

 CASE STUDY:

Delta Electronics Inc

The company committed to net zero by 2050, improved its gender diversity on the board from 0% to 25% and set up a zero-placement policy for foreign migrant workers to prevent modern slavery.

Company overview

Delta Electronics, Inc., a Taiwanese electronics manufacturing company, is one of the main global power and thermal management solution providers, and is expanding rapidly in the electric vehicle charging and power solution market. When we first engaged with the company in 2020, it had not yet committed to a longer-term net-zero target. It also had a significant proportion of migrant workers from Southeast Asian countries working in Taiwan and we were concerned about the human rights issue in the foreign migrant workers' recruitment process. Foreign migrant workers are sometimes required to pay large fees or take on debt in exchange for job opportunities in other countries, which is a form of modern slavery. The company also had an all-male board which we were opposed to.

Our engagement

We started engaging with Delta Electronics Inc. on the issues of migrant workers, board gender diversity and long-term climate targets in May 2020. We asked the company to conduct due diligence on indirect labour and the recruitment of direct employees, and how it ensured that workers were not being charged for jobs. We emphasised that the recruitment process for blue-collar workers could pose risks to labour and human rights. We also asked the company to disclose the composition of its migrant workers and asked it to elaborate on the recruitment process such as the involvement of labour agencies; we provided an example from Apple on the zero-tolerance policy for any supplier employee paying fees.

The company had already set science-based targets by 2025 but had yet to commit to a longer-term net-zero target. Its 2025 target aims to reduce carbon intensity by 56.6% from Scope 1 and 2 activities, and increase product power efficiency by 1.6% before 2025 as more than 70% of Scope 3 emissions stem from server power supplies. We were concerned that existing targets

Engagement objectives:

-  **Environmental:**
Net-zero emissions strategy
-  **Social:**
Supply chain human rights
-  **Governance:**
Board gender diversity

Sustainable Development Goals:

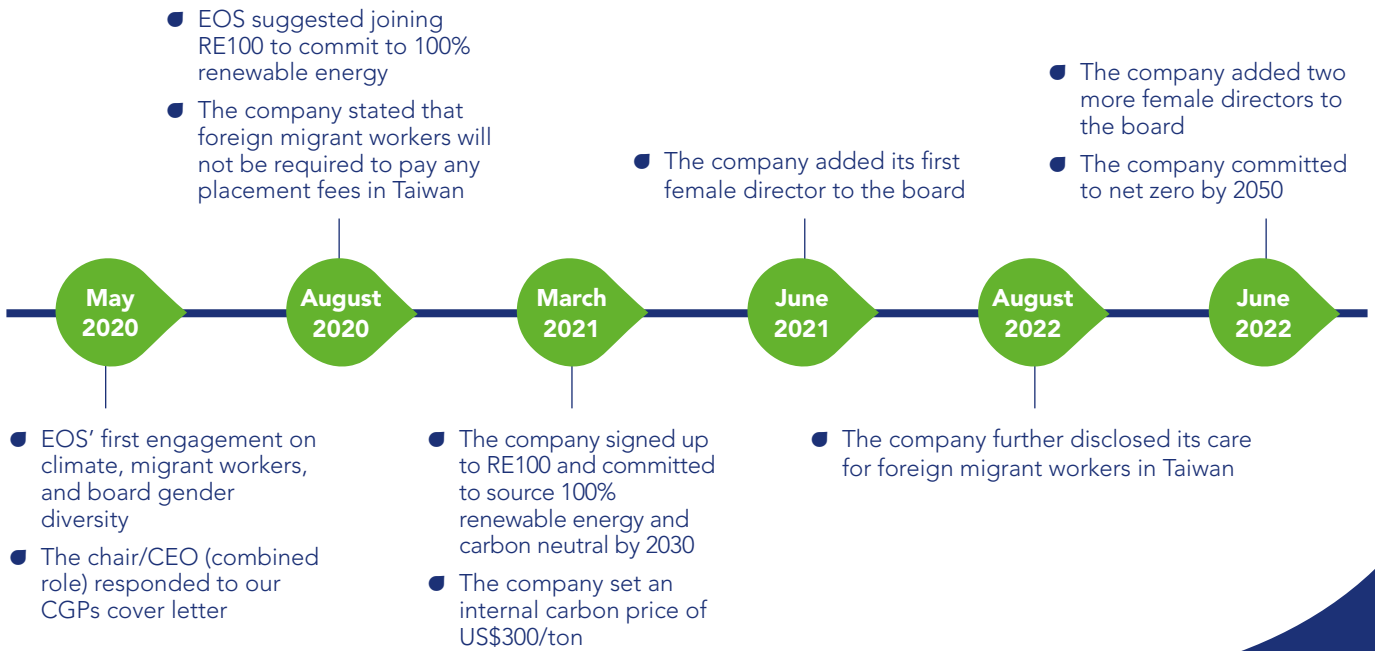


were still not Paris-aligned and that there was a lack of long-term climate targets. We encouraged the company to commit to a long-term net-zero target for its operations and value chain, and asked if there were any obstacles that stopped it from this commitment. We also recommended the company join the RE100 initiative to commit to sourcing 100% renewable electricity. We suggested managing supply chain emissions as part of the Scope 3 emissions reduction targets. We commended the company's ambitious carbon pricing of US\$300 and requested further disclosure on the use of internal carbon funds. We also made several suggestions on the TCFD report to further improve its disclosure.

The company had already set science-based targets by 2025 but had yet to commit to a longer-term net-zero target.

In May 2020, we sent a letter to the chair stating our principles on corporate governance in Taiwan, stressing our concerns about gender diversity on the all-male board. We also asked the company to disclose nominated directors' gender in the proxy materials, even though it is not yet a requirement in Taiwan, to further promote board gender diversity. In 2022, we emphasised that we increased the gender diversity requirement on the board to at least 20%, expecting the company to improve before the next election.

EOS engagement timeline



Changes at the company

After our first engagement, the company stated in its Corporate Social Responsibility report, published in August 2020, that foreign migrant workers in Taiwan are not required to pay fees incurred for agents, passports, visas or transportation. In the next report, published in August 2021, the company further disclosed the care it provides to foreign migrant workers, such as training workers in their own language, providing religious venues or information, and hosting foreign worker forums and social events.

The company subsequently added its first female director to the board in 2021 and a further two female directors in 2022.

On climate, the company thanked us for our suggestion and joined the RE100 initiative in March 2021 by committing to sourcing 100% renewable energy and carbon neutrality by 2030. This June, the company formally announced its commitment to net zero by 2050.


The chair/CEO of the board responded to our letter sent in May 2020. The chair acknowledged the benefits of a diverse board and confirmed that from 2021, the board planned to

include woman candidates. The company subsequently added its first female director to the board in 2021 and a further two female directors in 2022. The gender diversity on the board increased from 0% to 25% since we first engaged on this issue.



Next steps

We will continue to engage with the company on supply chain human rights issues, such as sourcing of cobalt and the risks of connections to forced labour in the supply chain, as well as further improving its disclosure on the use of internal carbon payment funds, TCFD and supply chain emissions reductions.

 This case study has been fact-checked by Delta Electronics Inc to ensure a fair representation of EOS work carried out and changes made at the company.



Judi Tseng
Engagement
EOS



Olivia Lankester
Investment
Global Emerging Markets

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At Delta, we have long addressed climate issues with actual actions for more than a decade. The recent increasing awareness of ESG as well as the engagements with the stakeholders have helped us to confirm that what we've been doing fits the best interests of the globe and society.

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