D-Link Corporation

Internal Carbon Pricing (ICP) Plan

1. Introduction

As global attention to climate change and carbon management increases, Internal Carbon Pricing (ICP) has become an important tool for enterprises to address transition risks and support low-carbon decision-making. To enhance D-Link's climate risk management capabilities and support the achievement of the company's medium- and long-term greenhouse gas (GHG) reduction goals, D-Link plans to introduce ICP as a basis for decision-making in energy efficiency improvements, green electricity procurement, and future renewable energy investments. Given that the company's most feasible near-term decarbonization opportunities currently lie in Scope 2 emissions at headquarters (e.g., lighting upgrades, green power procurement, and the planned installation of solar PV systems in 2030), ICP will first be applied in energy-related contexts. Over time, D-Link will progressively establish a governance mechanism that incorporates carbon costs into major investment evaluations. The adoption of ICP will enhance transparency, internalize climate-related costs, and support alignment with emerging sustainability disclosure frameworks such as IFRS S2 and SBTi.

2. Carbon Reduction Targets

Using 2021 as the base year, D-Link plans to reduce headquarters GHG emissions by 10% by 2026 and by 30% by 2030. The target boundary includes Scope 1 (direct emissions) and Scope 2 (energy indirect emissions).

3. Comparison of Internal Carbon Pricing Types

In line with international frameworks (CDP, World Bank, SBTi) and sustainability assessment requirements, common ICP mechanisms include:

• Shadow Price: A hypothetical carbon cost used for investment evaluation and ROI analysis, without actual cash flow. This is the most widely adopted mechanism globally and is suitable for initial implementation.

• Internal Fee: A fee charged according to departmental emissions, forming a dedicated fund for energy-saving improvements or renewable energy procurement.

• Internal Trading: A simulated carbon-trading mechanism where departments buy and sell emission allowances to create incentives. This system is more complex and typically applied in emissions-intensive sectors.

• Implicit Price: A carbon value derived from the cost and emission-reduction benefits of actual projects, used to evaluate cost-effectiveness and carbon performance.

4. ICP Type and Pricing

D-Link will adopt a Shadow Price as the ICP mechanism during the initial stage, with a proposed value of NTD 1,500 per tCO_2e. This will be used in cost-benefit analyses for energy efficiency projects, green electricity procurement, and future solar PV investments.

Rationale for selecting a Shadow Price:

• Well-suited for initial adoption, no cash flow required:

Shadow pricing is widely used internationally and has a low implementation threshold. It can be directly applied to investment and financial evaluations, making it ideal for D-Link's first phase of ICP implementation.

• Alignment with D-Link's operational characteristics:

D-Link is not a carbon-intensive manufacturer and faces limited short-term exposure to Taiwan's carbon fee system. However, international disclosure requirements and supply-chain decarbonization expectations will continue to grow. Shadow pricing enables early evaluation of potential transition costs for energy and equipment upgrades.

• Consistency with ICT industry practice:

Shadow or implicit carbon pricing is widely applied in the ICT and consumer electronics sectors to support decisions related to energy transition, equipment upgrades, and renewable energy procurement. D-Link's adoption of this mechanism aligns with industry mainstream practice.

Pricing basis:

• Taiwan carbon fee policy:

Carbon fee is preliminarily set at NTD 300/tCO_2e, with the Ministry of Environment recommending an increase to NTD 1,200–1,800 after 2030. D-Link's selected NTD 1,500 represents the midpoint of this policy range.

• International benchmarks:

The High-Level Commission on Carbon Pricing recommends USD 50–100/tCO_2e (NTD 1,500–3,000) for alignment with a 1.5°C pathway. D-Link's selected value corresponds to the lower bound of this guidance.

• Adjustment mechanism:

D-Link will periodically review the carbon price in light of Taiwan's carbon fee implementation, global carbon market trends, evolving supply-chain requirements, and progress toward corporate reduction goals.

5. Purpose of ICP Implementation

The objective of ICP implementation is to internalize carbon-related costs into decision-making processes, improving the rigor of investment evaluations and preparing for future climate-related risks. ICP supports:

• Cost-benefit analysis:

Carbon valuation creates a more objective and consistent basis for assessing energy use, equipment upgrades, and emission-reduction initiatives.

• Energy efficiency improvement:

Supports future operations of the ISO 50001 energy management system.

• Low-carbon investment:

Integrates carbon costs into investment reviews, strengthening decision-making for equipment renewal, renewable energy procurement, and major energy efficiency projects.

• Climate-informed decision-making:

Ensures long-term capital expenditures, office improvements, and operational planning incorporate carbon cost.

• Climate risk preparation:

Helps evaluate risks associated with future carbon fee adjustments and supply-chain climate requirements.

• Identification of low-carbon opportunities:

Quantifies emission-reduction benefits to evaluate the cost-effectiveness of different improvement options such as renewable energy or high-efficiency equipment.

• Strategy and financial planning:

Supports quantification for medium- and long-term planning, including SBTi targets and renewable energy strategies.

• Regulatory readiness:

Enhances preparedness for Taiwan’s carbon fee policy, global supply-chain decarbonization, and ESG disclosure requirements.

• Supply-chain decarbonization:

D-Link already requires key suppliers to conduct GHG inventories (ISO 14064). ICP may later be used to support supply-chain collaboration and improvement.

• Support for climate policies and goals:

Helps evaluate the contribution of emission-reduction actions to corporate climate commitments.

• Investment stress testing:

Allows scenario analysis of carbon costs for specific investments, particularly energy-related equipment.

6. Application Examples

Case 1: Air Conditioning Chiller Replacement

D-Link plans to replace the laboratory air-conditioning chiller on the 5th floor in 2026 to improve energy efficiency. Using ICP at NTD 1,500/tCO_2e, estimated benefits include:

• Investment: NTD 1,000,000

• Annual energy savings: 16,243 kWh

• Five-year electricity savings: NTD 369,578

• Annual GHG reduction: 7.7 tCO_2e

• Carbon reduction value: NTD 11,549/year

Emission factor: Taipower 2024 coefficient 0.474 kgCO_2e/kWh; electricity price increase assumed at 5% per year.

Case 2: Green Electricity Procurement

Beginning in 2024, D-Link initiated renewable electricity procurement. Using ICP at NTD 1,500/tCO_2e, estimated annual reductions and carbon-benefit values from 2024 to 2030 are calculated accordingly (full table included in the Word file).

This case illustrates the identification of low-carbon opportunities, alignment with domestic and international climate policy expectations, and support for corporate emission-reduction pathways.

7. Scope of ICP Application

ICP currently applies to Scope 1 and Scope 2 emissions at headquarters to support decision-making for energy use and equipment upgrades. Application to Scope 3 will be evaluated as data maturity and management needs evolve.

8. Future Planning

- Periodic review of carbon pricing
- Gradual expansion of ICP to other operating sites
- Stronger integration with sustainability disclosures such as TCFD/IFRS S2
- Capacity building through training, case studies, and cross-department collaboration