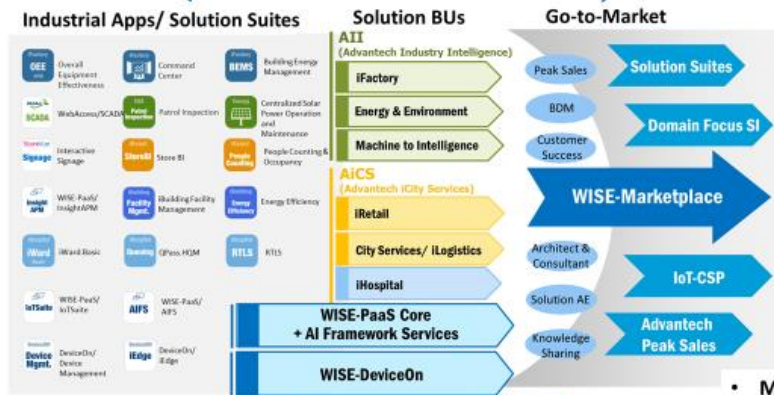
As referred in the section of emerging risk regarding industrial IoT business paradigm shift, the expected ratio of market shares for phase I, II, and III businesses will be 1:5:10. Given this compelling industry trend, the competition among IoT industrial peers for the related talents has become more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

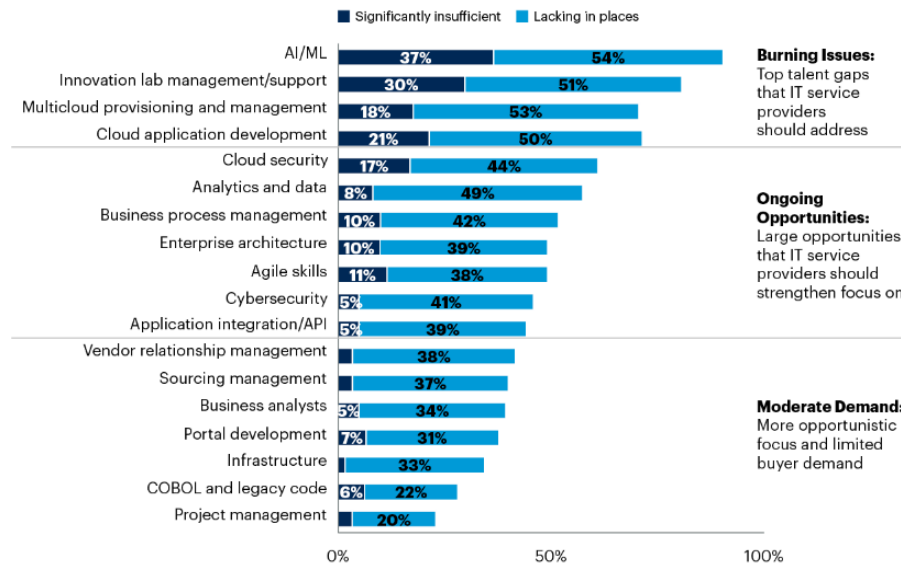


1.2 Talent Market Survey:

- 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



Burning Issues:
Top talent gaps that IT service providers should address

Ongoing Opportunities:
Large opportunities that IT service providers should strengthen focus on

Moderate Demand:
More opportunistic focus and limited buyer demand

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
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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.
- Innovated 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 skills.
- Talent Development to shorten the gap between Supply and Demand
Because innovated 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

- Establish Sustainability & Development Committee (“SDC”) & Talent Lab Committee to manage with talent shortage

The board established SDC & Talent Lab(T-Lab) committee to focus on Talent Development Program and Talent Recruiting Programs to value and manage with issues concerning talents.

Talent Cultivation CoE 以人才培育為核心建立核心能耐



- Talent Recruiting Program:

- Elite Champion: Actively recruit and headhunt A+ talents
- UCC & Elite 100: Cultivate 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&PD Talent Mobility: Comprehensive mobility to cultivate talents' ability.
 - WISE-IoT Org & SW Talent: Cultivate innovated talents for new business.
 - Elite LEAP Workout: Cultivate and promote internal talents.
 - Elite Mentoring Program: Help capability building by mentorship.
 - Training & certification: Internal training for capability building.
- Establishment of Digital HR

Advantech is completing HR Three-Pillar model by cooperating with consulting firm to help HR digital transformation in institutional aspect. At the same time, We are evaluating the HR information system and planning to introduce the system when the organization is well-prepared for the Digital Era.