



Delta Constructs a 1.5 MW Solar Energy System for the World's Largest Thermal Power Plant

Delta Group CSR Report | 2009

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Letter from the Chairman



The effects of the global financial crisis continued to be felt in 2009. Nevertheless, our adherence to the principles of integrity, quality, agility, teamwork and innovation saw the Delta Group meet the challenge and profits grew by 8% compared to 2008. The honor of this achievement goes to the team efforts of everyone at Delta as well as our business partners.

While the initial brunt of the economic crisis is behind us, the threat posed by global warming continues to cast its shadow over humanity. In December last year, over one hundred national leaders gathered at Copenhagen in Denmark for the United Nations Climate Change Conference (COP-15) and took a personal role in the negotiations, which was an unprecedented event. The Copenhagen Accord that eventually emerged from COP-15 was not the legally binding successor to the soon-to-expire (2012) Kyoto Protocol that people had hoped. Still, key greenhouse gas producers such as the United States, China, the European Union and Brazil and other countries all announced medium and long-term energy saving and emission reduction targets after the conference. The accord not only helps the environment but also marks the start of a race to be green around the world, involving countries and enterprises.

Our strength in the Information Technology (IT) industry is also Delta's advantage in our move into the Energy Technology (ET) industry. Our green energy products developed through our core competencies include LED lighting, E-paper, super capacitors, small wind turbines and electric vehicle systems. In addition to

building the world's largest solar power system for an outdoor sports stadium in 2008, we have also built a 1.5MW solar power system for the Taichung Thermal Power Plant, and its performance is outstanding. We have always encouraged Delta employees to not just pursue growth in corporate profits, but to also invest resources into the development of products that will benefit lives and society in the future. We are fortunate that our years of perseverance are now beginning to show results. We believe that energy-saving green products and solutions will help solve environmental problems and the demand for fossil fuels, as well as offer excellent business opportunities in the 21st Century.

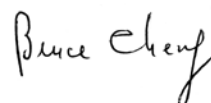
The sheer power of extreme climate conditions was unfortunately demonstrated to everyone in Taiwan when Typhoon Morakot struck mercilessly on August 8, 2009. Southern Taiwan was devastated by 2855mm of rainfall in just a few short days resulting in immense loss of life and property. The event showed everyone in Taiwan the power of nature and our vulnerability, as the issue of climate change

became all the more important. The Delta Group and Foundation together donated NT\$500 Million towards the rebuilding of the elementary and high school in Kaohsiung County's Namasia Townships with model green buildings that can also serve as community evacuation centers. Delta employees enthusiastically donated a day's wages as well to do their part in helping refugees.

"To provide innovative, clean and efficient energy solutions for a better tomorrow." is the mission of Delta. With sound corporate governance Delta strives to balance the interests of stakeholders as we contribute to society. In 2009, we were again named Best Corporate Citizen by Global Views Magazine and Most Admired in the electronics category, while also receiving the Asia-Pacific "Green Excellence Award" given by Frost & Sullivan for the first time. Our clients such as ASUS, Rockwell, BSNL, Fujitsu and Black & Decker presented Delta with various awards that recognized our commitment to CSR outside of our business activities.

The only constant is change. Today, a business must use the right methods and maintain harmony with nature if it wishes to survive over the long-term. I believe that environmental friendliness offers a better way to solve humanity's needs and problems. Delta is headed in the right direction in our transition from IT to ET as we continue to grow and prosper together with all of our employees and stakeholders.

Founder and Chairman
First Chief Environmental Officer in Taiwan
Delta Group



Letter from the CEO

Energy is indispensable to human civilization. Our mass consumption of fossil fuels, however, plays a major role in global warming, and energy security has become a critical strategic issue at country level.

As a provider of energy-saving solutions, Delta contributes towards energy conservation and emission reduction by providing our clients and consumers with high-efficiency products and solutions. For daily operations Delta strives to make the most efficient use of energy. In 2009, we began introducing ISO 50001 energy management system concepts and the PDCA cycle at several of our key manufacturing sites in China and Thailand. The focus on saving energy through technical initiatives was upgraded to become energy management at the operational level with full employee participation. A short-term goal of reducing Delta's electricity intensity¹ in 2010 by 10% compared to 2009 values was set as a starting point for reducing our consumption of electricity and other fossil fuels.



At Delta Foundation, the "Delta Energy Education Volunteer" program launched at the end of 2008 received an enthusiastic response and new volunteers have continued to join this very meaningful activity. The TEEP teaching materials compiled by the Foundation and its partners have now introduced the concept of energy saving and carbon reduction to over 40,000 class attendances of children². The incorporation of interactive elements is aimed at bringing about change in these families as well. At the same time, the "Green Designer Workshop"³ set up by the Foundation offers architects and interior designers Taiwan's first training course combining both the theory and practice of green buildings. The course is meant to encourage the development of green collar talent and upgrade industry in Taiwan. Student satisfaction has been high since the start of the course as they acquire professional knowledge.

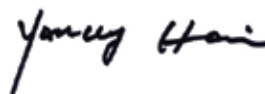
Apart from the issues addressed by Delta and the Foundation, many other issues related to corporate social responsibility (CSR) such as climate change, environment-related substances in products, labor safety & health and human rights are all gaining recognition. The result has been an integration of supply chains

and dissimilar industry alliances aimed at realizing maximum synergies. Delta has continued to take an active role in the discussions at the Taiwan Corporate Sustainability Forum (TCSF) (e.g. the Green Factory Working Group), and we have also joined the Taiwan Business Council for Sustainable Development (BCSD-TW). We hope to share experiences and resources on CSR and sustainable development with other leading domestic enterprises through the BCSD-TW, and look forward to receiving the latest updates from international organizations such as the World Business Council for Sustainable Development (WBCSD). The spotlight is now on a product's carbon footprint when it comes to customer and supplier support, and a product's water footprint is gaining notice as well. Our Dongguan factory cooperated with non-profit organizations to promote labor rights and introduce training based on guidelines issued by the Electronics Industry Citizenship Coalition (EICC)⁴. As a result, our key customer HP has presented Delta with their "Social and Environmental Responsibility Award" in recognition of our efforts.

Thanks to our continued commitment to transparency and disclosure, our parent company Delta Electronics Inc. was once again given an A+ rating in disclosure by the Securities & Futures Institute in Taiwan in 2009. Our internal audits department was recognized with the "Internal Audit Leading Practices" and "The Best Internal Auditor" awards in 2009 from the Institute of Internal Auditors. These awards highlight our outstanding performance in internal audits and exemplify the success of our corporate governance efforts.

CSR is an ongoing journey and we are achieving progress through the efforts of all of our employees. Delta is now active in establishing our own brand so the attention and expectations of society will only increase. We embrace Delta's CSR programs and everyone is dedicated to doing their part. I am looking forward to exceeding the expectations of our stakeholders and society as Delta strives to become an even better corporate citizen.

Vice Chairman and CEO



1) Electricity intensity is defined as Delta Group's annual power consumption (10,000kWh)/annual revenue (Million USD).

2) Combined total of Delta's own Energy Education Volunteers and outside volunteers.

3) Green Designer Workshop website: http://www.delta-foundation.org.tw/green_workshop/index.asp

4) The "Hewlett-Packard Labor Rights Training Program: Delta Electronics (Dongguan) Co., Ltd." Report and information about the cooperation are available on <http://sacom.hk/category/campaigns/sacom-hp-labor-rights-training>.

Delta's CSR Highlights

01



01

Delta Electronics Foundation is a long-term supporter of the Sun Yun-suan Foundation's annual advanced overseas study scholarship award for outstanding public employees. Each year, two to three selected civil servants are provided with an opportunity for overseas study to expand their horizons and contribute to national development. In 2009, we were honored to have President Ma award the prize.

02

Mr. Bruce Cheng joins the press conference for the documentary “ $\pm 2^{\circ}\text{C}$: the Truth that Taiwan must Face”. Mr. Cheng emphasized that we all need to be concerned about global warming.

02



03



03

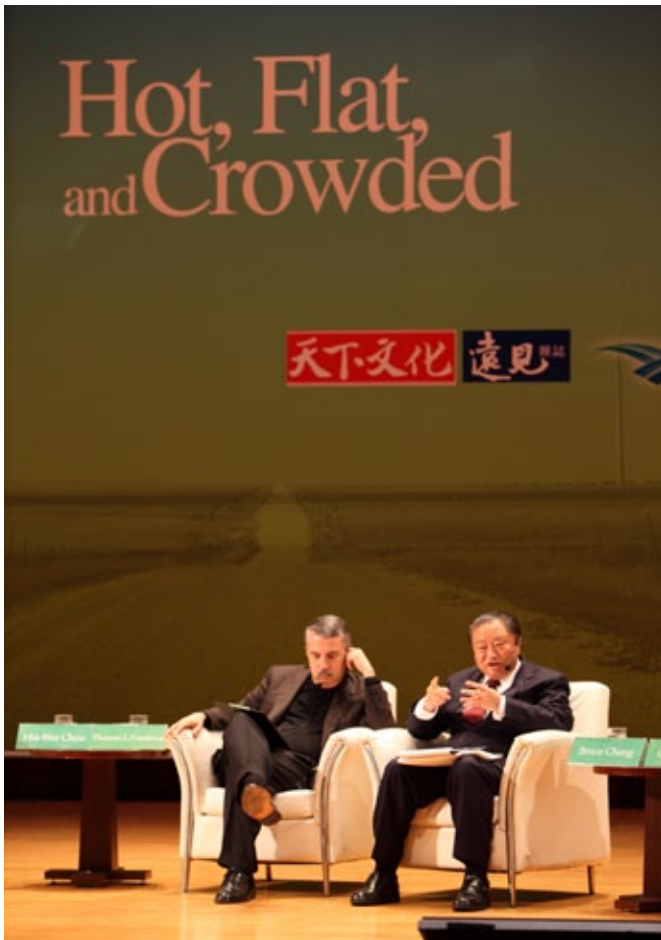
As a sponsor of the 2009 International Year of Astronomy, Delta's LED Wall and high-end projection technology displays the wonders of the universe. Delta hopes that by inspiring a love for astronomy among the general public we all will treasure the uniqueness of our planet.

04

The winter solstice concert, one of the events for The International Year of Astronomy 2009, presents a visual celebration for an audience of over 3000 at the CKS Memorial Hall.

04





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05

As a panelist for the Hot, Flat and Crowded forum, Delta's Founder and Chairman Mr. Bruce Cheng discusses his views with Mr. Thomas Friedman and the audience.

06

Mr. Bruce Cheng shares the stage with Mr. Friedman and notable panelists. Mr. Cheng wrote the preface for Mr. Friedman's book *Hot, Flat, and Crowded*, and purchased many copies to present as gifts and share environmental concepts with colleagues and visitors to Delta.



06

07



07

Mr. Bruce Cheng, Founder and Chairman of Delta Group, is the keynote speaker at the 7th Annual Global Chinese Business Leaders Forum hosted by Global Views Monthly magazine. His topic was: "Delta Electronics' CSR Practices".

08

Mr. Bruce Cheng and other speakers answer questions at the forum.

08





09

09/10

Delta's Vice Chairman and CEO, Mr. Yancey Hai, has taken his bike to ride in the "Taipei Car-free Day" for three consecutive years. His participation personifies Delta's mission "Care for the Environment, Energy-saving and Our Green Earth".



10

11



11 / 12

Delta CEO Mr. Yancey Hai joins the 6th Taipei Corporate Governance Forum. His speech was on the topic of "CSR Practices at Delta".

12



Delta Group Overview

Established : 1971

Worldwide revenues in 2009 : US\$4562 Million

The Delta Group is the world's largest provider of switching power supplies and DC brushless fans as well as a major source for power management solutions, visual displays, industrial automation, networking products, and renewable energy solutions. Our products are sold around the world.

Delta is well known as a professional DMS (Design and Manufacturing Service) provider. Over the last few years, we have made great strides in developing our own brand for UPS (uninterruptible power supply) systems, industrial automation, and telecom power products.

With our corporate mission of "To provide innovative, clean and efficient energy solutions for a better tomorrow", we strive to do our utmost to help slow global warming and reduce our environmental impact. We also believe in fulfilling Delta's CSR goals through sound corporate governance, balancing stakeholder interests and supporting society's progress toward a higher level.

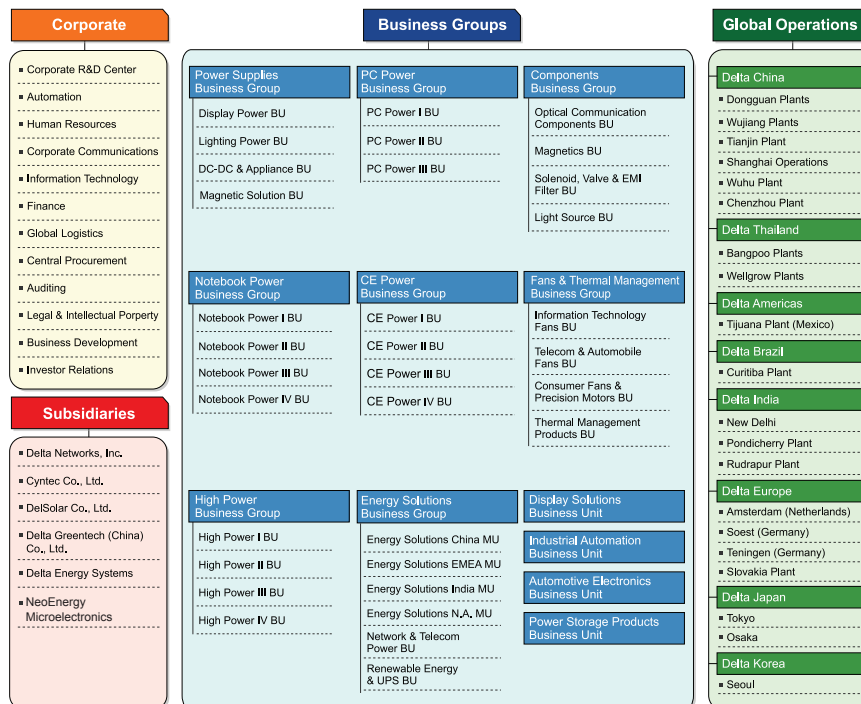
The Delta Group is headquartered in Taipei, Taiwan, with offices, manufacturing facilities and R&D laboratories throughout Europe, Asia and the Americas. At the end of 2009, there were nearly 70,000 Delta employees throughout the world.

Delta's compound annual growth rate (CAGR) since 1971 is 35.9%.



Organization

There was no major organizational change within Delta in 2009⁵. The current Delta Group organization is as follows :



2009 Delta CSR Report

The Delta Group publishes a CSR report every year. The report covers Delta's CSR activities and developments from the preceding year. For each report, the CSR organization secretary identifies the issues stakeholders are most concerned about and submits a proposal to the CSR Board for approval. The compiled report must then be approved by the CSR Board before its publication.

In this report, Delta's activities and achievements in the community are discussed in a new chapter "Contributions to Society" which corresponds to one of the four primary aspects of Delta's CSR (please see page 20). The period and scope of this report are as follows :

Reporting Period January 1, 2009 ~ December 31, 2009

Scope Delta Electronics, Inc. (Taiwan); Wujiang, Dongguan, Tianjin and Wuhu plants; Delta Electronics Shanghai; Delta Greentech (China); Delta Networks Inc.; Delta Electronics (Thailand); and Delta Energy Systems (Germany, India, Slovakia).

5) At Delta Electronics' special shareholders' meeting held on December 18th, 2009, Delta's issue of new capital to swap for outstanding shares of its subsidiary, Cyntec Co., Ltd. was approved, and Cyntec became Delta's 100% owned subsidiary on March 31st, 2010.



We continue to follow CSR trends and pay close attention to emerging CSR issues so that we can adjust and focus our commitment.

Delta's CSR Commitment

CSR is a part of Delta's corporate strategy. It covers sound corporate governance, the balancing of stakeholder interests, the promotion of environmental protection and energy conservation, and society participation. Our commitment is to:

- Maintain sound corporate governance and strictly abide by commercial and ethical standards
- Comply with laws and regulations
- Provide employees with a safe and healthy work environment where they can live up to their full potential in return for reasonable remuneration and benefits
- Support environmental protection and energy conservation education and encourage employees to take part in community activities
- Create company value and enhance shareholder value
- Promote CSR ideals and practices throughout Delta's supply chain and work together for better performance
- Develop environmentally-friendly, energy saving products and implement sound practices to reduce our impact on the environment
- Invest in innovation and research, develop intellectual property rights, and devote ourselves to the progress of human culture and technology, the development of society and the economy, as well as the sustainable development of the Earth and its environment

We continue to follow CSR trends and pay close attention to emerging CSR issues so that we can adjust and focus our commitment. At Delta, we integrate this commitment into our organization and training on an everyday basis to expand the scope and depth of our CSR activities. Externally, we have established a partnership and good communication channels with our stakeholders and we provide recommendations to the government when appropriate to ensure that we gain the maximum synergy from all related parties.

Delta's CSR Organization

The top CSR organization within Delta is the CSR Board. The CSR Board is chaired by Founder and Chairman Mr. Bruce Cheng, and its membership includes Delta Electronics' Chief Executive Officer, Chief Operations Officer as well as the top executives for China and Thailand. It is the responsibility of the board to define Delta's CSR vision and major stakeholders, review the strategies set by the functional committees and supervise overall performance.

The CSR Board oversees three task-oriented functional committees: "Green Products", "Green Operations and Health & Safety" and "Human Resources". The committee members are made up of the heads of business groups, site directors and the relevant department directors. Their responsibilities include the defining of Delta policy, benchmarks, selecting the coordinators for their respective working groups, supervising the performance of the working groups and reporting back to the CSR Board. The working groups under each committee are, in turn, made up of personnel from the business divisions, plants or relevant departments to ensure total implementation. The organizational structure is shown as below.

The Delta Electronics Foundation, established and funded by Mr. Cheng, also plays an important role within Delta's CSR organization. Since its establishment in 1990, the mission of the Foundation has been to promote the sustainable development of society through the promotion of environmental protection, technological innovation and education. The Foundation has enjoyed many successes in this area and works closely with the Delta Group on related issues.

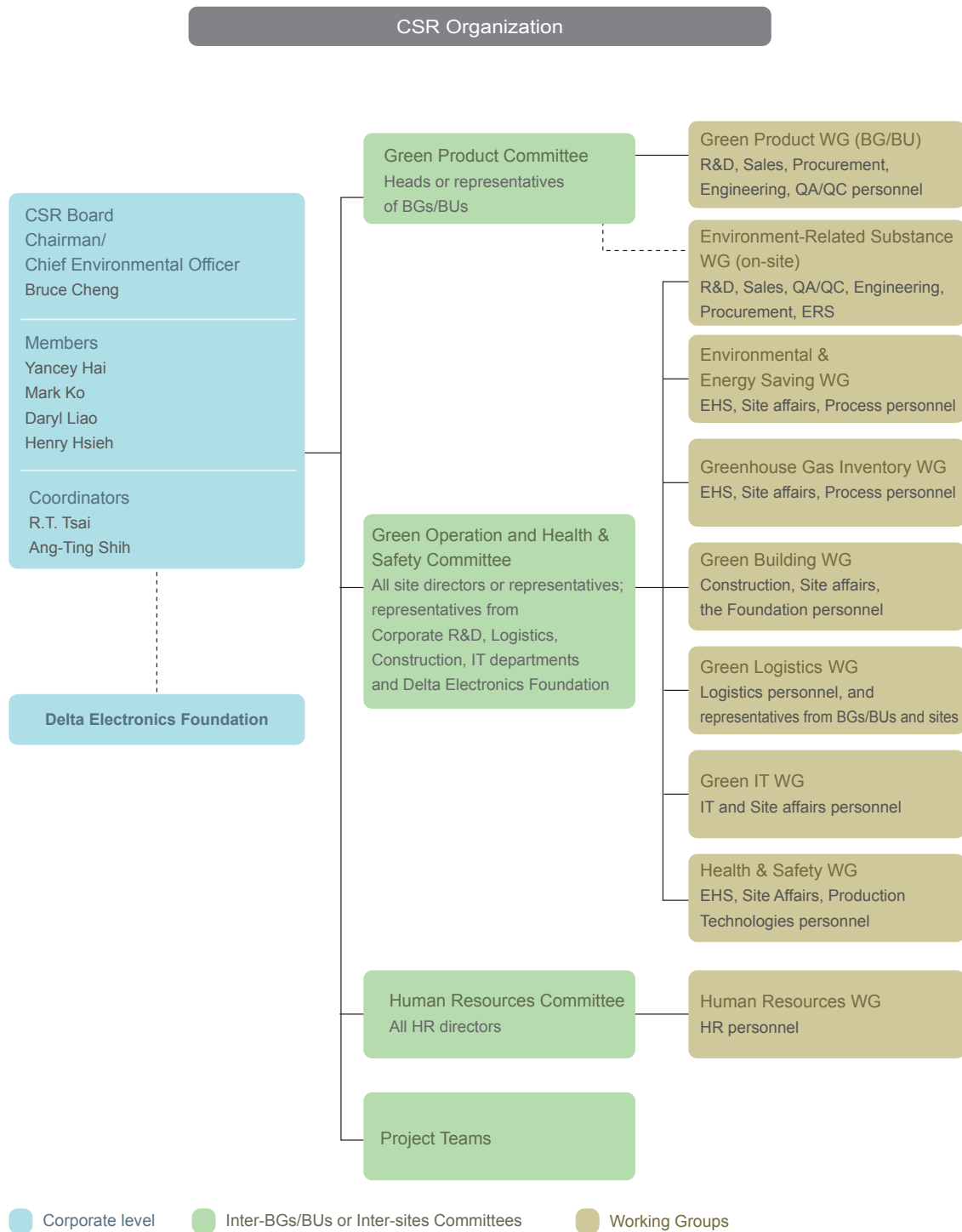
To respond to the expanding scope of CSR, we adjust the structure of our CSR organization to ensure that Delta remains faithful to its CSR commitment.



➤ Vice Chairman and CEO Yancey Hai accepts the award from Premier Wu Den-yih.



➤ Mr. David Yang (right), Chairman of The Institute of Internal Auditors presents "Internal Audit Leading Practices" award to Mr. Yancey Hai (left).



Sound Corporate Governance

"Maintain sound corporate governance and strictly abide by commercial and ethical standards" is a core commitment at Delta. We view this as a fundamental requirement for a responsible company, and we are dedicated to realizing this ideal in our everyday operations through comprehensive organizational planning and employee education.

Corporate Governance

Delta believes that high quality corporate governance is the best way to ensure that the company always delivers excellent performance and provides an optimum balance for all stakeholders' interests. Corporate governance is therefore our top priority.

Using the parent company Delta Electronics as an example, the board currently consists of nine directors and two supervisors, including one independent director and one independent supervisor⁶. The board chairman does not hold an administrative position within the company. According to the "Articles of Incorporation of Delta Electronics, Inc."⁷, the remuneration for directors and supervisors is no more than 1% of the distributed balance. In 2009, the average annual remuneration for each director is NT1.54 million, for each supervisor is NT1.75 million⁸.

To enhance the board's responsibility and trust, it convenes at least once quarterly to review the company's performance and discuss important strategic issues (the board convened on seven occasions in 2009, and the overall attendance rate was 93.1%). Key resolutions passed by the board are published in a timely manner on the Market Observation Post System of the Taiwan Stock Exchange and in the corporate governance section of the Delta website⁹. The Article of Incorporation, board meeting regulations and election rules for the directors/supervisors are also provided online for reference.

Apart from the board meetings, the independent director and supervisor also take part in Delta Electronics' internal strategy meetings to ensure they are familiar with the company's current activities and can provide appropriate advice when necessary. Meanwhile, the Compensation Committee was organized under the Board¹⁰ to assist the Board in discharging its responsibilities relating to the evaluation of the compensation of the company's directors and officers. The Committee is composed of at least three directors from the Board, and at least one of the committee members is an independent director. In addition, the chief director of the Human Resources Department joins the committee as a councilor without a right to vote. Any of the committee members is prohibited from the process of approving his/her own or relevant parties' compensation.

Delta's efforts in corporate governance continued to win outside recognition in 2009. Besides winning Commonwealth Magazine's corporate citizen award, Delta has placed first as Commonwealth Magazine's top electronics company since 2002. We received an A+ rating once again from the Securities and Futures Institute in Taiwan in 2009. In addition, our internal audits department was recognized with the "Internal Audit Leading Practices" and "The Best Internal Auditor" awards in 2009 from the Institute of Internal

Auditors. We will continue to improve the quality of corporate governance at Delta by strengthening the organization and function of the board to meet the expectations of all stakeholders.

Ethical Standards

The "Delta Code of Conduct"¹¹ describes Delta's expectations for all employees around the world. The Code regulates employees' conduct and asks all employees to protect Delta's assets, rights and image by committing themselves to engaging in legal and ethical behavior so that the company can sustain its business and growth. The Code is taught as a part of each new employee's training. In addition to obeying the applicable laws and corporate policies, implementing the principles of "Care for the Environment, Energy-saving and Our Green Earth" and maintaining "integrity" are stated at the very beginning of the Code.

Key provisions in the Delta Code of Conduct include the following :

- All employees should conduct business oriented contacts with third parties in line with regulations, customary business practices and business etiquette
- All employees should avoid any conflicts with Delta's interests
- All employees should maintain the security of the company's assets, and are strictly prohibited from improperly or illegally using Delta assets
- All employees should protect the company's information, business data, technical materials, trade secrets and other confidential business information
- All employees are prohibited from acquiring others' confidential business information in an illegal manner, or infringing others' intellectual property rights
- All employees have to comply with copyright laws
- Earning personal gains through insider information is prohibited
- Comply with environmental, health and safety regulations, and promote Delta's relevant commitments and policies to stakeholders (such as suppliers)

Additionally, articles regarding internal training, penalties, and appeal channels are also included in the document. It is the responsibility of every employee to protect Delta's reputation by maintaining the highest ethical standards. Any behavior that violates the Code shall be considered as misconduct. We require all employees to follow the contents of the Delta Code of Conduct to safeguard the rights of Delta and all stakeholders.

6) One of the supervisors is female.

7) The "Articles of Incorporation of Delta Electronics, Inc." is available on http://www.delta.com.tw/ir/ir_govern.asp.

8) Only the remuneration for directors' service to the Board is counted.

9) Available on http://www.delta.com.tw/ir/ir_govern.asp.

10) The chart of the Compensation Committee was approved by the Board on March 11th, 2010.

11) The Code was revised in 2010.

Contributions to Society

Contributing to society is one of the four pillars of CSR as defined by Delta. In addition to providing a better quality of life through our high quality products and services we also actively participate in various charitable activities. In recent years, Delta and the Foundation have worked together and made significant progress in environmental education, promoting green buildings, developing talent, supporting academic research and responding to important social issues.

Environmental and Energy Education on Campus and in the Community

Energy Education

Climate change is an issue that both the current generation and future generations must confront. Now that anthropic greenhouse gases have been confirmed as the main cause of global warming, only people equipped with the right concepts and knowledge can make the choice to save energy and reduce carbon emissions in the way they live. Elementary schools are the foundation of our education system so we have continued to develop the "Taiwan Energy Education Program (TEEP)" localized teaching materials for elementary students. Starting with learning about different types of energy, we guide students in how to measure the power consumption of everyday appliances. Then energy consumption throughout product lifecycles and the concept of carbon footprint are introduced so that students take an active interest and help to reduce energy consumption at home and at school. They may even boost their parents, relatives and friends' carbon awareness so the goal of reducing carbon emissions can be met.



➤ A Delta Energy Education volunteer smiles with students after a rewarding class on saving energy.

The team of volunteers made up of Delta employees and the Society of Wilderness has now taught 270 classes in a learning-through-play format at 98 elementary schools. The knowledge and techniques for energy conservation have now spread to over 11,000 children (over 40,000 class attendances). For our next step, we intend to expand the program from selected schools in northern Taiwan to other areas and plan to collect data on energy-saving accomplishments by students after going through the TEEP. We believe that the selfless contributions from the energy education volunteers as well as the students' putting what they learnt into practice after class will become seeds for energy saving and carbon reduction that will one day bloom forth.

The Foundation also continues to promote the "Whole Approach to Energy Education" for schools. The Jian-an Elementary School in Taipei County, the Huiwen Elementary School in Taichung City and the Mingdao Junior High School in Taichung County, three schools of different sizes have all achieved outstanding results. The "Save Government" student energy-saving organization promoted by Jian-an Elementary School has even received the "Environmental Hero Award" from Global Views Magazine and was named one of the top ten model schools by the Ministry of Education. Huiwen Elementary School's project based on energy-saving and green energy won 1st place at the Taichung City Science Competition as well. Our school experience not only taught us the best practices for different scenarios but also inspired many innovative methods in the participating schools, providing an important reference for future efforts.

2009 International Year of Astronomy

2009 marked the 400th anniversary of Galileo using a telescope for astronomic observations. The United Nations Educational, Scientific and Cultural Organization (UNESCO) and the International Astronomical Union (IAU) therefore designated last year the "International Year of Astronomy" to commemorate this event. Delta Group founder and Chairman Bruce Cheng is a great fan of astronomy. His enthusiasm for environmental protection was inspired by his appreciation for how vast the universe is and how mankind is continuing to destroy the uniquely blessed environment we live in. At the invitation of the Astronomical Society of The Republic of China, Chairman Cheng became the "Star Ambassador" for the International Year of Astronomy activities in Taiwan promoting astronomical education during the year. Apart from organizing various workshops, musicals, star-gazing events and lectures on



➤ Delta's high-end projection technology displays the wonders of the universe on the wall of the National Chiang Kai-shek Memorial Hall at an event for the 2009 International Year of Astronomy.

the beauty of astronomy, Chairman Cheng hoped that by inspiring a love for astronomy among the general public they will in turn learn to treasure the uniqueness of our planet.

Ecological Education

In February 2009, the Foundation rebuilt and reopened to the public the No.3 Wende Park in the Neihu District. The new design used recycled materials for the pavement and installed seepage gaps and wells to realize water retention on site. Illumination was changed to energy-saving lighting and solar-powered



➤ Delta's Eco-Education website

LED recessed lamps as well. Native species were used for as much of the park landscaping as possible to provide a habitat for insects and birds. The plants also encouraged biodiversity by attracting bees and butterflies.

The reborn No.3 Wende Park exemplifies the Delta ideal of "Care for the Environment, Energy-saving and Our Green Earth" and is now an environmentally-friendly, energy-saving and carbon-reducing park. More importantly, it has become a place where local residents can relax in comfort. The positive feedback from the local residents has been the greatest reward and a major source of encouragement. In support of the "Green Family Tour" devised by the Foundation, eco-volunteers now lead families in interactive games at No.3 Wende Park on weekends. The games offer an easy way for the general public to learn about ways to save energy and reduce carbon emissions in their everyday lives.

Promoting Climate Awareness through the Media

After the Foundation set up the "Low Carbon Lifestyle Blog" in 2007, we took advantage of this Web 2.0 platform to report on the latest local and overseas developments in climate change issues as well as international climate talks. Rather than just passively receiving information, the blog's editor was the only media person in Taiwan to fly to the United Nations' Climate Change Conference and report on the event for three years running. As a result, the blog gradually drew public attention and made the Foundation an active domestic voice in climate issues. By the end of 2009 the blog had achieved more than one million views. We also made use of emerging social networking platforms such as

Facebook and Twitter to distribute related information in a timely manner. The book *Twenty Four Lessons in Low Carbon Lifestyle* compiled from articles published on the blog was recognized with the 2009 "Good Book Award" from the China Times news organization as well. The blog editor and a regular contributor to the blog in turn received the "2010 Taiwan Environmental Hero Award" from Global Views Magazine.

The blog also encourages citizen journalists and the mainstream media to pay more attention to global warming-related issues. For example, the blog partnered with the Taiwan Public Television Service's PeoPo (People Post) citizen news platform and encouraged citizen journalists to submit videos of climate anomalies in Taiwan with the theme of "2009 Climate Change in Taiwan". A total of 150 short videos were received during the year and drew over 100,000 views. The blog also worked with the "Excellent Journalism Award" Foundation last year on the "Road to Copenhagen Media Salon" by hosting regular symposiums on progress in international climate change talks for the media and non-government organizations. Government officials, academics, the industry and private organizations were invited to attend and discuss the issues of climate change. Several of the core members involved with the salon took over six months to co-write the book *Carbon Reduction* on carbon reduction initiatives in Taiwan. Their book allowed non-government organizations and media workers in Taiwan to provide a more in-depth look at climate change.



➤ Premier and presidents from the government attend the premiere.

The conclusions from Copenhagen suggested that human survival hung on a change of 2°C in temperature. If the temperature increase exceeds 2°C then the people of Taiwan could be among the first wave of climate refugees. We therefore sponsored media personality Sisy Chen's effort to produce the documentary $\pm 2^{\circ}\text{C}$ - The Truth about Taiwan. This was the first climate change documentary in Taiwan and it called upon the population to join in the fight against global warming. The documentary was later shown on important news channels in Taiwan and generated much discussion.

Promoting Green Buildings from Inside Out

Buildings account for a significant part of energy consumption while emitting large amounts of greenhouse gases. Building-related carbon reduction measures are among the most cost-effective, which include insulation, lighting, air-conditioning and hot water supply. Increasing the energy efficiency of buildings will greatly reduce the amount of energy used by mankind. Delta's own experience with its diamond-rated green building in Tainan showed us that green buildings can be environmentally-friendly, energy-saving, practical and comfortable at the same time. For this reason, we not only promise that all future Delta buildings will be green buildings but also that buildings we donate will be green buildings. For example Delta rebuilt of two elementary and junior high schools in Kaohsiung County's Namasia Township as demonstrations for green buildings. Our plan is to transform the two schools into the first "Net Zero Energy Consumption" schools in Taiwan.

We also believe that a fundamental change in architectural design is necessary. At the moment, university/college architectural courses, as well as the training and regulations for interior designers, are all lacking in green building-related content. While a strong emphasis is placed on the concepts, there is very little discussion of actual practice. Without a good channel for recurrent education of new concepts, past graduates won't know where to start even if they do support the idea, never mind putting green building concepts into actual practice. To overcome this problem, the Foundation began organizing training for green building professionals. The result was the "Green Designer Workshop" set up in conjunction with the Foundation and the Department of Architects at National Taiwan University of Technology (NTUT). The defining feature of the course was the inclusion of theoretical components such as "Green Building Concepts" and "Green Building Design Strategies" along with practical components such as "Transformation into Green Buildings", "Green Building Evaluation System" and "Green Building Case Studies", which was organized into one systemic and cohesive curriculum. Towards the end of the course, students are given a real-world case much like the EMBA program and asked to propose a feasible green building solution based on what they have learned from the course. Students then evaluate each other's drawings to share and learn from the process.

This is the first premium course in Taiwan for cultivating expertise in green building or interior design, and the second class has begun to take the courses. We hope to set up a certification and brokering scheme in the future that will enable more architects or interior designers to become green collar practitioners. The general public in Taiwan will also be able to take energy consumption and health as well as aesthetics into consideration when choosing a new home or interior.

Support for Environmental Research and Personnel Development

Now in its 20th year, the Delta Foundation has gradually expanded from providing scholarships for outstanding students from poor families to supporting academic research with an emphasis on environmental issues. By the end of 2009 a total of 37 Master and PhD students have received the Delta/NTIO (The Netherlands Trade & Investment Office) joint environmental scholarship or the Delta/BTCO (the British Trade and Culture Office) joint environmental scholarship to carry out environment-related research overseas. We hope to cultivate environmental protection experts with an international perspective that can offer solutions for global issues and boost the competitiveness of the industries.

The Foundation has also now partnered with the Sun Yun Suan Foundation for eleven years to send outstanding civil servants overseas to further their education and bring a positive impact to the society. To date, several civil servants that benefited from the program are now in public service at the ministerial level. In 2001 the Delta Foundation set up school grants for Chinese schools in northern Thailand. In 2006, scholarships were offered for overseas compatriots from Thailand to study in Taiwan. Other Foundation efforts to improve the quality of Chinese education in northern Thailand included the training of Chinese teachers, new school buildings, Chinese books and subsidizing the purchase of computer equipment.

Responding to Important Social Issues and Boosting Social Competitiveness

In 2009 Typhoon Morakot brought nearly 3000mm of rain and devastated southern Taiwan with raging floodwaters. For Delta Group Founder and Chairman Bruce Cheng the disaster underscored the urgent need for mankind to learn how to live in harmony with nature. Guided by this ideal, the Delta Foundation and the Delta Group donated a total of NT\$500 Million to help the government rebuild schools in the disaster area as healthy and comfortable green buildings. The funds are now being used for the reconstruction of the Sanmin Junior High School and Minquan Elementary School in Kaohsiung County's Namasia Township. The design is based on green building concepts such as sustainability and zero energy consumption. Apart from taking local conditions (such as sunshine, wind) into consideration to reduce energy usage, the design also calls for energy-saving equipment such



➤ Delta/NTIO joint environmental scholarship winners meet with Mr. Y.C. Lo, Mr. Bruce Cheng, Mr. Yancey Hai, and Delta colleagues



➤ A ceremony is held to confer grants to Chinese schools in northern Thailand.

as LED lights and solar water heaters. Last but not least, the plentiful sunshine and wind in the mountains will be harnessed as alternative energy sources through solar panels and wind turbines. The schools are also being rebuilt so they can serve as local evacuation centers in the future and this is driving more proactive strategies on alternative energy sources. The goal of the project is to achieve a diamond-rated green building certificate and set an example for the next generation of mid-altitude green schools.

A particularly touching moment came from the Delta Sunshine Elementary School at Yangjia Town in Mianyang City, Sichuan. The school was rebuilt with donations from Delta after the 2008 Wenchuan Earthquake. When the teachers and students from the school saw the footage from disaster areas in Taiwan, they organized a Typhoon Morakot donation campaign on their own initiative. Despite their own painful experience with nature's fury, the teachers and students at the Sunshine Elementary School said: "Our compatriots in Taiwan lent us a helping hand in our moment of greatest need and donated the money to rebuild our school. Today, we should also do what we can in their hour of need." Such charity perfectly embodies a "virtuous circle".

Delta invited Thomas L. Friedman, the internationally renowned New York Times columnist and author of the books *Hot, Flat and Crowded* and *The World is Flat*, to speak for the first time in Taiwan at the Hot, Flat and Crowded Forum. After his speech, Mr. Friedman joined Mr. Bruce Cheng and others for a discussion panel to share his views and suggestions on green competitiveness. The Forum was sold-out, attracting an audience of nearly 3,000 people.



- As a panelist for the Hot, Flat and Crowded forum, Delta's Founder and Chairman Mr. Bruce Cheng shares his views with Mr. Thomas Friedman and the audience.



In a world that is getting hot, flat, and crowded, the task of creating the tools, systems, energy sources, and ethics that will allow the planet to grow in cleaner, more sustainable ways is going to be the biggest challenge of our lifetime.

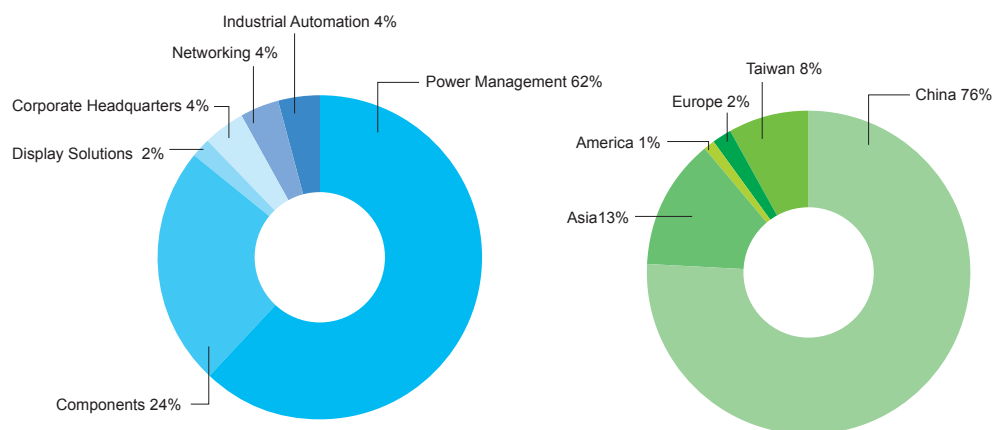
" Hot, Flat, and Crowded "

Commitment to Stakeholders' Balanced Interest

As a corporate citizen, balancing the interests of our stakeholders is always a priority at Delta. In this section we will describe how Delta grows and prospers together with our employees, shareholders, customers and suppliers.

Delta and Employees

At the end of 2009, the Delta Group employed nearly 70,000 people around the world and distributed among several business divisions: Power Management, Components, Video Displays, Industrial Automation and Delta Networks (network communications products). Geographically speaking, most are located in Taiwan, China and Thailand. In 2009, the distribution of employees in the main business divisions as well as indirect employees is shown below.



Employee Policy and Communication Channels

Employees are the company's most valuable assets. We have a sound employee policy in place and strictly abide by the following :

1. The use of forced or child labor is prohibited. Workers are free to leave their employment when reasonable notice is given. Workers under the age of 18 may not perform hazardous tasks.
2. Employees shall be protected against harassment and discrimination. No employee or applicant shall be discriminated against due to race, religion, color, nationality, age, gender, disability or other factors that are unrelated to the legitimate business interests of Delta.
3. Employee compensation shall comply with all applicable wage laws and local practices. This includes those relating to minimum wage and legally mandated benefits.

At the parent company Delta Electronics, the Compensation Committee decides the remuneration strategy at the company level based on industry competition and the going rate in benchmark markets. Compensation is then differentiated according to personal potential, future value and performance to date in the hopes of attracting, retaining and encouraging outstanding employees.

Employees' performance evaluations are conducted using the Performance Management and Development (PMD) system. In principle, the remuneration of higher ranking executives is more closely linked to business performance. Not only are the performance of labor safety, factory administration and human resources managers linked to the performance in labor safety, environmental protection and labor indicators, plant managers must also undergo related evaluations as well.

In 2009, the number of Chinese employees accounted for 75% of all Delta employees. Since the "Labor Contract Law" took effect two years ago in China, all compensation, insurance and employee benefits for local employees meet the requirements set out in the "Labor Contract Law". Due to changes in Chinese industrial policy and manpower structure introduced in 2009, Delta also began adjusting our compensation structure and benefits based on local laws and markets in order to stay competitive in the manpower market. The human resources department also has cooperative education agreements in place with local schools to ensure the stable supply of manpower.

In addition to our basic employee policy, we have always paid attention to our employee's opinions and hope to allow every employee to live up to their potential. To gain a better understanding of employee's opinions on work and management, Delta commissions impartial international consulting companies to conduct employee opinion surveys to ensure the validity and confidentiality of the results. The survey gives employees the opportunity to offer the company their thoughts and suggestions regarding management, interactions, workplace environment and personal issues for future improvement.

In 2009 we commissioned the US-based Watson Wyatt (now Towers Watson) consulting company to conduct an opinion survey among employees at the group's parent company Delta Electronics (Taiwan). Shown in the table below are employees' responses to each survey question. When compared to the results of the same survey from 2007, we found that:

- In general, Delta's performance in "Employee Commitment" was above industry average. Improvements were also made in six aspects compared to the 2007 survey, including "Improvement and Innovation", "Immediate Superior", "Work Environment", "Job itself", "Leadership and Management" and "Teamwork".
- The item with the highest level of employee agreement was "Customer focus", a newly added item. The item that exceeded the industry average by the greatest margin was "Leadership and Management" with a 12% lead and a 19% improvement over the results of the last survey.

The overall results indicate that employees recognize Delta management's efforts are guided by customer needs in strategic planning and everyday management. The solid performance of the company during the first half of 2009 when the global economy was still weak can be attributed to this practical approach. The results of the employee opinion survey also show that Delta now possesses the most important sustainable asset an enterprise can have – highly committed employees. The human resources department and the company's management team have used the survey results as a reference to make further software and hardware upgrades. By building a work environment where employees can realize their potential, we can work together to create growth and profits. This will in turn realize Delta employees' desire for the company to be successful in business. Delta will continue to conduct similar employee opinion surveys in the future to provide a basis for further improvements in company management.

>>The five highest level of identification with the company

Item	Level
My company conducts its business activities with honesty and integrity.	88%
People are held accountable for the quality of products/services provided to customers.	87%
My company clearly communicates its expectations for ethical behavior.	85%
My company makes customer satisfaction a top priority.	83%
It is clear to me how the work I do on a day-to-day basis impacts our external customers.	83%

>>The five Level of identification exceeding the market average the most

Item	Level	Exceeding the market average by:
My company does a good job providing information on how well the company is performing against its financial goals.	69%	20%
I have confidence in the long-term business success of my company.	82%	19%
My company does a good job attracting highly qualified employees.	50%	15%
The top/senior managements of my company grow the business.	61%	13%
I feel valued as an individual at my company.	77%	11%

Employee Training and Development

Delta considers our employees to be our most important assets and has always placed a strong emphasis on personnel cultivation and development. Training courses are provided to meet the needs of employees in different countries and regions. Our training and development framework for strengthening individual skills, core competency and management leadership includes :

A. Learning and Development System

- (1) New recruit or manager orientation training
- (2) Professional/competency training
- (3) Middle/High-level management training
- (4) General knowledge training (including the EICC Code of Conduct and introduction to greenhouse gases)
- (5) Direct employee training
- (6) Project-oriented training
- (7) Self-development (language classes, etc.)
- (8) Courses on energy saving and environmental protection designed by the Delta Foundation

Learning and Development Framework

OJT	Off-JT	
Departmental Training, Job Rotation, Project Assignments	1. General Staff * Basic training (by Job Family) - New Hire Orientation training - Labor safety regulations * Individual Development Plan	2. Managerial Training Managerial competency training (by Level) Low/Mid-Level, Senior/High-Level and Executives - Internal Trainers Training - Talent Development
	3. Topics, Projects, Activities - Spring & Autumn Forum - Case study - Benchmark and Best Practice Sharing - External training management	4. Professional Training - Sales management - Quality management - Manufacturing management - R&D management - Finance management - Human resources management - Operation Flow
	Self-Development	
	e-Learning platform TAB Forum	
	Green Human Capital	

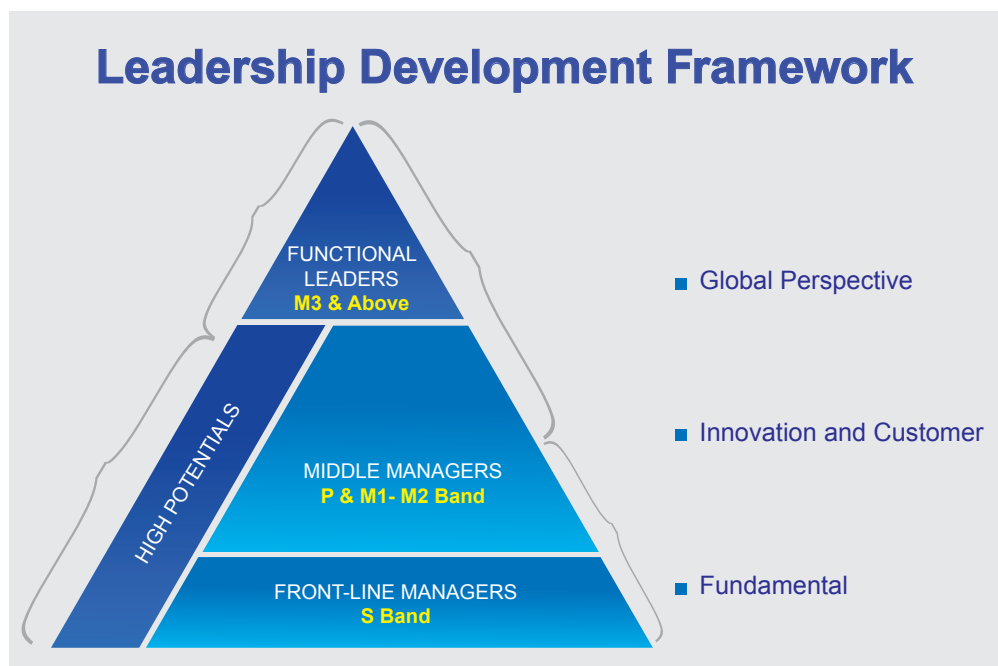
The courses on energy saving and environmental protection set up by employees through the Delta Foundation puts the ideas and methods into actual practice in the workplace, resulting in a quality work environment and healthy, happy employees. This is one of the goals of "Green Human Capital".

We also provide a range of learning environments to improve the effectiveness of learning, including :

1. A high-tech training system to help managers develop their subordinates' ability and improve their work performance. Employees can find out about available courses online and set up their own flexible learning program.
2. World-class technical symposiums and seminars. The world-class technical symposiums and seminars held regularly every year provide R&D centers around the world with a platform for networking and learning.
3. Support for external training courses and in-service learning.

At Delta, the training and performance management systems have now been integrated to maximize employee potential and help employees achieve new heights in their career.

B. Leadership Development/Critical High-Potential Personnel Development Plan



Talent Development Process

Phase I Establish Success Profile

- Pool Size
- Criteria
- Nomination
- Profile Include :
Knowledge,
Experience,
Competency and
Personality

Phase II Identify High Potential

- BIZ Drivers
- LII (Leadership
Insight Inventory)
- 9-box Discussion
W/LDC/CLDC

Phase III Assess Readiness

- 360 degree
Assessment
- GLI (Global
Leadership
Inventory)
- Assessment
committee
- Assessment
Report
- Talent review

Phase IV Accelerate Development

- 1:1 Feedback
- Provide suggestion
- Provide training for
high level leadership
- Facilitate regular
talent review
- Cultivate internal
Coach and Mentor

Outstanding high-level talent is critical to the globalization process at Delta. With the guidance and assistance of a consulting company, we have made the cultivation of high-level talent a strategic part of Delta Group's operations. Starting in 2009 a complete system has been implemented with the support of the Delta Leadership Committee targeted at outstanding employees with great potential. The system ensures that the quality and ability of high-level talent (BU/BG and MFG managers) will meet the needs of Delta's future development. For example, we organized learning and networking sessions on management development for cross-strait managers on topics such as "International Perspective and Cross-Cultural Communications" and "Maximizing Personal Influence". Delta Electronics' CEO and COO attended the workshop and discussions to talk about Delta's mission, management philosophy and leadership vision as well as to listen to the trainees' presentations and answer related questions.

Occupational Health and Safety

1. OHS Management System and Organization

"Provide employees with a safe and healthy work environment" is one of Delta's most fundamental responsibilities as a corporate citizen. For many management issues, environmental protection and OHS in the workplace are often two sides of the same coin. Apart from the plants that already have ISO 14001 and OHSAS 18001 certification, Taoyuan plant 1 and Tainan plant received OHSAS 18001 certification in 2009.

Full-time OHS personnel are stationed at all Delta plants with responsibility for the planning, execution and auditing of the plant's OHS management. To ensure safety in production and employee health, a dedicated labor safety department was established in China, directly overseen by the executive director for the China region. For the R&D-and-administration-oriented offices in Taiwan, an OHS committee was organized and reports directly to the COO. System introduction teams have also been set up at the Dongguan, Wujiang plants as well as the offices in Taiwan. We hope that this model will encourage all plant units to become involved with the OHS management system, improve employees' OHS awareness to reduce OHS injuries, review the system through internal audits, and further continuously improve the system with P-D-C-A measures.

2. Professional OHS Inspection

Besides internal OHS inspections carried out at each plant in accordance with the law, we also organize cross audits in Taiwan, conducted jointly by OHS committee members and audit personnel, to ensure the proper implementation of the OHSAS 18001 management system and identify potential risks. Targeted accident prevention audits are also implemented at the plants for special or critical equipment. Examples



➤ Delta has set high standards for health and safety, which employees follow closely at work.

include electrical safety audits (using thermal imaging to check for potential electrical hazards), the soldering pot, chemical use, SMT equipment, specialist equipment, ventilation equipment, contractors' specialist operations (cranes, fire), EICC - EHS execution, and other specialist checks.

The executive directors on each site also convene monthly OHS meetings to review OHS performance. For the sites in Taiwan and Mainland China, the annual improvement rate of the items found during internal audits reached 99% in 2009.

3. Health and Safety Education and Emergency Response Training

Delta conducts environmental, health and safety training at each of our plants to improve employees' knowledge of occupational health and safety issues. In 2009 for example, our plants in Taiwan and China organized occupational health and safety training, emergency response and firefighting training, and external specialist training for new and current employees. Over 110,000 people took part in nearly 250,000 man-hours of training to ensure personnel safety and reduce the impact of accidents.

4. Accident Investigation and Prevention

If traffic accidents outside the plants while commuting to and from work are excluded, the leading cause of accidents on Delta sites in 2009 with at least one day lost was still due to improper operation of machinery. The next most common cause was reasons such as falls or cuts, followed by being struck or crushed by objects. Accidents by plant transportation (including forklifts) and by improper operation of machinery produced the highest average number of days lost.

Whenever an OHS accident occurs, not only is the cause of incident analyzed by OHS personnel, we also prioritize process improvements and employee OHS education to ensure the accident does not happen again. For example, to prevent machinery related injuries, the OHS department uses conclusions reached from accident analysis to carry out regular targeted or total machinery safety audits to identify and rectify potential safety hazards. To minimize the risks of machinery operation, if a machine is found to be high risk, then "fool proofing" is incorporated into the design. Measures such as requiring both hands to be on the buttons, photo-electronic sensors, protective shields and micro-switches are used to prevent further injuries. We have also adopted F.R. (Disabling Frequency Rate) and S.R. (Disabling Severity Rate) as the indicators and set up targets for Taiwan and China regions to minimize the occurrence of OHS incidents.

5. OHS Information Exchange

To boost the exchange of OHS information, the OHS department uses the company intranet and suggestion boxes to convey OHS messages to employees in a timely manner. Employee feedback on OHS issues are also collected and studied. We hope that the creation of a smooth, two-way communication channel will help to boost employees' safety awareness and involvement, and in turn, help to ensure the safety and health of all employees.

6. Work Environment Inspection

Based on the potential risk at each plant, not only are regular work environment inspections conducted but also exposure to hazardous substances is constantly monitored. The readings are used to correct work practices or make engineering improvements to reduce the risk of occupational disease.

7. Employee Health Promotion

Apart from routine health examinations, Delta also partners with professional medical and health organizations to organize fitness testing, disease screening, flu vaccination and health seminars at Delta plants. The company also encourages and helps employees with setting up clubs and taking part in healthy sports. Employees can both focus on their work and keep an eye on their current health. Plants continue to promote greening initiatives so employees enjoy "living green" even in their offices. Delta also promises to follow the principles of green building in all new buildings to maximize employee productivity by providing a healthy and comfortable environment.

The mental health of employees is also a concern for Delta. We provide a variety of facilities to help employees relax and relieve stress. At our main plants in Dongguan and Wujiang for example, employees not only have access to permanently-staffed medical clinics but also libraries, movie theaters, billiards rooms, canteens, employee service centers and a "Heart-to-Heart Station" for psychological counseling. These facilities are intended to provide employees with a place to relax outside of work or to further enrich themselves.



- A "Heart-to-Heart Station" at Delta's plants provides employees with a place for psychological counseling and solving everyday problems.



- Greening the office leads to a more comfortable and healthier work environment.



➤ In the Delta-adopted No.3 Wende Park, Delta's eco-volunteers show neighbors how to get close to nature through interactive games.

The plants also invite well-known personalities from the arts and culture community to give speeches to employees. Delta hopes that apart from developing new products and businesses, employees will discover new inspiration by interacting with these personalities.

Volunteering with the Foundation

Guided by our business philosophy of "Care for the Environment, Energy-saving and Our Green Earth" Delta Electronics' Corporate Communications Department, the Human Resources Department, the Delta Foundation as well as Delta Group subsidiaries Delta Networks, Cyntec and DelSolar partnered to launch the "Delta Energy Education Volunteer" program in November, 2008. The program has continued to receive strong support and new volunteers have continued to join this very meaningful activity. The TEEP teaching materials co-developed by the Foundation and our partners have enabled Delta and outside volunteers to introduce energy saving and carbon reduction concepts for over 40,000 class attendances. This number continues to rise.

The new "Green Family Tour" eco-guide activity launched by the Foundation has seen many Delta employees become eco-volunteers on the weekend. A volunteer roster now organizes interactive games every Saturday morning at the No.3 Wende Park in Taipei so families can learn about the urban heat island effect and reducing carbon emissions in their daily lives.

Delta and Shareholders

The effects of the global financial crisis continued to be felt in 2009. Nevertheless, our adherence to the principles of integrity, quality, agility, teamwork and innovation in this environment saw the Delta Group meet the challenge and profits grew by 8% compared to 2008. It is our belief that the industries related to alternative energy, energy-saving, telecommunications, environmental protection and infrastructure development are not only areas where national governments are now making significant investments but also areas that are essential to humanity's sustainable development. This reflects Delta's mission and the direction of our product development. As we shift from the IT to the ET (Energy Technology) industry and develop our own brand, we are committed to realizing group synergies by ensuring that long-term R&D leverages our core technologies and resources to expand the range of applications. At the same time, we continue to seek out complementary resources to enhance shareholder interests.

Information disclosure has always been an important area of focus for Delta. For example parent company Delta Electronics began submitting semi-annual consolidated financial reports to accountants for audit and publication even before the relevant requirements became law. Delta Electronics' announcements to the Taiwan Stock Exchange are also updated in real-time. From Delta's website, the chairman's report to shareholders, financial statements, corporate governance regulations, share price and dividend information, as well as the content of analyst meetings can be downloaded, and most are available in both Chinese and English for the benefit of local and foreign investors. We also continue to improve the content of our annual report.



➤ An analyst meeting is held on a regular basis for external parties to better understand Delta's business performance.

Additionally, Delta hosts analyst meetings on a regular basis where we announce and explain each quarter's consolidated financial data, business performance and future plans. These meetings are webcast live over the Internet. Our efforts once again saw parent company Delta Electronics receive an A+ rating from the Securities and Futures Institute in Taiwan in 2009.

As foreign investors hold the greater part of all Delta shares, communicating with foreign investors is especially important to us. We participate in a wide range of investors' forums each year and visit foreign shareholders directly in Asia, Europe and the United States. Apart from providing them with updates on the company's operations, we also welcome constructive feedback on our operations, finances and governance. At the same time, Delta welcomes visits from local and foreign investors, and we also arrange visits to our major manufacturing sites.

Individual investors are just as important to us as institutional investors. In addition to having staff dedicated to answering inquiries from individual shareholders in detail, we also actively respond to questions and suggestions raised by shareholders at the annual shareholder meeting to improve Delta's service and fulfill their needs.

In the past few years, key international institutional investors have begun looking beyond financial statements and at sustainable development strategies, potential risks and opportunities using tools such as the Dow Jones Sustainability Index (DJSI) and Bloomberg Sustainability Survey. Other initiatives include the "Carbon Disclosure Project (CDP)" that asks participating enterprises to disclose their climate change related information each year using a standard survey and database. Investors can then use the information to assess investment risks and opportunities. The next development may well be a survey on a company's "water footprint". Investor communications is important to Delta and during the communications process we look for areas that require improvement.



In recent years, Delta has remained one of the top Taiwanese shares in terms of our proportion of foreign institutional investors (see Fig. 1). Despite the continued impact of the global financial crisis in 2009, parent company Delta Electronics' return on investment for shareholders showed a recovery of 2% compared to

Figure 1 Percentage of Foreign Capital's Shareholding

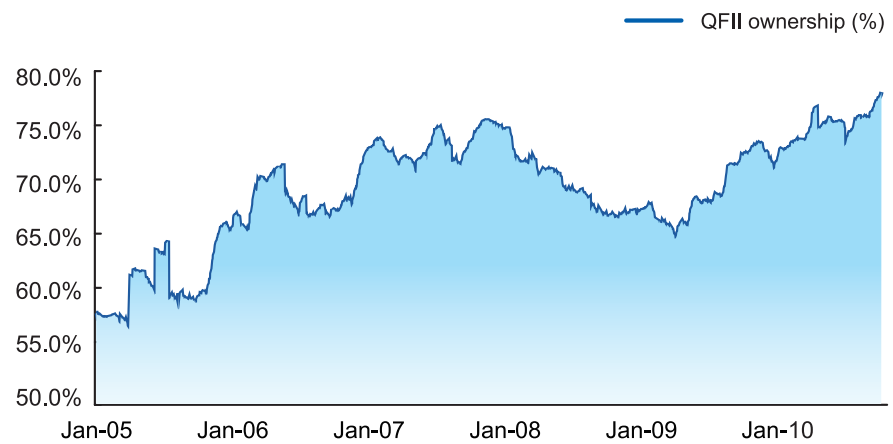
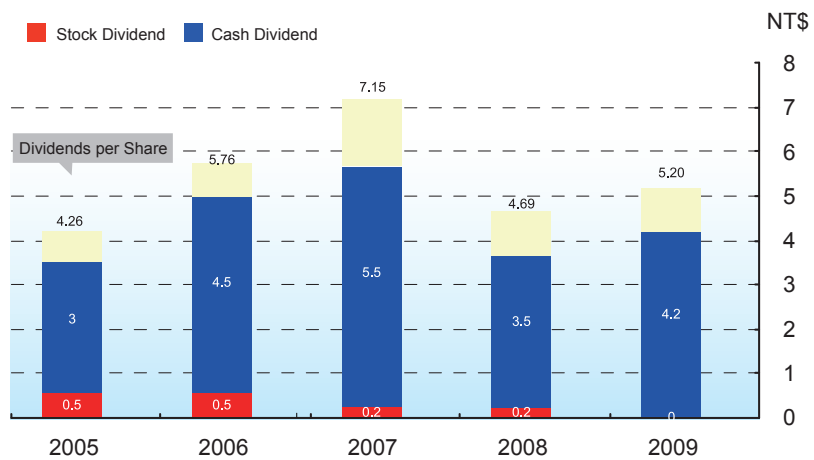


Figure 2 Dividends



2008 (Fig. 4). In the long-term, we hope to maintain return on investment at around 25%. Share dividends (Fig. 2) and distribution (Fig. 3) have increased compared to 2008 as well.

Figure 3 Dividend Payout Ratio

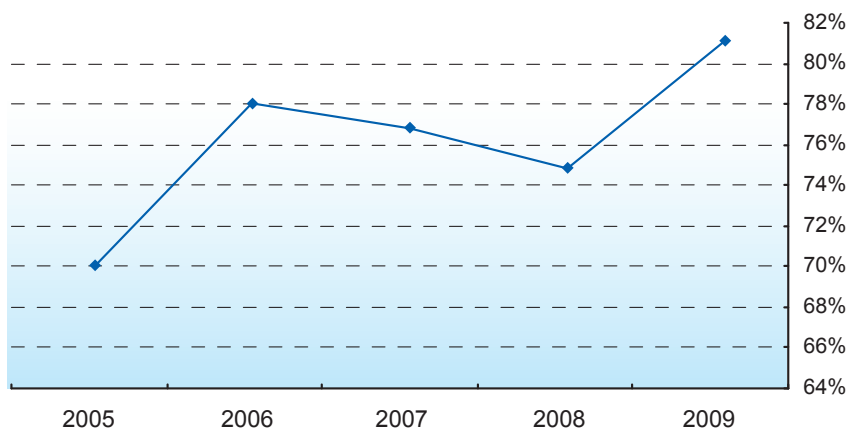
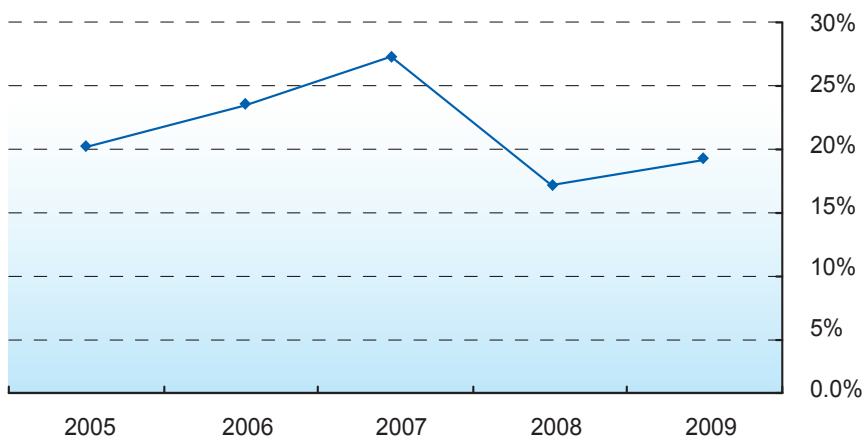


Figure 4 Shareholders' Return on Equity



Delta and Customers

Predict customer requirements and exceed customer expectations

The global push for green energy means that customers now have a greater demand and higher expectations for energy saving solutions. With a business philosophy of "Caring for the environment, energy-saving and our green Earth", Delta Electronics now defines itself as a provider of customized energy saving solutions. By leveraging our core competency in power electronics and combining it with advanced energy-saving technologies we can now provide our customers with cleaner and more efficient solutions. We also reduce the consumption of the Earth's resources and emissions of greenhouse gases at the same time to create even more value for customers. The 1MW rooftop solar power system Delta installed at the World Games Stadium in Kaohsiung for example demonstrates the feasibility of integrating a high-efficiency power generation system with a living environment for Delta Electronics' customers and society.

To fulfill our commitment to customers, Delta Electronics not only studies the needs of end users to identify opportunities for continued improvement but also assists our distribution partners with improving their business operations to effectively respond to end customers. End customer relations management at Delta Electronics emphasizes listening to the voices of customers. Apart from conducting large-scale customer surveys we also commission consultants to conduct end customer satisfaction surveys, focus groups, individual interviews and online surveys. The in-depth understanding of customers' requirements



➤ A grand conference for distributors demonstrates Delta's determination to develop its own brand.

and expectations serve as the basis for improvement in technical R&D, system design and solutions concepts. We strive to provide total solutions that exceed the customer's expectations while also looking for opportunities to develop new products and services.

Delta Electronics also adopts an active approach to building long-term partnerships with large distribution partners to improve our service to end customers. Here the selection of a distributor with a similar business philosophy plays an essential role. Delta Electronics regularly shares industry/market trends and business analyses with distributors so they can track long-term changes in customers

and the market. We introduced the Authorized Service Partner scheme to help distributors set up an after-sales service capability and give our full support for advertising and marketing activities. Only by helping our distributors set up a stable business in the long-term can they become a long-term strategic partner capable of providing end customers with timely and efficient support services.

In recent years we have become more proactive in holding activities for our distributors. For the distributors' conferences held at Lijiang in China's Yunan Province, for example, around 300 distribution partners for industrial automation products and uninterruptible power supplies (UPS) from throughout China attended the respective conferences. The Vice Chairman and CEO of Delta Group Mr. Yancey Hai as well as other top executives attended the conference, which highlighted the importance of the Chinese market and local distribution partners to Delta Electronics. During the conference, Delta not only thanked our partners for working together to achieve outstanding results in 2009 but we also explained our plans for business expansion, improving efficiency, brand development and product line expansion. In addition to these strategic initiatives, Delta will provide our partners with advanced energy-saving products and solutions as well as strengthen technical support and consulting services so distributors can focus on developing the market and fulfilling Delta Electronics' customer commitment.



➤ Delta's "Da Vinci Innovation Award" encourages colleagues to pursue new and ground-breaking innovations.

Perseverance in technical R&D and continued pursuit of innovation

Technology and talent are Delta's twin foundations. We believe that deep roots achieves a solid foundation. For this reason, the corporate culture at Delta accepts the possibility of failure during the innovation process. We are willing to endure short-term labor pains in return for the possibility of giving birth to breakthrough technologies. Such an approach is instrumental to continued innovation at Delta so we do not sacrifice investment in R&D even during economic downturns. Proof of this can be seen in 2009 when Delta's global R&D spending accounted for 4.6% of our revenues, an increase from 4% in 2008.

In addition to the "Da Vinci Innovation Award" organized by headquarters in recent years, our business units have hosted innovation competitions at different times in a bid to generate new, practical ideas that can be commercialized to meet customer requirements. The brainstorming competition hosted by the Chungli plant, for example, invited plant employees to predict future challenges for the company and devise appropriate counter measures. The competition involved innovations in technology, product, process, management, strategy and business model, and a very strong field of 38 submissions was received. COO Mark Ko and CTO R.C. Liang not only praised all of the contestants for their spirit of innovation but also encouraged everyone to seek out new and unprecedented innovations that would create tangible value for the organization. Our components business unit organized an LED street light styling design competition open to all employees that attracted many entries as well.

Aside from emphasizing the cultivation of in-house technical capabilities, Delta is also open to cooperative partnerships. As of now, Delta has over 100 cooperative projects in progress with research organizations all around the world. The Corporate R&D Center at Delta for example has 15 local and overseas partner universities working on technologies with tremendous future potential such as 3rd generation solar power, medical electronics and fuel cells. These partnerships are a win-win situation for both Delta and the universities. Only through continued innovation can Delta stay ahead of the market. Continued innovation is also the only way to provide customers with the best products and services.

Improving quality and pursuit of excellence

Quality is one of the core values of Delta's culture. In addition to ISO-9001 certification of plants in Taiwan, China, Thailand, India and Slovakia, Delta Electronics' COO has led joint "Quality Diagnosis" initiatives by business groups/units and top regional executives since 2005. Delta strives to continually pursue high quality, strengthen organizational quality planning and execution, and boost learning and competitiveness. This quality initiative has now been held eight times, and recent topics include best practice in Design Quality Assurance (DQA), innovative energy-saving design and quality assurance systems for commercial challenges and material quality management. This has also guided the development of related training programs by the Human Resources Department.

The latest quality diagnosis meeting was held at the Wujiang plant. The management team, the business unit managers and the regional managers for China took to the field to look at material quality

management, supplier management and reliability improvement methods used by each business unit over a period of two days. Constructive suggestions were also made and teams sent out to the production line to diagnose opportunities for improvement. Participating managers agreed that an in-depth examination of how the various management models and techniques at main production plants can be integrated. The distribution of resources and knowledge management are key to maintaining Delta's quality and productivity advantages in the future.

Various quality improvement projects are also underway at each business unit and plant. In the 6 Sigma project, for example, business units continue to train personnel for Green Belt and Black Belt certification while running training courses such as Design for 6 Sigma (DFSS). Main production sites such as Dongguan have continued to conduct 6 Sigma training and tracked the results with five Black Belt classes and twelve Green Belt classes conducted to date. The program is complemented by an improvement incentive scheme that has led to over 300 improvement projects and generated financial returns worth over US\$3 Million. Other plants such as Wujiang are now rapidly increasing their number of trained personnel and completed projects as well.

Requirements of Social and Environmental Responsibility

Climate change, restrictions on environment-related substances in products as well as labor safety & health and human rights have all become important CSR issues in recent years. Each of these issues requires its own approach. For climate change the emphasis is on the carbon footprint of the product lifecycle; environment-related substances in products requires controls at the source of materials supply; while the focus in labor safety & health and human rights is on suppliers scattered all across the world. Responding to these issues therefore requires a total approach to the entire supply chain. Recent issues such as the new version of the RoHS directive now being drawn up by the European Union, the "Conflict Metals"¹² boycotted by international NGOs, as well as the upcoming issue of "water footprint" due to shortages of water resources, will all require close cooperation with the supply chain to achieve optimal results.

Using the "EICC Code of Conduct" promoted by the Electronic Industry Citizenship Coalition (EICC) as a reference, Delta has compiled online training materials for promoting standards for labor rights, safety & health and the environment. These materials will help improve the performance of Delta plants and suppliers in social and environmental responsibility. The Dongguan factory for example cooperates with non-profit organizations Students and Scholars against Corporate Misbehavior (SACOM) and the Labor Education and Service Network (LESN) to promote labor rights and introduce training based on the EICC standard. As a result, our key customer HP presented Delta with their "Social and Environmental Responsibility Award" in recognition of our efforts. Delta is aware there are still many areas that need improvement. We continue to learn from international benchmark enterprises and exceptional customers and we strive for improvement.

12) The ongoing war in the Democratic Republic of Congo (DRC), waged by the Rebel armies, has reached an extreme level of violence. The primary financing source of the war is the mining of valuable metal ores containing tantalum, tin, tungsten, gold and others. The metals derived from minerals originating in the DRC or adjoining countries are called "conflict metals". These metals are consumed on a vast scale by the electronics industry.

At the same time, the "CDP Supply Chain Program" set up by the CDP and leading enterprises in various industries now conducts an annual survey of suppliers on climate change related risks, opportunities and corporate strategies. The information is used to determine whether climate change will have a potential impact on the enterprise itself. Delta attaches great importance to our communications with customers on this issue. Apart from responding to the survey each year we also use the questions as a guide to identifying potential improvements. In 2010 the "CDP Supply Chain Program" began distributing the "Water Footprint" survey to over 300 enterprises involved in water-intensive industries or located in regions with water shortages. We are now closely following related developments.

Customer Recognition

Our innovation, quality and responsive service over the years have resulted in customer satisfaction and recognition. This is the main reason why Delta's market share and business continues to grow. We also receive outstanding supplier awards from our customers every year. In 2009, our customer awards included Black & Decker's "2009 Supplier of Excellence Award", Fujitsu's "Best Vendor Award", BSNL's "Best Telecom Equipment Manufacturer Award", Rockwell Automation's "Supplier of the Year Award – Productivity Award", as well as Pegatron and Unihan Corporation's "Best Partner Award". We share these honors with all Delta employees and continue to enhance the quality of our products and services to ensure our customers' satisfaction.



➤ Quality diagnosis meetings ensure the best management of quality during production.

Delta and Suppliers

Our thousands of suppliers around the world are Delta's business partners, and they are essential to our efforts in addressing environment-related substances in products, climate change, labor safety & health, human rights as well as newer issues such as "conflict metals" and "water footprint". Delta is committed to using our influence to promote the relevant concepts or methods to our upstream supply chain.

Cooperation with Suppliers

Honesty and integrity are the most important criteria when Delta chooses suppliers. Delta thinks of our suppliers as long-term partners. For the partnership to endure, our suppliers must have a similar corporate culture. Our suppliers must also offer competitive quality, technology, delivery and pricing.

Delta has an information platform that links together our end customers, system integrators and suppliers. Comprehensive information and logistics management allows for flexibility in demand change notices, long lead-time materials and capacity planning reviews. When the reduction in upstream output after the global financial crisis led to a period of material shortages, the platform enabled us to reduce the impact on Delta and our customers to a minimum.

Delta also works with suppliers to make high quality and competitive parts the standard design in our products, enabling suppliers to leverage economies of scale and reduce costs to the ultimate benefit of our customers. Where necessary, we also assist suppliers in improving their technology or management standards so they can grow together with Delta.

Learning from Outstanding Partners in Sustainable Development and Innovation

Delta has many supplier partners that we've worked closely with over the years and they often provide us with role models in sustainable development and innovation. The 3M Company for example is famous for innovation and 3M tape was used on our power transformers when Delta was first founded. Years later, 3M still remains a close business partner. The 3M corporate culture of embracing new challenges and innovation is a very close match for Delta's own corporate culture of "Dare to change, and pursue sustainability". In 2009 the "3M Innovation Day" was organized as a special event by 3M and Delta. The former 3M "Chief Scientist" for the Asia-Pacific was also invited as part of Delta Chungli plant's "Master Series" to speak on organizational innovation and growth. In addition to sharing 3M's efforts in innovation, we hope that extensive networking between the two companies will enhance mutual understanding in product development and market requirements in fields such as renewable energy.

Delta has organized similar experience sharing events with other partners such as DuPont. The opportunity to network and learn from these sustainable enterprises that have endured and prospered for centuries has been of great benefit to Delta.



"To provide innovative, clean and efficient energy solutions for a better tomorrow" is Delta's corporate mission. Delta is committed to protecting the Earth's environment by developing eco-friendly and energy-saving products, adopting environmentally friendly practices and reducing our impact on the environment.

Management of Environment-Related Substances

The materials, quality control and purchasing departments in Delta's various business groups/units have established "Green Product Working Groups" responsible for setting up management systems and regulations. These groups combined with the "Environment-Related Substances Working Group" at each production facility ensure the proper implementation of the QC080000 hazardous substance management system. Delta's operations encompass hundreds of thousands of parts, and the number of substances subject to regulation continues to expand. Meanwhile, international regulations and customer demands are increasing, which requires managing massive amounts of information. Thus, the "Green Product Working Groups" review the process of part approval as well as the convenience and coverage of Delta's GPM system for use by internal staff and suppliers to ensure information accuracy and compliance with all applicable standards.

Requirements of Social and Environmental Responsibility

As previously noted, the cooperation and participation of the entire supply chain is needed to achieve optimum results for CSR issues. Since 2007, Delta has drawn on the EICC Code of Conduct to tailor courses to Delta's main suppliers that teach the Code's contents and implications. We also conduct questionnaire surveys or carry out onsite surveys to learn about and improve suppliers' performance in labor rights, health and safety, and the environment.

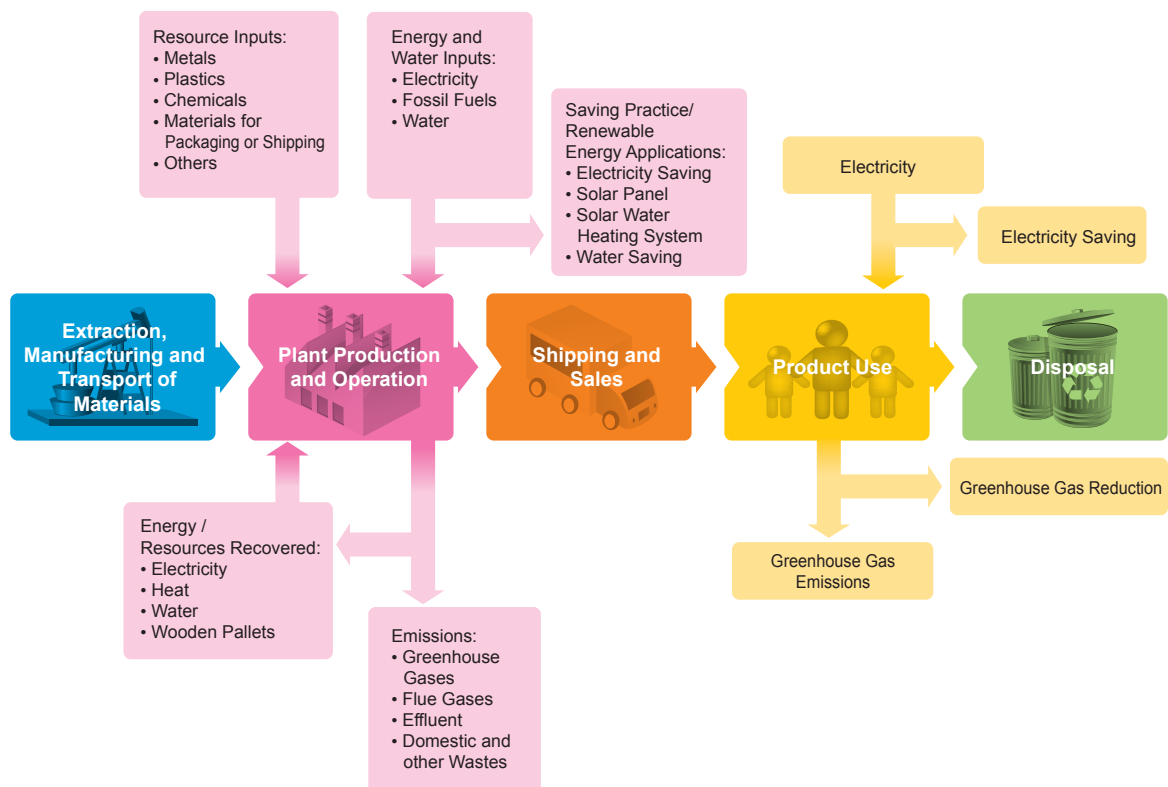
Another example is the "CDP Supply Chain Program" that surveys suppliers on greenhouse gas emissions and controls to determine the potential impact on the enterprise itself. Delta not only actively communicates with our customers but also conducts carbon footprint verification for a notebook computer adapter product¹³. The results showed that a very large part of a business-to-business (B2B) product's carbon footprint comes from the sourcing of materials, followed by transportation to customers or manufacturing at Delta plants. We are working with several corporate members of the TCSF to develop a greenhouse gas inventory proposal targeted at common suppliers. Through supplier education and training, we will conduct an accurate inventory of greenhouse gas emissions related to our operations and then work together to come up with ways of reducing the main emission sources.

13) The product studied was a 90W adapter. Based on the international carbon footprint standard PAS 2050, the associated GHG emissions at the stages of material sourcing, manufacturing, and transportation to the customer was inventoried. The result (7.91kg CO₂e as the product's carbon footprint) was verified at the Limited Level of Assurance by an independent third party.

Dedication to Energy Conservation and Environmental Protection

"To provide innovative, clean and efficient energy solutions for a better tomorrow." is Delta's mission while "developing environmentally-friendly, energy-saving products and implementing sound practices to reduce our impact on the environment" is Delta's commitment to protecting the Earth's environment. Assessments related to product lifecycles have become a basic part of green product design in recent years. Having implemented a couple of pilot projects, we now have a more complete understanding of the environmental impact of these Delta products throughout their lifecycle and have also identified design or process areas for improvement.

Generally speaking, Delta's energy and resource consumption or activities that produce emissions can be divided into five main phases: 1) extraction, manufacturing and transport of materials; 2) plant production and operation; 3) shipping and sales; 4) product use; 5) disposal. These are described in the following sessions.



Extraction, Manufacturing and Transport of Materials

Extraction and manufacturing activities are the purview of Delta's suppliers, contractors or other vendors further up the supply chain. Delta cannot directly control their behavior and can at most make suggestions. Cost and time considerations however give Delta more room for negotiation with suppliers over the transportation of materials. In our experience, with product lifecycle assessments and carbon footprints, Delta has found that environmental impact from transportation is often second only to environmental impact during product usage.

Due to the limited amount of information currently available for Delta products at this stage, starting from carbon footprint accounting, we are now looking closely at international developments in standards (e.g. ISO 14067, WBCSD/GHG Protocol's "Product Life Cycle Accounting and Reporting Standard" and "Scope 3 Accounting and Reporting Standards"). We are also working with several corporate members of the TCSF on developing a greenhouse gas inventory proposal targeted at our common suppliers as noted at the end of page 49.

Plant Production and Operation

The main energy and resource inputs, conservation measures and recycling results as well as the volume of waste from Delta's 2009 production and operations are described below :

Resource Input

Delta's resource inputs are mainly used in products. These are divided into five categories: metals, plastics, chemicals, materials for packaging/transportation, and others. Due to the financial tsunami in 2009, the purchase amounts of many materials dropped significantly compared to the amounts in 2008¹⁴.

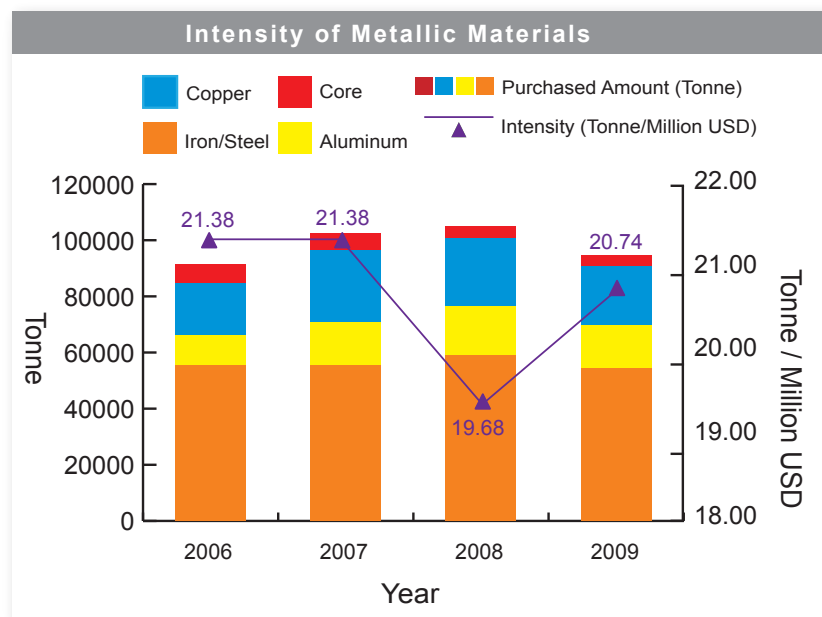
1. Metals

We collect statistics for metals that include: iron/steel, aluminum, copper and core. These metals are used by almost all business divisions. Using the amount of purchased materials containing those metals as a rough guide, the amount of metals purchased by Delta has increased every year from 2006 until 2009 – it dropped to about 95,000 tonnes, roughly a 10% decrease from 2008. Iron/steel accounted for more than half of all metals purchased, with copper in second place.

To determine if we have improved our efficiency in the use of metals, we factored the group revenues into the calculations to work out the weight of metal used per million USD of production output (intensity) between 2006 and 2009. As shown in the graph below, we had the lowest intensity in 2008, and it bounded back to 20.74 tonnes per million USD in 2009.

14) The purchased amount of metals, plastics and materials for packaging/transportation in 2008 was reviewed and modified so data and intensity are different from amounts published in Delta's 2008 CSR Report.

Additionally, all business divisions also use solder wire, bar and paste in welding. Total usage decreased from around 2,100 tonnes in 2008 to 1,800 tonnes in 2009. Mercury is also used by the Component Business Group in manufacturing CCFL tubes. As the output of CCFL tubes decreased year by year¹⁵, mercury usage dropped from around 0.38 tonnes in 2008 to 0.22 tonnes in 2009.



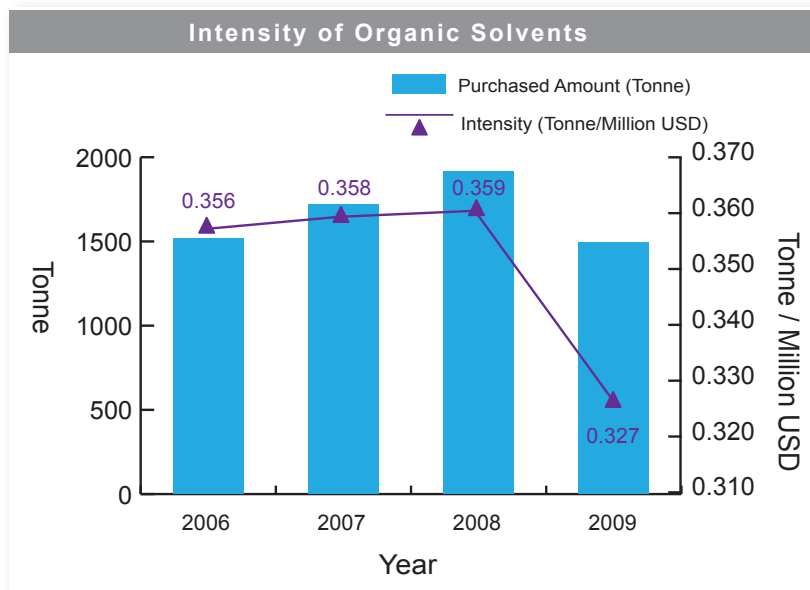
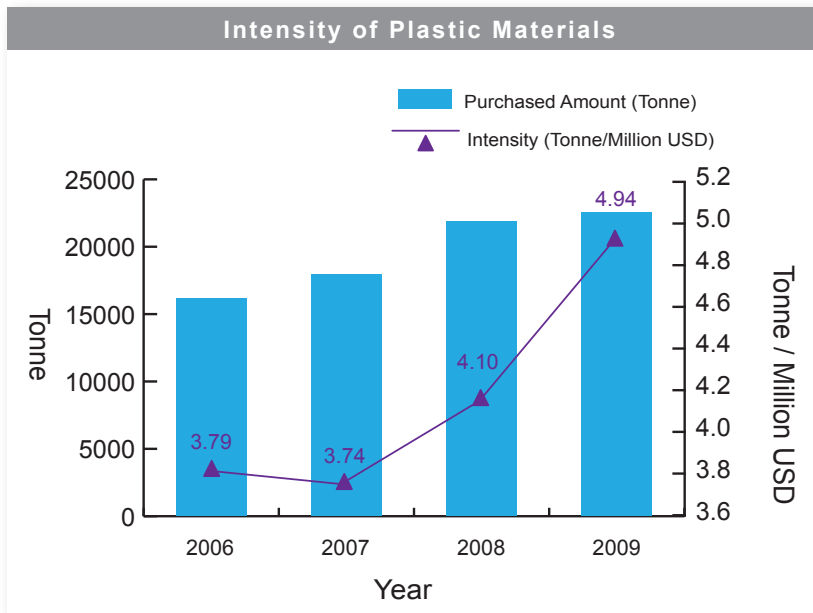
2. Plastics

All of Delta's business divisions use plastics, mainly for cases, insulators and sockets. In 2009, Delta purchased a total of 22,500 tonnes of plastics. This was slightly higher than the 21,900 tonnes purchased in 2008. By estimating intensity we can determine if Delta is using plastics more efficiently. The graph below shows that the intensity of plastics has progressively increased since 2008 and in 2009 it was approximately 4.94 tonnes per million USD.

3. Chemicals

All business divisions use organic solvents, which account for most of the chemicals used at Delta, including thinners, cleaners and flux. Delta increased its purchase of organic solvents until 2009 – the amount dropped to 1,500 tonnes and the intensity of chemical use also decreased from 0.359 tonnes per million USD to 0.327 tonnes per million USD.

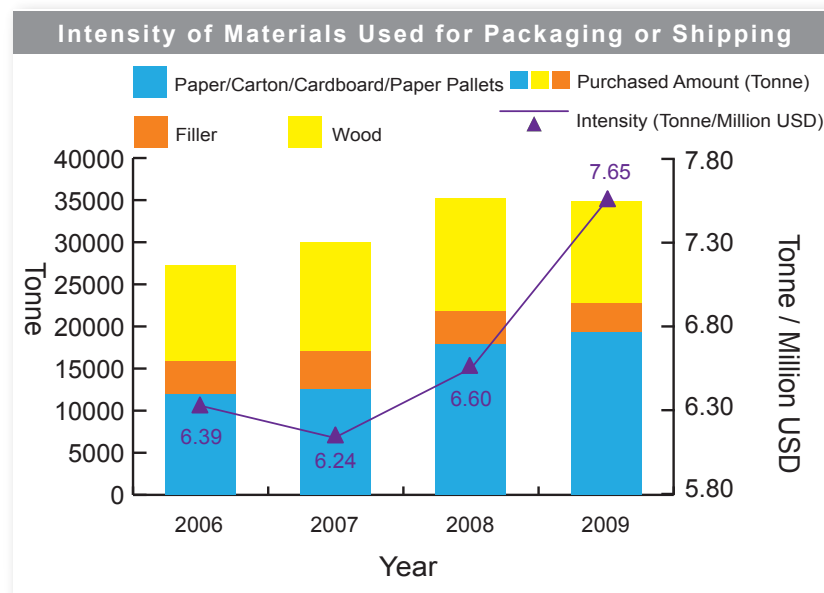
¹⁵⁾ We formally concluded the CCFL business in March, 2010.



Fluorescent powder is needed to produce CCFL tubes. As the output of CCFL tubes decreased, use of fluorescent powder decreased from around 51 tonnes in 2008 to 40 tonnes in 2009.

4. Materials for Packaging/ Transportation

Materials for packaging or transportation include paper products (paper/carton/cardboard/paper pallets), filler as well as wood. These materials are used by almost all business divisions. Delta increased the purchase of materials for packaging or transportation until 2009, with about 34,900 tonnes purchased last year, and paper and wood products are the main categories. Intensity however moved upward to 7.65 tonnes per million USD in 2009.



5. Others

Other major materials used by Delta include epoxy resin and asphalt. The former is mainly used by the Power Supply related business groups and the Component Business Group as electronic component adhesive or insulation, while the latter is used as filler in electronic ballasts. Epoxy resin usage in 2009 was approximately 880 tonnes, a decrease of 33% compared to 2008. The amount of asphalt used decreased as well from about 2,500 tonnes in 2008 to around 2,100 tonnes in 2009.

With reduced group revenue in 2009, the intensity of metals, plastics and the materials for packaging/ transportation went up — noteworthy is that the purchased amount of plastics actually increased. From

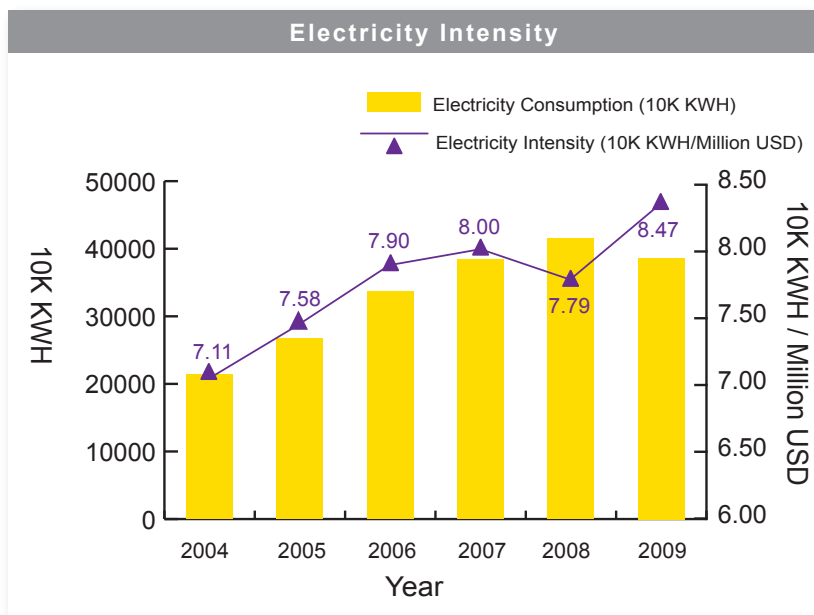
the perspective of conserving the Earth's resources, Delta continues to reduce the intensity and further decrease the actual amount of materials used without affecting quality, which also reduces costs.

Energy and Water Inputs

Energy used by Delta's offices and production plants include externally purchased electricity and various types of fossil fuels. Each plant varies in the types of fuel it uses. The related statistics for 2009 are as follows :

1. Externally Purchased Electricity

In 2009, Delta purchased nearly 386 Million KWH of electricity in total¹⁶, a decrease of 7% over 2008. The electricity intensity, however, bounced back from 77,900 KWH per million USD to 84,700 KWH per million USD in 2009, the highest point since 2004. This shows that Delta was not using electricity efficiently during the financial downturn despite the drop in the amount of electricity consumed. As a result, we have begun to introduce energy management systems to major sites in Mainland China and Thailand, with set electricity intensity targets for each of these sites and Delta Group as a whole. See the related discussion later in this chapter.



¹⁶) Current calculations count in the electricity consumed by on-site contracted services, such as the employees' cafeterias, banks, salons, and shops.

2. Fossil Fuels

Fossil fuels used at Delta mainly include liquefied petroleum gas (LPG), natural gas (NG), diesel and gasoline. These are used by power generators, boilers, forklifts and company vehicles¹⁷. If Delta's fossil fuel consumption of recent years is converted into heat value¹⁸, the consumption in 2009 decreased 37% from 2008 and the intensity dropped to less than 50% of what it was in 2006. The major fossil fuel used has also been switched from diesel to the relatively clean natural gas.

3. Water

Delta's total water consumption reached its peak in 2007 before dropping slightly in 2008, with a significant decrease to 4,820,000 KL in 2009¹⁹, a decrease of 20% compared to 2008. We attribute this drop to continuous efficiency improvements in water usage as well as a decrease in water consumption resulting from a decrease in the number of employees. Looking at water consumption intensity between 2004 and 2009, the amount of water consumed per million USD of output dropped from 1396 KL to 1058 KL.

Delta's diamond-rated green plant in Tainan has provided an energy efficient, water-saving, and comfortable workspace, and the plant's employees give very positive feedback. New Delta plants and offices around the world are all incorporating green building design concepts. By increasing natural lighting, natural ventilation, insulation and using energy or water-saving equipment throughout the buildings, comfort is maintained while realizing the goal of environmental protection. As for existing offices and plants, we have worked to reduce their energy / resource consumption and environmental impact through energy management, water-saving initiatives and increasing the use of renewable energy. These initiatives have included :

1. Energy Management

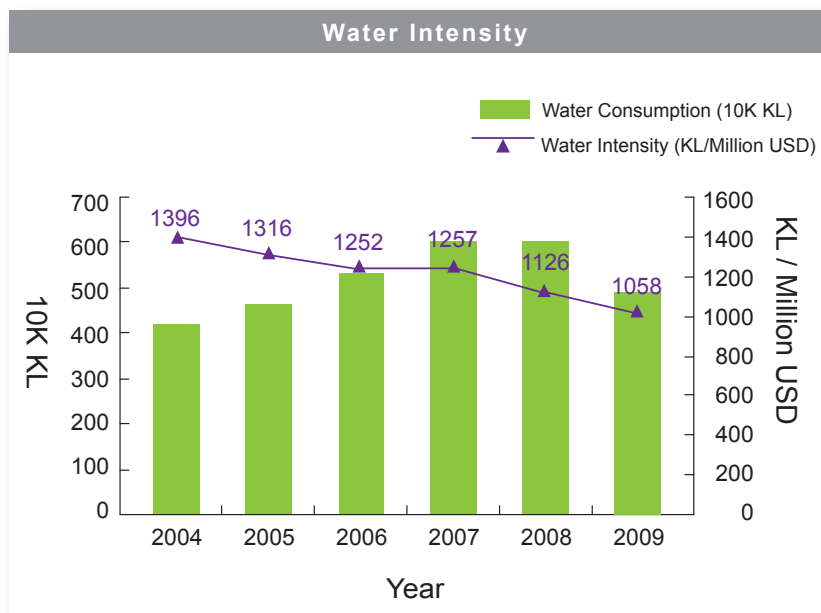
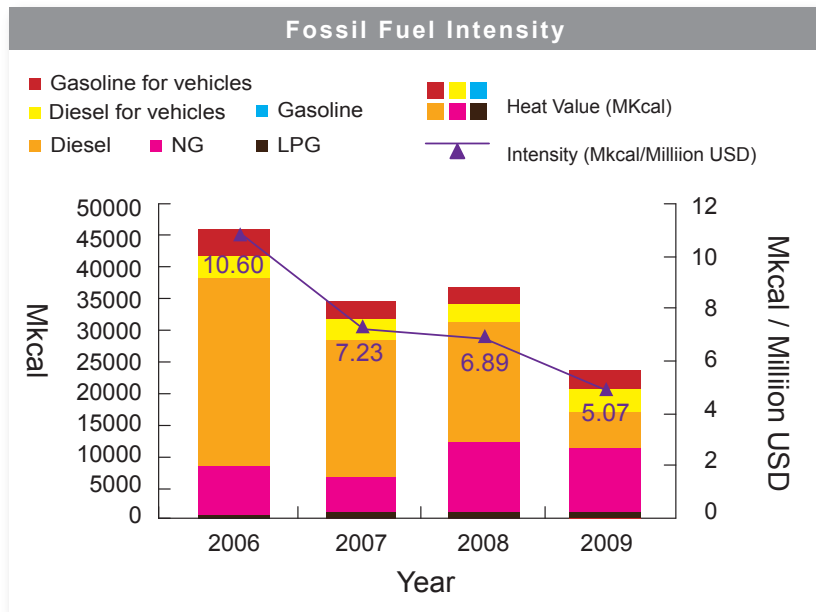
Delta is not just a supplier of energy-saving products and green energy solutions. Our mission : "To provide innovative, clean and efficient energy solutions for a better tomorrow" means that making the most efficient use of energy and reducing greenhouse gas emissions in everyday operations is something everyone at Delta, from Founder and Chairman Mr. Bruce Cheng down, is always thinking about.

We have implemented numerous energy-saving initiatives at our plants around the world and have achieved outstanding results. Energy use however has increased when group revenue grows, or like year 2009, total power consumption was reduced but electricity density had increased quite significantly compared to 2008. We have also found that our past emphasis on equipment upgrades or energy-saving behavior by employees is not enough or has reached a bottleneck. We are now thinking about how Delta's revenue growth in the future can be decoupled from energy consumption (mainly electricity).

17) Fuels used by employee cafeterias or leased vehicles paid by contractors are not counted in Delta's fuel consumption.

18) Heat values are based on the Energy Statistical Manual, Bureau of Energy, Ministry of Economic Affairs, and the China Energy Statistical Yearbook 2007, etc.

19) Currently counted in water consumption by on-site contracted services, such as construction





➤ Taiwan's first Gold-rated green plant, Delta's Tainan plant, was upgraded to a Diamond-rating in 2009.

In mid-2009 the Delta head office, the Delta Foundation, China headquarters and the Thailand headquarters began introducing energy management concepts at our five major sites in China and Thailand based on international standards such as ISO 50001, EN 16001 and the Energy Star Guidelines for Energy Management. These plants together accounted for nearly 85% of Delta's total power usage. By starting with these key plants, we hope that the PDCA cycle will make the energy factor a part of everyday operations at Delta. As externally purchased power accounts for the majority of Delta's energy costs and greenhouse gas emissions (over 90%), our energy management efforts are now focusing on power efficiency (electricity density) with a target of "reducing the overall electricity intensity of the Delta Group by 10% in 2010 compared to 2009". We will then seek to maintain or reduce the total power usage before expanding this to the management of fossil fuels such as gasoline, diesel, steam, natural gas and liquefied petroleum gas. Related initiatives include :

- Securing high-level commitment and the formation of local energy management teams
- Analyzing trends in power usage from previous years, reviewing local monitoring systems for completeness and enhancing function

- Holding energy-saving workshops and making plans to develop Delta-specific energy management teaching materials
- Hosting awareness campaigns in the plants to boost employee awareness
- Review the results from each site through Delta energy management task force meetings and share the best practices

The Dongguan site for example serves as the pilot run for Delta's introduction of the ISO 50001 energy management system. Every month the energy manager convenes an energy-saving meeting attended by the regional general manager and energy-saving task force members (facility administration managers from each plant). Each plant's energy-saving performance is also evaluated on a quarterly basis and factored into personnel performance evaluations. The energy-saving task force also conducts regular energy-saving checks through the plants. The purchasing department has already begun setting efficiency or surface temperature specifications for heat-producing equipment (such as solder pots and ovens) starting from several years ago. Specifications have now been set for the purchase of lighting fixtures and new energy-saving guidelines that will not sacrifice performance are now being developed for other production line equipment. Experience from Dongguan trials showed that the most effective way to save energy is to have an efficient production line. The regional general manager has therefore asked production units to concentrate their production activities in certain time periods or areas to reduce unnecessary or inefficient energy use.

Apart from energy saving, maintaining energy quality and a reliable energy supply for the plants are also important tasks for energy management. The current "Eleventh 5-Year Plan" and the following "Twelfth 5-Year Plan" in China have all laid down very specific energy-saving requirements²⁰. Preparing for energy-related legislation or regulations passed by local governments will therefore be another important component to energy management.

2. Electricity-Saving Initiatives

Electricity saving initiatives include improvements to air-conditioning and lighting, installation of timers and converters, and other measures. Based on measures implemented at Delta plants in 2009, a savings of about 4,400,000 KWH of electricity per year was projected—this meant avoiding the release of about 3,400 tonnes of CO₂ into the atmosphere. We believe that future energy saving projects can be more cost-benefit effective once energy management systems are run at the sites.

20) The "Eleventh 5-Year Plan" was implemented during 2006 and 2010, and one of its goals is to increase energy efficiency by 20%. The "Twelfth 5-Year Plan" will be effective following The "Eleventh 5-Year Plan".

3. Solar Power Application

Delta has installed solar panels and solar water heating systems in our plants. This is the main type of renewable energy currently in use at Delta. Solar panels are installed at Taipei headquarters, Taoyuan plant 2, the Tainan plant, the Thailand plant, the Tainingen plant (Germany), the Rudrapur plant (India) as well as Delta offices in California and North Carolina in the U.S. Solar water heating systems are installed at Taoyuan plant 2 and the Tainan plant in Taiwan as well as the Dongguan and Tianjin plants in China. Generally speaking, the power generated by solar panels provides only a limited amount of electricity compared to what Delta purchases externally—just more than 170,000 KWH²¹ in 2009, while solar water heating systems contribute a significant amount of heat value that serves to replace the use of fossil fuels. In 2009, for example, the amount of heat value generated was 3,200 Mkal, equivalent to around 14% of that provided by fossil fuels. Together with power generated by solar panels it helped reduce greenhouse gas emissions by over 1,000 tonnes CO₂^e.



➤ Delta has installed solar panel systems and solar heating systems at facilities throughout the world.

4. Water Saving Measures

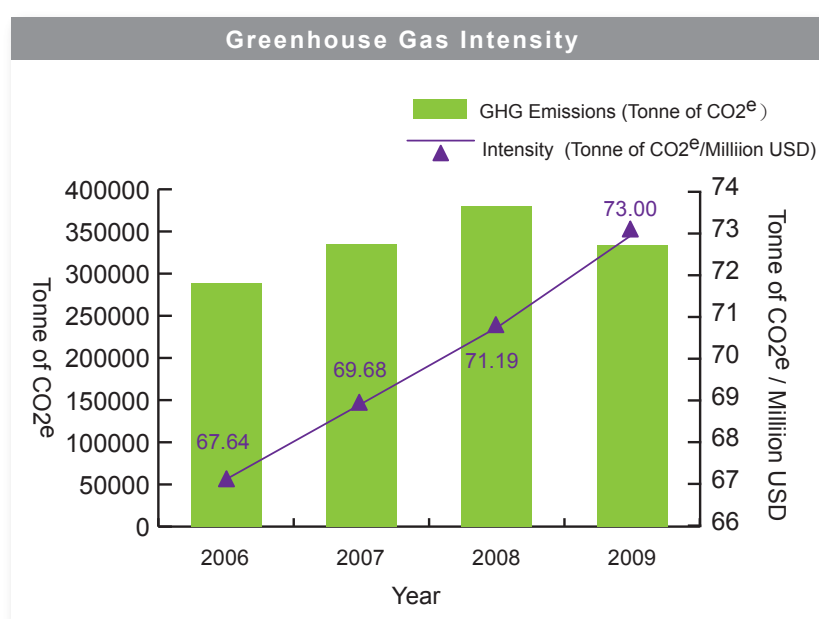
Total water saved by all measures was projected to be about 33,000 KL for one year.

Emissions

Emissions produced by Delta offices and production line operations in 2009 consisted mainly of greenhouse gases, flue gases, waste water, domestic and other wastes. These are described below :

1. Greenhouse Gases (GHG)

CO₂ emissions associated with externally purchased electricity are the main source of GHG emissions from Delta. At the Dongguan site for example, third party verified GHG emissions in 2009 showed that 95% of CO₂ emissions were associated with externally purchased electricity. For other plants that had not undergone GHG emission verification, we used the consumption of fossil fuel and externally purchased electricity to estimate GHG emissions²².



The GHG emission and intensity trend for Delta between 2006 ~ 2009 is shown in the graph. Delta's total emissions in 2009 are around 333,000 tonnes of CO₂^e²³, an obvious drop from 380,000 tonnes in 2008. The amount of GHG emissions per million USD of output, however, has kept growing to about 73 tonnes of CO₂^e.

21) The electricity generated by the solar panels at Delta's offices in California and North Carolina, U.S.A was included.

22) The GHG inventory in Wujiang and Thailand, the other two major manufacturing sites, are now in progress or being planned. They will both apply for third party verification once the inventory is done.

23) A. The electricity emission factors published by the Bureau of Energy, Ministry of Economic Affairs, were adopted for plants/offices in Taiwan; regional electricity emission factors (OM) published by the National Development Reform Commission were adopted for plants/offices in China. As for plants in other regions, the International Energy Agency's 2006 emission factors, cited by GHG Protocol's calculating tool "GHG emissions from purchased electricity" (Version 4_1), were used.

B. The calculation of GHG emissions from fossil fuels used the IPCC 2006 data and the Energy Statistical Manual, Bureau of Energy, Ministry of Economic Affairs, and the China Energy Statistical Yearbook 2007 for reference.

C. The values of Global Warming Potential (GWP) referred to IPCC 2001 and 2007 data.

D. The GHG emissions associated with electricity consumed by on-site contracted services, such as the employees' cafeteria, bank, salon, and shops, account for about 1% of the total GHG emissions in Dongguan and are currently counted in Delta's indirect GHG emissions in this report.

E. The GHG emissions associated with the Tianjing plant's externally purchased steam have been counted since 2009.

Because of the decrease of total electricity consumption, fossil fuel consumption, and electricity emission factors applied to several sites in Mainland China, the GHG emissions decreased in 2009. However, the GHG intensity went up together with the electricity intensity.

2. Flue Gases

With assembly as the major process at Delta plants, we do not emit flue gases in any significant amount. Taoyuan plant 1, plant 2 in Taiwan, the Wujiang, Dongguan, Tianjing, Wuhu plants, and Delta Electronics (Shanghai) in China, and the India and Slovakia plants all conduct monitoring of plant flues in accordance with the law to ensure that they meet emission standards. Monitoring covers different items including particles, nitrogen-oxide compounds (NO_x), sulfur oxide compounds (SO_x), volatile organic compounds (VOC), hydrochloric acid, total organic compounds (TOC) lead, and more. We also regularly examine pollution prevention devices to ensure they are functioning well.

3. Effluent

The estimate for Delta's total effluent in 2009 was around 3,830,000 KL, the lowest volume in recent years. The effluent consists mainly of domestic sewage discharged into sewer systems or sent to industrial park treatment plants. As required by law, plants other than the head office in Taiwan, China, Thailand and India conduct regular sampling of the effluent to ensure that it meets emission standards. The items tested include biochemical oxygen demand (BOD), chemical oxygen demand (COD), suspended particles, pH value, chromium, fluoride, nickel and sulfur compounds.

4. Domestic Waste

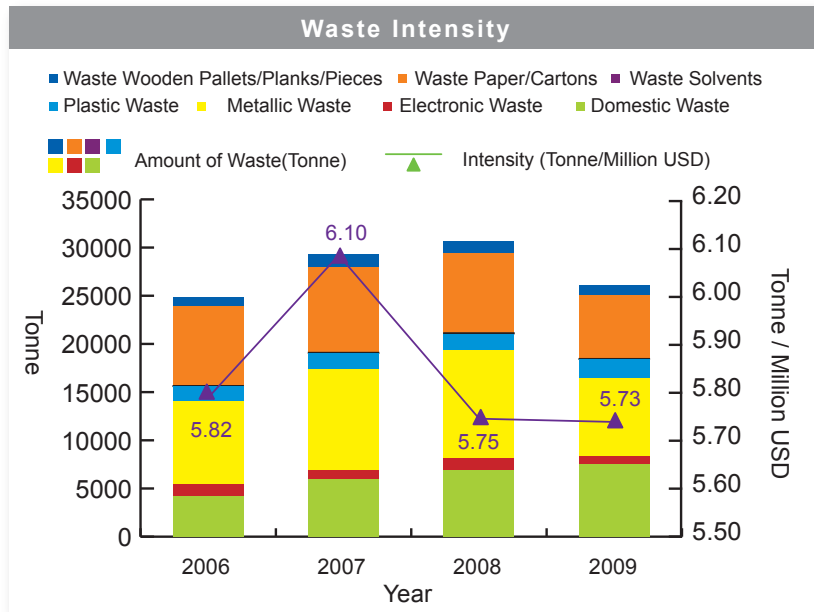
In 2009, Delta generated a total of 7,600 tonnes of domestic waste. Around 80% was disposed of through landfill (mainly generated by the Dongguan and Wujiang plants in China).

5. Other Waste

Other waste included electronics, metals, plastics, waste solvents, waste paper/cardboard and waste wooden pallets/planks/pieces. These are generated by virtually all production lines and are registered and disposed of by contractors in accordance with the law.

In 2009, the total amount of these wastes was 26,000 tonnes, a decrease compared to 2008 with metals and waste paper/cardboard accounting for the top two categories. The intensity is close to 2008 at 5.73 tonnes per million USD.

Waste glass tubes are produced by CCFL production at Taoyuan plant 2 and the Wujiang plant. Those coated with fluorescent powder or containing mercury are disposed of by contractors. In 2009, this amounted to around 50 tonnes.



Energy / Resource Recovery

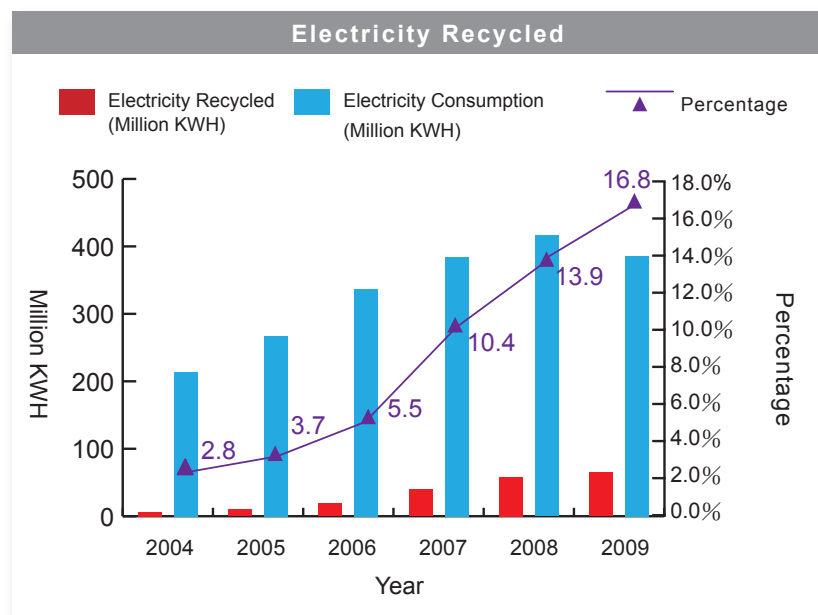
1. Electricity Recycling

Burn-in testing for AC motors, power supplies or uninterruptible power supplies (UPS) traditionally converts electricity into waste heat. The power was not only unrecoverable but the heat produced often needed to be dissipated using additional equipment, resulting in inefficiency and high cost. Delta designed an Energy Recycling System (ERS) to not only recycle up to 95% of the electricity used during burn-in testing but also to reduce the heat generated and thus lower the loading of the air conditioner, as well as the personnel and the plant square footage needed by traditional burning racks. Due to its effectiveness, the ERS is now used at the Taoyuan, Tainan, Wujiang and Dongguan plants, and is also being promoted at the Thailand and India plants. We have commercialized this product and hope to share its benefits with the rest of the industry.

The amount of electricity recycled by Delta plants grows each year, with the proportion of Delta's actual total power consumption for the year also increasing. In 2009, the total amount of electricity recycled was nearly 65 Million KWH²⁴. This was equivalent to around 17% of Delta's power consumption for the year and it has made a major contribution in electricity savings and GHG emission reduction²⁵ (about 58,000 tonnes).

24) The number was derived mainly based on the total capacity of ERS with normal loading and burn-in hours.

25) The electricity recycled during 2006 and 2008 was reviewed and recalculated so the recycled amount, the percentage comparing to the total electricity consumption, is slightly less than in the 2008 CSR Report.



2. Heat Recovery

Most plants have looked at ways of recovering heat from machinery for reuse. Of these, the heat pump uses heat generated by the air-conditioning system to heat water supplied at dormitories. This has proven to be a particularly effective way to replace the use of fossil fuels. Heat pumps are installed at the Dongguan, Wujiang and Wuhu plants. The heat pumps at Dongguan plants 6 and 7, for example, provided an amount of heat in 2009 that was equivalent to using around 280 tonnes of diesel; thus, nearly 900 tonnes of CO₂^e GHG emissions were reduced by using heat pumps rather than burning diesel.

3. Water Recovery Measures

The major water recovery measure in 2009 was the recovery of process water. Total water recovered by all measures was projected to be about 27,400 KL for one year.

4. Wooden Pallet Recovery and Reuse

Serviceable wooden pallets are recovered by the plants and re-manufactured into other wood products. In 2009, about 520 tonnes of wooden pallets were recovered in this way.

Other Green Practices in Daily Operations

Apart from energy management as the future focus for the whole group, some ongoing practices will be continuously promoted or improved.



1. Green IT

Besides requiring major Delta's offices or facilities to purchase Energy Star qualified computer products since 2008, any employee computer that connects to the company intranet automatically has its power configuration set to energy saving mode. Our own data centers are also set up to be more efficient and energy saving through server consolidation, equipment upgrades and space re-layout (setting hot / cold aisles, etc.). The data center at Taipei, for example, reduced its electricity use by 5% more in 2009 while PUE (Power Usage Effectiveness) was also down from about 1.86 to 1.83.

2. Video Conference

Since the new high definition video conferencing system came online in June, 2008, we now have the installed system at our ten plus main locations around the world. We hope that this real-time image transmission may replace actual on-site meetings in order to reduce the amount of GHG emissions associated with business travel between Delta's plants and offices. We will continue installing this system for more worldwide colleagues to use.

3. Green General Administration and other Activities

In addition to the energy and water saving initiatives at the plants previously described, we are striving to reduce energy usage and greenhouse gas emissions in our everyday operations. Chairman Bruce Cheng for example noted that keeping cattle produces a far larger carbon footprint compared to other types of livestock (e.g. pigs and chicken). He therefore called upon everyone to eat less beef and do their part to help the planet. Delta Electronics' plants in Taiwan have responded by removing beef from the menus of employee cafeterias as well as contractor-operated cafes as part of our carbon reduction efforts.

Other initiatives in general administration/facility administration include reducing/ending the use of bottled water and paper cups as well as a switch to cleaner energy (such as natural gas) and renewable energy where possible.

Shipping and Sales

This phase looks at the shipping of products from Delta plants or through logistics hubs to customers, and then to consumers. The main environmental impact comes from energy and resources consumed during the process, as well as from the GHG, SOx and NOx emissions of vehicles during transportation.

From the carbon footprint study for a notebook computer's external power supply, we discovered that the carbon footprint from this phase was probably second only to the sourcing of materials and higher than manufacturing at the Delta plant. We are therefore more than willing to cooperate with our customers or freight carriers to optimize the use of transportation space (e.g. cargo containers), reduce the number of trips required or consider more environmentally friendly transportation methods. By working together, Delta hopes to reduce our carbon footprint and our overall impact on the environment.

Product Usage

Delta is the world leader in switching power supplies and DC fan products by market share. We are also a leading international supplier for many industrial and electronic products. Based on the very considerable quantity of products shipped each year by Delta, we believe that power consumption and greenhouse gas emissions during product usage represent one of the most significant environmental impacts during the lifecycle of a Delta product. The preliminary results from the product lifecycle assessment project previously mentioned support this hypothesis. The quantities of Delta's power supply, DC fan, UPS, ballast, inverter products and more, shipped by Delta in 2009 from its Taiwan, China and Thailand plants²⁶, represent a total annual power consumption of over 65 Billion KWH and 40 Million tonnes of CO₂^e in GHG gases²⁷ under normal conditions if the energy savings of Delta's latest products is not counted.

If the energy savings resulting from using Delta's latest products are counted however, a savings of 3.2 Billion KWH and 2.03 Million tonnes of CO₂^e in GHG emissions can be achieved each year. This represents a 5% reduction from the original power consumption and GHG emissions.

Other Delta achievements in green energy-saving products and total solutions for 2009 included :

▪ *Electric Vehicle Propulsion System*

We successfully integrated existing automation, motor, servo-motor and electrical electronics technologies to develop our own petrol-electric hybrid propulsion system, and we installed the system in a test

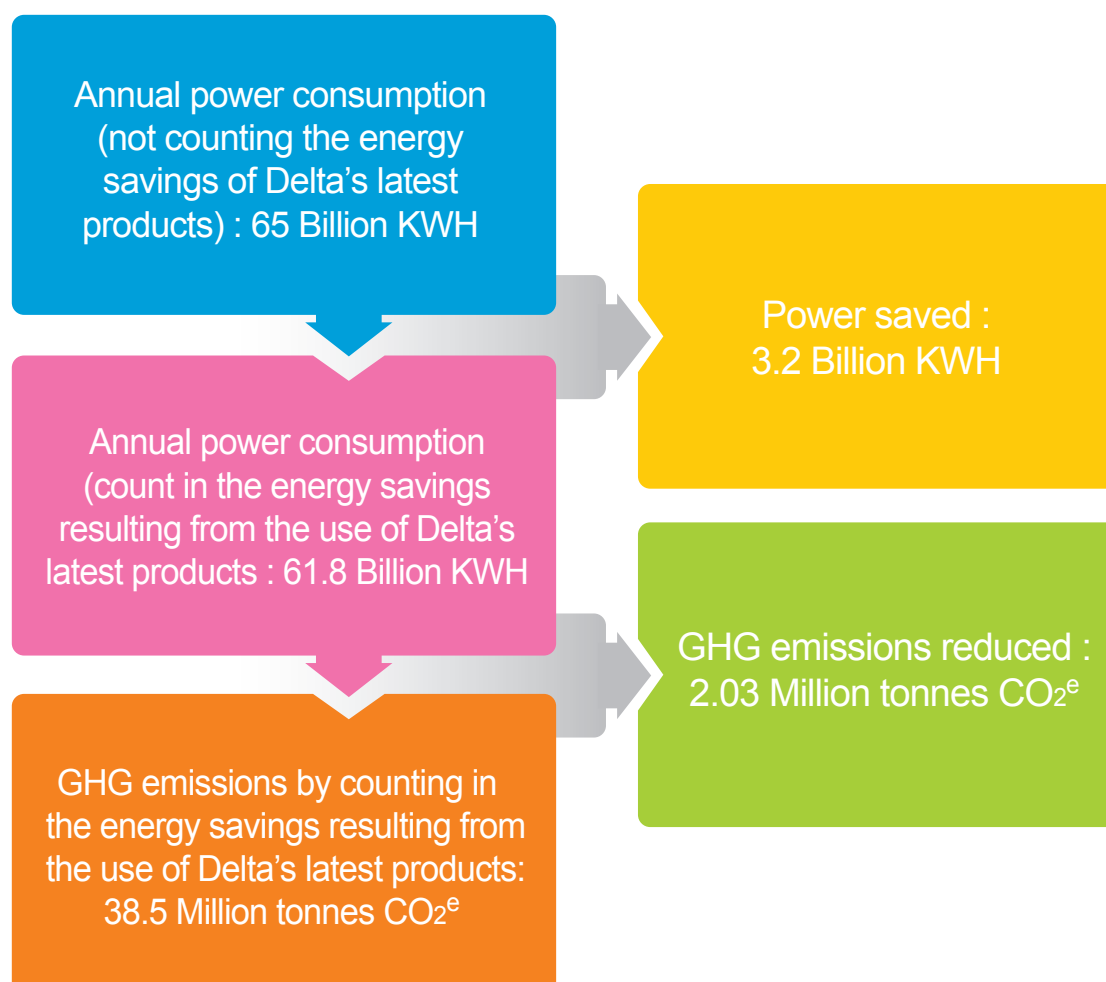
26) Only the energy saving products shipped in 2009 were counted so the base was not completely the same as it was in Delta's 2008 CSR Report.

27) Taiwan's 2009 electricity emission factor (0.623 kg CO₂e / KWH) was adopted for the estimation.

vehicle for road tests. This is the first petrol-electric hybrid propulsion system developed by a Taiwanese electronics company and the design includes batteries, power inverter, power control unit, traction motor and vehicle control unit.

▪ **Next-generation IT data center solution**

We have integrated UPSs, smart racks and rack-type power distribution units (PDU), environmental management and remote administration software to create a high efficiency, highly-integrated and low-power data center. This data center of the future offers an ideal solution for the cloud computing market.



▪ *Drip irrigation automation solution*

Water is becoming an increasingly precious resource. High-efficiency drip irrigation systems are now widely used in China for agriculture and forestry, so a high-efficiency and high-quality production line is needed to meet the strong demand for drip irrigation belts. We have developed an advanced high-speed and high-efficiency drip irrigation belt production line that not only delivers high output but also excellent water saving products.

▪ *Creative Solar Power Purchase Agreement (SPPA) Model*

By integrating the subsidiary DelSolar's high efficiency solar power modules, Delta is working with the River of Life Christian Church (ROLCC) in Silicon Valley, to enter the Solar Power Purchase Agreement (SPPA) market in the U.S. Delta's package service includes the initial assessment, design, supply of hardware, installation, operation as well as electricity bill optimization, application for governmental subsidies, and project finance. It is a multi-win situation that with the subsidies, ROLCC is able to go solar without any capital investment while at most saving monthly electricity cost by 25%. Moreover, the extra solar power can be sold to the grid.

Disposal

The increasing speed of obsolescence in electronic products has brought the problem of their disposal to the attention of national governments (such as the EU) and international NGOs (e.g. Greenpeace). The electronics industry is now conforming to integrated product-related environmental policies and extended responsibility for manufacturers (such as RoHS, EuP, WEEE and REACH directives in the EU). After several years however many practical issues have emerged with the enforcement of related legislation. A lack of proper communication between the product designers and recyclers for example is hampering efforts to recycle electronic waste.

Delta ships a considerable quantity of products each year. While we have not been required to take direct responsibility for product recovery, we do understand that a failure to properly dispose of or recycle electronic waste products not only wastes resources and damages the environment but can also cause permanent harm to human health or the natural ecology. We are now using the product lifecycle assessment project to learn more about how much effort is needed to recycle our own products as well as their environmental impact during waste disposal. We hope the assessment can be used to set up a comprehensive internal eco-design system that will integrate lifecycle analysis and ideals more fully into the product design process. We believe that the most effective solution is to deal with the problem at its source.



We do understand that a failure to properly dispose of or recycle electronic waste products not only wastes resources and damages the environment but can also cause permanent harm to human health or the natural ecology.

Plans and Prospects

CSR today covers a wide range of issues. Responding to these issues in a tangible manner requires commitment and participation by the enterprise. The following items are key tasks that Delta will focus on next :

1. Energy Management

Based on our experience with promoting energy-saving initiatives at Delta plants in recent years, we have come to the conclusion that energy must become a management issue at the organizational level for a true breakthrough to be achieved. The next step is to expand our energy-saving initiatives beyond the five main plants in China and Thailand to sites in other areas. We hope that proper education and supporting measures will enable all employees to truly do their part in energy management in everyday operations. Delta will work with the Delta Foundation, outside expert consultants and even members of industry alliances to use benchmark enterprises as an example to set challenging medium- and long-term energy-saving targets. We will then strive to meet these targets to transform the risks posed by energy and climate change into opportunities.

2. Green Product Design

As previously described, proper product design should take the environmental impact from each stage of the product lifecycle into account during design, material selection and purchasing. The most practical option must be chosen to reduce the product's ecological footprint. The eco-design project now under way at Delta will hopefully increase business units' understanding of the regulatory/stakeholders' requirements, establish the capability for product lifecycle inventory and assessments, and enhance the knowledge of green design. More importantly, we hope to ultimately incorporate the green product design process into the existing management system and prepare for increasing disclosure requirements from governments and customers. We will use the IEC 62430 (Environmentally Conscious Design for Electrical and Electronic Products and Systems) standard as a guide to ensure that being green is made an integral part of Delta's pursuit of excellence.

3. Social and Environmental Issues in the Supply Chain

Delta has thousands of suppliers spread throughout the world while we ourselves are increasingly dealing with a greater variety of customers. For social and environmental issues such as restrictions on environment-related substances in products, climate change, labor safety & health, human rights as well as "conflict metals" and "water footprint", it is all the more important for Delta, our suppliers and customers to learn from each other and work together to maximize our influence. Social and environmental issues in the supply chain are an area where more effort by Delta is urgently required.

4. Disclosure and Benchmark Learning

The disclosure of CSR-related information and learning from benchmark enterprises is another important area we are now focusing on. Besides doing our best to learn about the information required by stakeholders to make the Delta CSR website and annual CSR Report more comprehensive, we are also taking the opportunity to participate in international disclosure and sustainability surveys to review our information and deficiencies in organizational structure for improvement. We will use the surveys to increase our communication with international rating organizations. We will also continue to improve by learning from the examples of customers, suppliers or related business consortium members that show outstanding CSR performance.



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	1.2	Description of key impacts, risks, and opportunities.	2~5
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	2.2	Primary brands, products, and/or services.	12
	2.3	Operational structure of the organization.	13
	2.4	Location of organization's headquarters.	12
	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	12~13
	2.6	Nature of ownership and legal form.	12~13
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	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	2~3,56~59,66~68
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	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	56~60,63~64, 66~67
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	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	36~37

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Note : Among GRI G3 profile and performance indicators, only those that are applicable and revealed in this report are listed.



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