



# ESG Procedure

## Our Vision and Mission

Since its establishment, TSMC has not only strived for the highest achievements in its core business of dedicated IC foundry services, but has also actively developed positive relationships with all stakeholders including employees, shareholders / investors, customers, suppliers / contractors, government / industry associations and society to fulfill its ESG (Environmental, Social and Governance) management and pursue a sustainable future.

Stemming from a desire for a just and good society, TSMC's vision for ESG is to Uplift Society, and the Company sets "Acting with Integrity," "Strengthening Environmental Protection," and "Caring for the Underprivileged" as its three primary missions.

**Acting with Integrity:** TSMC believes in acting ethically, following the law, and balancing the interests of all stakeholders. The Company endeavors to use the experience of developing a sustainable business to drive the industry and supply chain into a positive cycle and to act together with them as an uplifting force in society.

**Strengthening Environmental Protection:** TSMC strives for environmental sustainability, and continues to promote green fabs, green manufacturing, and green supply chains. The Company seeks the most efficient use of energy and resources, and is committed to waste reduction and pollution prevention. TSMC is eager to share its environmental experience and expertise, and aims to collaborate with government and academia to address the challenges of climate change.

**Caring for the Underprivileged:** TSMC believes in equality, justice, and a safe and prosperous society. The Company combines its resources with employee volunteer services to commit money, material, and labor to the two main areas of "education" and "living." TSMC hopes to provide underprivileged students in rural regions with diverse learning opportunities and to offer underprivileged groups necessary aid and emergency relief for the common good of society.

## Guiding Principles

The "ESG Matrix" set by TSMC's Founder, Dr. Morris Chang clearly defines TSMC's ESG scope. Based on the vision of "Uplift Society," TSMC aims to set an example in the seven areas of "Morality, Business Ethics, Economy, Rule of Law, Sustainability, Work-life Balance and Happiness, and Philanthropy." The Company achieves by taking action in: Integrity, Law Compliance, Anticorruption, Anti-bribery, and Anti-cronyism, Environmental Protection, Climate Control, and Energy Conservation, Corporate Governance, Providing Well-paying Jobs, Good Shareholder Return, Employees' Work-life Balance, Encouraging Innovation, Providing a Good Work Environment, and engaging with the public through the TSMC Charity Foundation and the TSMC Education and Culture Foundation.

## TSMC ESG Matrix

TSMC \ Society	Morality	Business Ethics	Economy	Rule of Law	Sustainability	Work / Life Balance Happiness	Philanthropy
Integrity	✓	✓					
Law Compliance				✓			
Anti-Corruption, Anti-Bribery, Anti-Cronyism	✓	✓		✓			
Environmental Protection, Climate Control, Energy Conservation				✓	✓		
Corporate Governance		✓	✓	✓			
Provide Well-paying Jobs			✓			✓	
Good Shareholder Return			✓				
Employees' Work-life Balance						✓	
Encourage Innovation		✓	✓				
Good Work Environment						✓	
TSMC Charity Foundation					✓	✓	✓
TSMC Education and Culture Foundation					✓	✓	✓

These actions can be divided into the three major dimensions of Governance / Economic, Environmental, and Social:

In the Governance / Economic dimension, Integrity is TSMC's most important core value, and the keystone of its success. The Company obeys the law, oppose corruption, do not bribe, do not engage in cronyism, insist on transparency, value corporate governance, fulfill customers' reasonable requirements, and attend to the rights of its stakeholders. TSMC aspires to raising the morality and business ethics of society by setting an example, encourage innovation in all areas to maintain its vitality, and promote economic development by providing excellent shareholder returns with its outstanding business results.

In the Environmental dimension, TSMC follows regulations, is steadfast in its commitment to environmental sustainability, and strives to be a world-class company in environmental protection. As a leader in green manufacturing, TSMC stays abreast of global trends in net zero emissions, water positivity, climate change and biodiversity. In addition to taking the lead in adopting environmentally friendly measures and continuously improving energy management, circular resources and pollution prevention, the Company works with its upstream and downstream partners to build a green supply chain, and is eager to share its environmental know-how and experience. TSMC collaborates with others to build a sustainable future for the next generation.

In the Social dimension, TSMC provides good jobs with compensation above the industry average, and works to provide a healthy and safe workspace that supports diversity, equity and inclusion, as well as a challenging and fun work environment with continuous learning. The Company actively promotes work-life balance. At the same time, TSMC combines the Company's resources with its colleagues' passion to support public activities in youth empowerment, rural education, ecology, energy conservation, art education, arts and culture, and community development through volunteer services of the TSMC Education and Culture Foundation and TSMC Charity Foundation.

## **Management**

In compliance with the vision and missions of TSMC's ESG Policy and in response to the United Nations Sustainable Development Goals (SDGs), the ESG Steering Committee serves as the highest-level ESG decision-making center within the Company. TSMC's Chairman chairs the ESG Steering Committee, and the Chairperson of the ESG Committee serves as Executive Secretary. Together with senior executives from a wide variety of functions, they survey the Company's core operating capabilities, set the medium- to long-term strategic direction for ESG, and draft the blueprint to link the Company's core competencies with the UN SDGs.

The Company's ESG Committee serves as the communication platform that integrates and brings together different departments. The ESG Committee Chairperson is appointed by the Chairman from among Company executives. The ESG Department is responsible for working with management representatives from across organizations to identify topics relevant to TSMC's operations of concern to stakeholders, assembles task forces to formulate strategies, targets, and action plans, and convenes quarterly meetings to track progress and performance, compile ESG budgets for each organization, coordinate resources, plan and carry out the annual plans, and track progress to ensure that ESG strategies are fully fulfilled in the daily operations of TSMC. At the same time, the Chairperson of the ESG Committee reports quarterly to the Board of Directors on implementation results and the work planned in the future. All employees follow TSMC's ESG Policy, carry out ESG-related duties in their daily work, and voluntarily participate in the Company's various ESG activities.

Functions related to ESG include Business Development, Customer Service, Environment, Safety and Health, Finance, Human Resources, Information Technology and Information Security, Investor Relations, Legal, Materials Management, Operations, Public Relations, Quality and Reliability, Research and Development, Risk Management, the TSMC Education and Culture Foundation, the TSMC Charity Foundation. These functions are responsible for issues of interest to employees, shareholders / investors, customers, suppliers / contractors, government / industry associations, society, and other stakeholders and effectively implementing the Company's ESG management.

Through close collaboration between organizations, TSMC effectively communicates its ESG Policy, vision, and mission, and systematically implements them in the Company's daily operations. Each ESG issue in the Governance / Economic, Environmental, and Social dimensions have clearly identified owners in the ESG Committee, who are responsible for appropriate communication and response to global and social trends, the Company's current situation, and the needs of stakeholders.

## Responsibilities of ESG Steering Committee and ESG Committee Members

Committee Members	Responsibilities	Stakeholders
Business Development	Shaping an energy-efficient technology roadmap; building alliance with customers to foster smarter and greener product innovations; establishing and promoting TSMC as a responsible technology thought leader, and sharing its experiences and achievements	Employees Customers Society <sup>Note</sup>
Customer Service	Customers' service and satisfaction, customer trust, customer confidentiality, Responsible Business Alliance and its code of conduct	Customers Government / Industry Associations
Environment, Safety and Health	Environmental policy and management system, climate change mitigation and adaption, pollution prevention, energy consumption efficiency, carbon emissions and carbon rights management, product environmental responsibility, response mechanism for environmental issues, environmental spending, green supply chain, policy and management systems for occupational health and safety, workplace health and safety, occupational disease prevention and health promotion, communication of ESH regulations	Employees Shareholders / Investors Customers Suppliers / Contractors Government / Industry Associations Society
Finance	Financial disclosure, dividend policy, tax strategy	Employees Shareholders / Investors Customers Suppliers / Contractors Government / Industry Associations
Human Resources	Diversity and inclusion, talent attraction and retention, talent development	Employees Government / Industry Associations Society
Information Technology and Information Security	Information security	Employees Shareholders / Investors Customers Suppliers / Contractors Government / Industry Associations Society
Investor Relations	Resolving issues of stakeholder concern, establishing trusting long-term relationships, effective two-way communication, annual report production	Shareholders / Investors
Legal	Corporate governance, code of conduct, legal compliance (including fair competition, privacy and personal information, and protection for whistle-blowers), intellectual property, protection of confidential information	Employees Government / Industry Associations Society <sup>note</sup>
Materials Management	Materials and supply chain risk management, supplier management, conflict minerals, Responsible Business Alliance and its code of conduct, circular resources	Shareholders / Investors Customers Suppliers / Contractors Government / Industry Associations
Operations	Operational eco-efficiency, pollution prevention, water positivity and risk management, green manufacturing	Customers Shareholders / Investors Suppliers / Contractors

Public Relations	Stakeholder engagement, mechanism for reflecting issues of social concern, media relations	Society
Quality and Reliability	Product quality and reliability, product recall mechanism	Customers Suppliers / Contractors
Research and Development	Innovation management, green products	Employees Customers Suppliers / Contractors Government / Industry Associations
Risk Management	Risk management, crisis management, emergency response and action plan	Employees Shareholders / Investors Customers Suppliers / Contractors
TSMC Education and Culture Foundation	Cultivate young generation, promote educational collaboration, promote arts and culture	Society
TSMC Charity Foundation	Empower education, care for the elderly, protect the Environment	Society

Note: Society includes community, non-governmental organizations, non-profit organizations and the public.



C.C. Wei  
Chairman and CEO  
June 2024