

2023 Delta Electronics Material Issues



Step 1

Identify the Communication Target

Employees, investors, media, customers, suppliers, community (research institutes, NPOs, communities, and other related stakeholders) are the main targets of communication identified by Delta based on the AA1000 Stakeholder Engagement Standard for communicating Delta's sustainability actions.

6 categories of major stakeholders

Step 2

Identify the Sustainability Issues

We have adopted international sustainability standards, ESG ratings, stakeholder expectations and communications, internal management objectives, and previously disclosed sustainability information, to compile and consolidate sustainability issues. Compared to the sustainability issues in the previous year, we have moved "Circular Economy" from economic issues to environmental issues and added "Air Pollution Management". Finally, we have compiled 24 sustainability issues related to Delta's operations.

24 sustainability issues

ESG Regulation/Standard

GRI CDP DJSI MSCI

International Initiatives

SDGs RBA SASB

Stakeholders' Feedback
Delta's Six Major Stakeholders

Operation Strategy
Delta Operation Objective

Sustainable Development Blueprint
Delta ESG Consensus Meeting

9 Economic Issues

- Corporate Governance
- Code of Conduct
- Risk Management
- Customer Relationship Management
- Innovative Products and Services
- Brand Management
- Supplier Sustainability Management
- Information Security Management
- Taxation

9 Environmental Issues

- Climate Strategy
- Net-Zero Commitment and Carbon Management
- Circular Economy
- Energy Management
- Green Products
- Water Resource Management
- Waste Management
- Air Pollution Management
- Biodiversity

6 Social Issues

- Diversity and Inclusion
- Social Engagement
- Occupational Safety and Health
- Talent Development
- Talent Attraction and Retention
- Human Rights and Labor Relations

Step 3

Survey the Level of Concern

Delta used an online survey to collect information on the level of stakeholder interest in sustainability issues and recovered a total of 1,288 valid questionnaires including 465 from employees, 20 from investors, 21 from the media, 102 from customers, 263 from suppliers, and 417 from the community.

1,288 valid questionnaires

Step 4

Analyze the Impact on Operations

We focused on the 5 major factors including revenue growth, environmental sustainability, customer satisfaction, best employer, and financial impact (increased expenditures and impairment or discarding of assets) and evaluated the impact of sustainability issues on operations. A total of 97 global executives related to sustainability participated in the evaluation.

97 global executives related to sustainability participated

Step 5

Assess the Impact on Sustainability Development

In response to the impact on the economy, environment, and people/human rights, we have adopted the methodology in GRI 3 Material Topics and added the significance assessment of "an impact on sustainable development". We used the methodology of the Value Balancing Alliance (VBA) for assessing economic, environmental, and social impact, the "Impact-Weighted Accounts" research program of Harvard Business School, and the London Benchmarking Group (LBG) Model for measuring impact to determine the importance of topics based on the significance of their impact. We defined 12 positive impacts and 5 negative impacts and determined the significance of the impact of sustainability issues.

17 impacts

Step 6

Confirm Material Issues

Delta's internal ESG team, external experts, and senior executives reviewed the material issues based on the results of the survey on the level of concern, the analysis of the impact on operations, and assessment of the impact of sustainable development before confirming 17 material sustainable issues and producing the materiality matrix. Other issues were regarded as Delta's potential sustainability issues which also play critical roles in the operations of Delta. We shall continue to disclose the effectiveness of our execution in the ESG Report.

17 material sustainable issues

Delta's Sustainability Impact Assessment

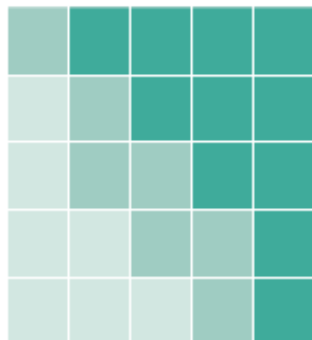
17 Impacts

Impact	Positive	Negative
Economy	4	1
Environment	2	2
People/ Human Rights	6	2

Source of Impact

- Value Balancing Alliance (VBA)
- "Impact-Weighted Accounts" Research Program of Harvard Business School
- London Benchmarking Group (LBG) Model
- Delta's Definitions

Likelihood



Severity = 1+2+3

- 1 Scale
- 2 Scope
- 3 Irremediability

12 Significant Impacts

- + Industrial Technology Development
- + Create Upstream Revenue
- + Social Welfare Supported by Taxation
- + Increased Investor Financial Capital
- + Environmental Benefits of Products
- + Restoration of Important Habitats
- + Provide Reasonable Employee Compensation
- + Participation in International Initiatives
- + Increased Employee Engagement
- Greenhouse Gas Emissions
- Consumption of Resources
- Negative Impact on Human Rights

+ Positive Impact - Negative Impact

Extremely high

- Corporate Governance
- Net-Zero Commitment and Carbon Management

High

- Brand Management
- Customer Relationship Management
- Climate Strategy
- Green Products
- Code of Conduct
- Innovative Products and Services
- Energy Management
- Occupational Safety and Health
- Talent Attraction and Retention
- Human Rights and Labor Relations
- Supplier Sustainability Management
- Risk Management
- Circular Economy
- Air Pollution Management
- Talent Development

Significant

- Taxation
- Water Resource Management
- Waste Management
- Biodiversity
- Social Engagement

Stage 03 | Confirmation

Step 7

Review Disclosed Contents

The 17 material sustainable issues that were identified and be reported to the Board of Directors and matched with the specific topics of the GRI Standards. The information disclosure boundary of Delta's value chain (supply chain management, operations, products, society) is then graphed based on these topics and used as the basis for reporting.

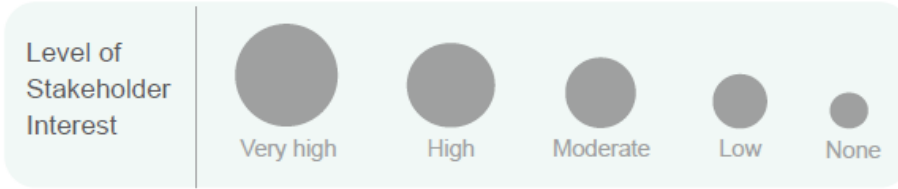
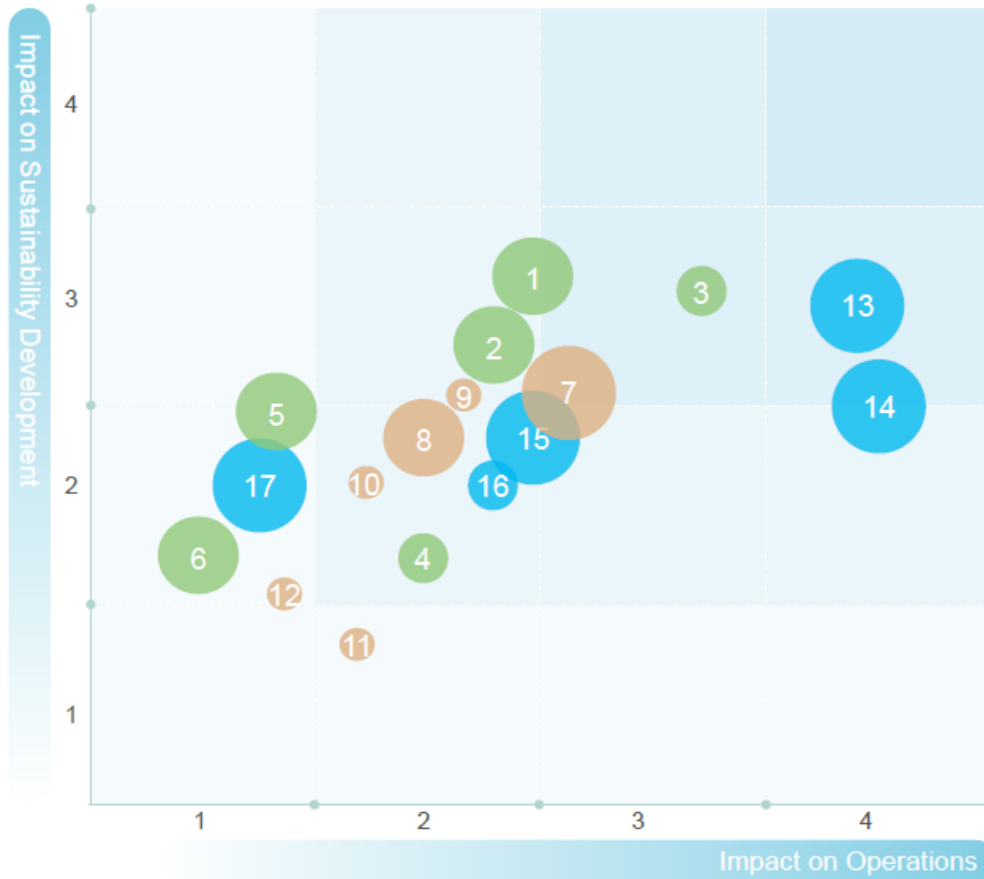
18 GRI topics

Step 8

Formulate Long-Term Sustainability Goals

We formulated 3 major long-term goals based on the material issues to help Delta respond to the expectations of stakeholders in the implementation of sustainability plans and use them as the basis for internal performance evaluations on achievement status. We clearly defined the important meanings, strategies, management approaches, long-term goals, and significance of each material sustainability issue. We follow up on the degree of completion of annual targets and the effectiveness of execution for flexible adjustments of the Delta's sustainable management. Delta also discloses the effectiveness of other potential sustainability issues of the current year in the ESG Report.

3 major axes of long-term sustainability goals



Environment

	Impact on Operations of the Organization	Level of Stakeholder Interest	Impact on Sustainability	Rank
1	●	●●	●●●	4
2	●	●●	●●	6
3	●●	●	●●	6
4	●	●	●	10
5		●●	●●	12
6		●●	●	14

Social

7	●	●●●	●●	3
8	●	●●	●●	8
9	●		●●	13
10	●		●●	14
11	●			16
12			●	16

Governance

13	●●●	●●●	●●	1
14	●●●	●●●	●●	2
15	●	●●●	●●	4
16	●	●	●●	9
17		●●●	●●	11

2023 Delta Material Issues

Material Risk or Opportunity	Business Case	Business Impact
Innovative Products and Services	<p>Through the materiality assessment, Innovative Products and Services is identified as having a high level of impact on operations and a great impact on sustainable development. Delta has used our core power electronic technologies as the basis for continuous innovation to create better and more energy-efficient products and solutions for the next generation. Using our power of technological innovation, we are committed to pursuing business growth while achieving sustainable development. More than half of our revenue was generated by newly commercialized and significantly improved products or services, which are highly related to our innovation management. Furthermore, the key to our revenue growth is energy-saving, high-efficiency, or low-carbon products, attracting more customers. We are in a unique position to support the rapid rise of the AI industry with our substantial energy conservation. Therefore, Innovative Products and Services is material to our company's revenue growth and performance.</p>	Revenue
Supplier Sustainability Management	<p>Delta's suppliers include raw materials suppliers, component suppliers, distributors, and outsourced service providers. As our products and services cover power electronics, automation, mobility and infrastructure, and we have operations worldwide, the scale of Delta's supply chain continues to expand. A sustainable supply chain is the key to maintaining the long-term growth of our business and mitigating the future direct financial impact. According to our risk assessment, the domestic and international GHG reduction requirements and carbon tax regulations are impacting our supply chain management and posing a risk to our future financial performance. If suppliers are levied high carbon taxes or fines, the costs will be passed on to Delta resulting in higher material costs. Thus, achieving a green low-carbon supply chain that can help us achieve value chain carbon reduction is the core to the Supplier Sustainability Management.</p>	Risk
Net Zero Commitment and Carbon Management	<p>Delta has combined business operations and sustainable development in line with our business mission. We provide smart and green solutions and products to our clients. As global warming impacts the global economy and climate change, we are committed to reducing GHG emissions and achieving Net Zero by 2050. Through the materiality assessment, Net Zero Commitment and Carbon Management is identified as having the highest level of impact on sustainable development. More than 50 of our existing clients as well as our potential clients set carbon reduction and renewable energy as their supplier requirements. We recognize that we attract our clients by providing climate-related products. About 32% of our revenue was linked to Taxonomy eligible activities in 2023. Thus, achieving our Net Zero Commitment and conducting a good carbon management is critical to our business's revenue generation and performance.</p>	Revenue



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