

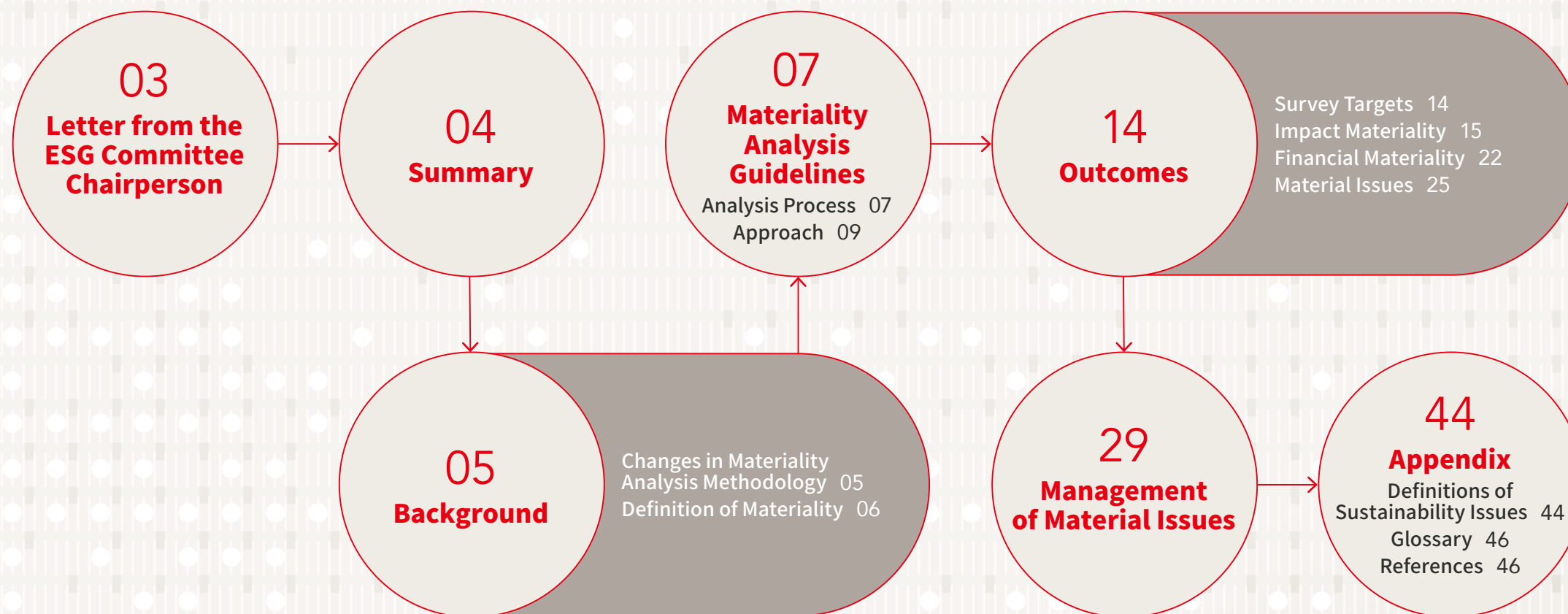
2025 TSMC

Materiality Analysis Report





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Letter from the ESG Committee Chairperson

As the trend of global sustainability disclosure accelerates and stakeholder demand for transparency grows, materiality analysis is now a critical foundation for corporate sustainability management. According to the Reporting Matters report published by the World Business Council for Sustainable Development (WBCSD) in 2025, the share of companies adopting double materiality analysis increased from 55% in 2023 to 83% in 2025. This reflects a growing global consensus on double materiality and indicates that companies are systematically identifying sustainability issues through three dimensions — Impacts, Risks and Opportunities (IRO) — to assess their effects on the external environment, stakeholders, and business operations. Materiality analysis has therefore evolved from a reporting function into a tool that supports risk management, strategic planning, and long-term value identification.

Since 2023, TSMC has based its sustainability governance on double materiality, applying both impact materiality and financial materiality through the IRO framework. The Company developed the TSMC Dynamic & Double Materiality (TDDM) methodology to identify material issues and serve as a guide for shaping sustainability strategy, setting long-term goals, and driving actions. This report is TSMC's third materiality analysis report. It aligns with the European Sustainability Reporting Standards (ESRS), specifically ESRS 1 double materiality requirements, and connects with the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). The report further deepens the two core dimensions of impact materiality and financial materiality, translating external sustainability impacts into quantifiable and manageable information while strengthening the link between sustainability risks and opportunities and TSMC's financial performance to maximize methodological integrity.

In 2025, TSMC engaged 1,834 internal managers, employees, and external stakeholders in its materiality survey, identifying 15 material issues. "Climate and Energy" ranked first. "Sustainable Supply Chain, Innovation Management, and Circular Resources" tied for second, reflecting TSMC's commitment to leading innovation and working closely with supply chain partners on net-zero transition and resource efficiency. In addition, "Biodiversity" was added as a new material issue this year. Based on its Biodiversity Statement, TSMC plans to advance the coexistence of technology and nature through concrete initiatives such as the Plant-A-Tree Program and the Eco Plus! Ecological Harmony Program.

Materiality analysis not only guides decision-making and resource allocation but also supports the continuity of sustainability management practices. Looking ahead, TSMC continues to build a traceable, comparable, and verifiable management process through systematic analysis grounded in the two principles of data-driven approaches and standardized methodology, putting accountable sustainability governance into practice.

Lora Ho
Senior Vice President and ESG Committee Chairperson



TSMC continues to refine its materiality analysis to identify the importance of each sustainability issue, guiding the direction of its sustainability management.

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Summary

Each year, TSMC applies the TSMC Dynamic and Double Materiality (TDDM) methodology to identify and analyze material issues based on assessment objectives, establishing a structured two-year assessment cycle. In the first year, TSMC focuses on the core principles of Double Materiality through issue collection, surveys, and analysis to define material sustainability issues. In the following year, guided by the principles of Dynamic Materiality, TSMC reviews changes in material issues, examines causal relationships among those issues, and assesses the connections between material issues and action plans to ensure effective outcomes.

In 2025, the Company further refined the TDDM methodology in line with GRI 3: Material Topics 2021 under the Global Reporting Initiative (GRI) Universal Standards 2021 and the European Sustainability Reporting Standards (ESRS) published by European Financial Reporting Advisory Group, while incorporating

material information analysis results from the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards S1 and S2. Through the identification of Impacts, Risks, and Opportunities, TSMC assessed the actual and potential positive and negative impacts of its operations and value chain on the economy, environment, and people/human rights from an inside-out impact materiality perspective, while applying an outside-in financial materiality perspective to evaluate the risks and opportunities that sustainability issues present to the Company's operations and development, elevating the effectiveness of sustainability management.

In identifying sustainability issues, TSMC considered international sustainability standards and trends, its own sustainability goals, and stakeholder perspectives to establish 138 related topics. Following feedback from employees and senior leaders across all

organizations, TSMC consolidated these into 22 sustainability issues as the basis for the materiality assessment. The 2025 assessment identified no new issues compared to the previous cycle. In the survey and analysis phase, the Company evaluated impact materiality and financial materiality through the TDDM methodology. For impact materiality, TSMC conducted two surveys: Stakeholder Concerns and Impact on Sustainability. The Stakeholder Concerns survey covered 1,468 internal and external stakeholders, while the sustainability impacts assessment integrated monetized sustainability impact evaluation results and a non-monetized impact assessment involving 52 core sustainability managers and employees. For financial materiality, TSMC analyzed the Impact on Operations survey—completed by 314 managers and employees—and a sustainability-related risks and opportunities assessment incorporating materiality findings

from IFRS Sustainability Disclosure Standards S1 and S2, identifying 15 material issues.

Based on the 2025 assessment, Biodiversity was added as a material topic. Among the top five ranked issues, Climate and Energy ranked first, followed by Sustainable Supply Chain, Innovation Management, and Circular Resources tied for second, and Water Stewardship and Product Quality tied for third. Compared with the previous assessment, Circular Resources, Water Stewardship, and Product Quality entered the top five for the first time.

After the ESG Committee confirmed the materiality analysis results, TSMC reported them to the Board of Directors. The Company, through the two core governance platforms of the ESG Steering Committee and ESG Committee, collaborated with the Corporate Sustainability Office and business organizations to integrate ESG strategies into daily operations.



TSMC practices sustainable governance within its core business of dedicated IC foundry services, creating shared value with stakeholders to realize its original aspiration of 'uplifting society.' ”

Background

Changes in Materiality Analysis Methodology

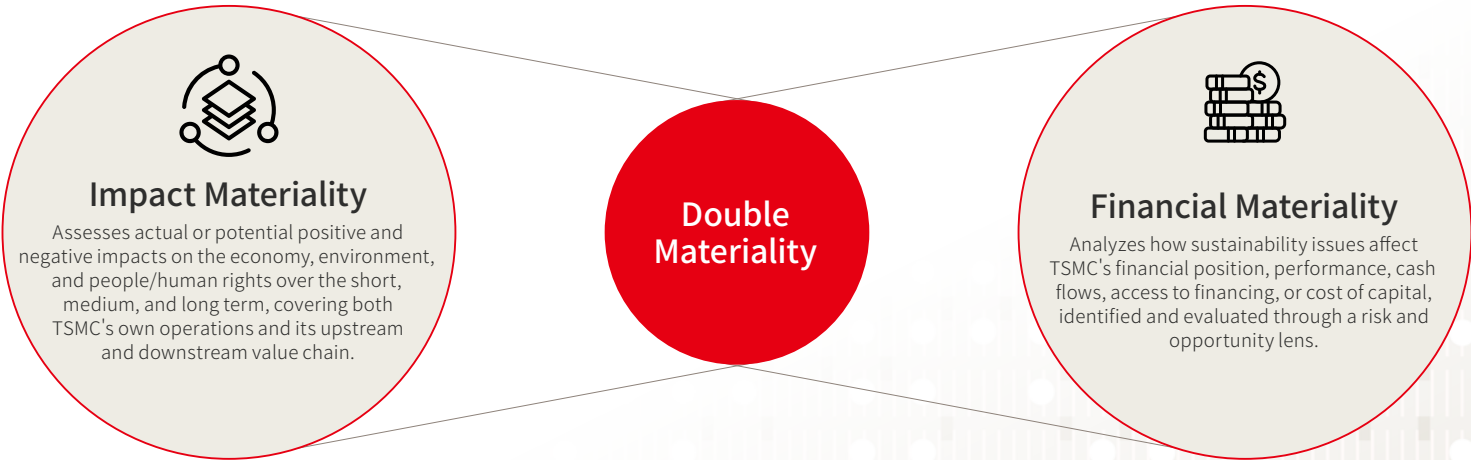
Since 1997, GRI has pioneered the practice of sustainability reporting. Its materiality analysis guidelines have become an essential tool for companies to identify priority issues across environmental, social, and governance/ economic dimensions, it continues to be the most widely adopted reporting standard in the world. With the ongoing development of global sustainability trends, sustainability reporting disclosure frameworks also continue to evolve. GRI, IFRS S1 and S2, and ESRS represent the three primary frameworks companies currently use for materiality analysis. GRI is stakeholder-based and focuses on a company's actual and potential impacts on people and the environment, corresponding to impact materiality. IFRS S1/S2 is shareholder/investor-focused and emphasizes how sustainability-related risks and opportunities affect enterprise value, operational performance, and financial outlook, aligning with financial materiality. ESRS combines stakeholder perspectives with an assessment of how sustainability issues affect a company's financial position, establishing a double materiality framework that covers both impact materiality and financial materiality.

Integrating these three frameworks, TSMC used GRI as the foundation for assessing diverse stakeholder perspectives and impacts on the external economy, environment, and people/ human rights, and combine IFRS S1 and S2 to measure financial impacts, while aligning with the ESRS double materiality principle to complete the 2025 materiality assessment.

Materiality Definitions under GRI, IFRS S1 and S2, and ESRS

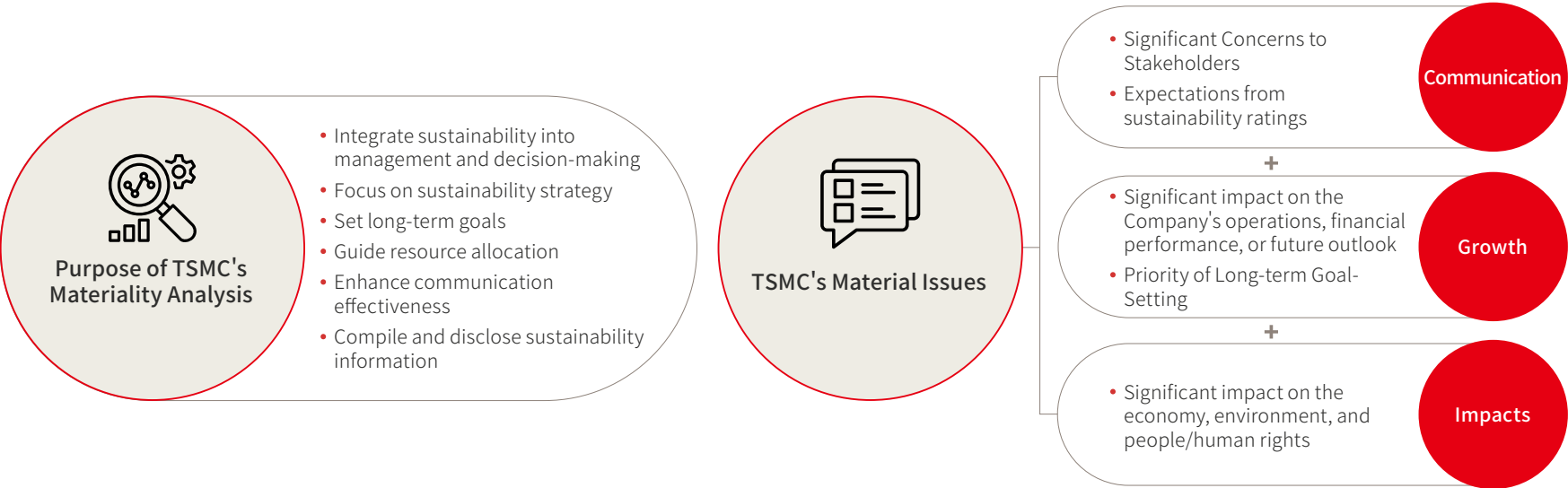
Standard	Definition of Materiality	Focus Dimension		Stakeholders
		Financial Materiality	Impact Materiality	
GRI	Material topics are those that represent significant impacts on the economy, environment, and society, or that could substantially influence stakeholders' assessments and decisions.		■	General stakeholders
ESRS	Materiality comprises both impact materiality and financial materiality, covering information on actual or potential impacts on people and the environment as well as financial information related to sustainability-related risks and opportunities.	●	■	General stakeholders
IFRS S1/S2	Information is considered material if omitting, misstating, or obscuring said information could reasonably be expected to influence decisions made by users of financial reports, including financial statements and sustainability-related financial disclosures, regarding a specific reporting entity.	●		Specific stakeholders – investors

- Inside-out perspective: impacts a company causes or contributes to on people and the environment (impact materiality)
- Outside-in perspective: how sustainability-related risks and opportunities affect a company's financial performance (financial materiality)



Definition of Materiality

TSMC defines material issues as those that are of high concern to key stakeholders and have a substantive and significant impact on the Company's operations, financial performance, and future outlook, require quantifiable long-term goals, and generate significant impacts on the economy, environment, and people/human rights. TSMC's material issues center on establishing long-term goals and, taking into account international sustainability ratings and investor expectations, prioritize the Company's growth, competitive advantage, long-term stakeholder concerns, and external sustainability impacts. Governance dimensions and outcome-oriented issues such as corporate governance, taxation, and financial performance are disclosed regularly in the Sustainability Report but are not prioritized for long-term goal setting.



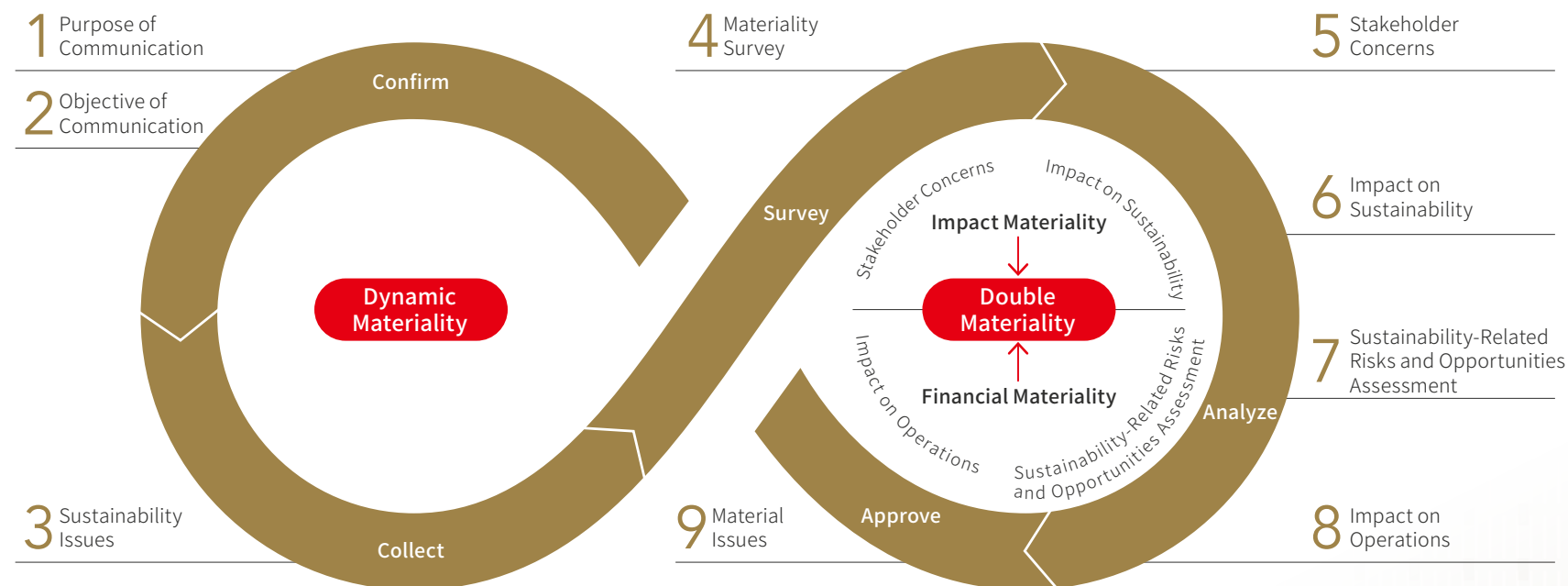
Materiality Analysis Guidelines

Analysis Process

TSMC references the four principles of the AA1000 Accountability Principles (2018) — Inclusivity, Materiality, Responsiveness, and Impact — and uses GRI 3: Material Topics 2021 as the methodological foundation for its materiality analysis. Based on this framework, TSMC established a five-step process — Confirm, Collect, Survey, Analyze, and Approve — to systematically examine sustainability issues, conduct materiality analysis, and calibrate sustainability management strategies and long-term goals.

At the same time, by combining the dynamic materiality concept proposed by the World Economic Forum (WEF) and the ESRS double materiality framework under the EU Corporate Sustainability Reporting Directive (CSRD), TSMC developed the TSMC Dynamic and Double Materiality (TDDM) methodology. This approach integrates sustainability-related risks and opportunities and sustainability impacts under financial materiality, together with stakeholder concerns and impact on operations under impact materiality, forming a dual-dimension analytical framework supported by four surveys to complete the double materiality assessment process.

TSMC Materiality Analysis Process



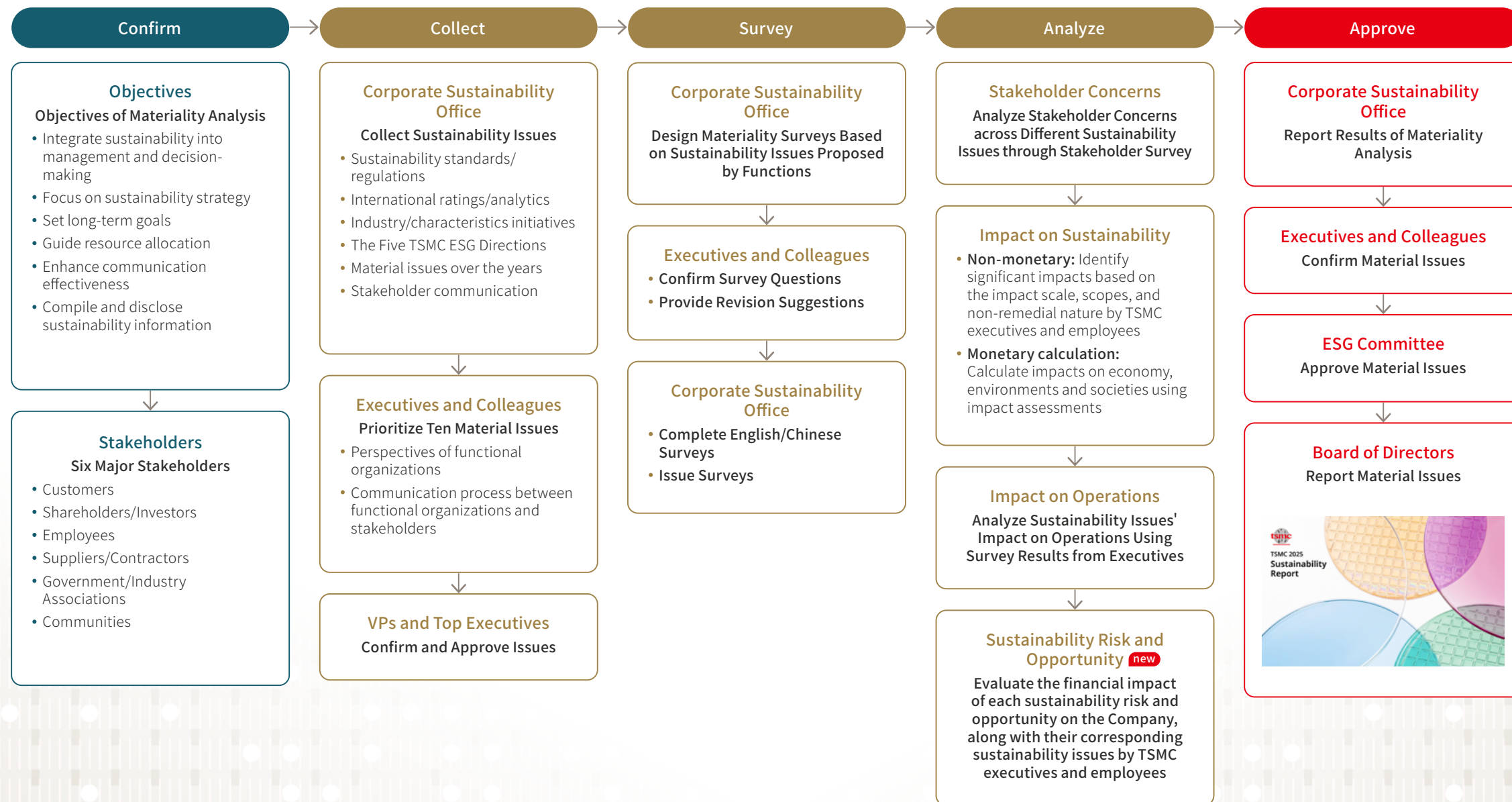
Dynamic Materiality

Refers to sustainability issues that are not material in the past or at present but may become material in the future. Its core focus is monitoring changes in stakeholder concerns regarding sustainability issues and understanding how emerging sustainability trends affect company operations and may drive substantive change.

Double Materiality

Combines opportunities and risks to assess the financial impact of sustainability issues on the Company's development, performance, and industry position, while also considering the impacts of company operations on the economy, environment, and people/human rights. The analysis is based on the dual foundations of financial materiality and impact materiality.

Analysis Process



Approach

Dynamic Materiality

Confirmation Stage

Following the AA1000 Stakeholder Engagement Standard, TSMC defines six key stakeholder groups — employees, shareholders/investors, customers, suppliers/contractors, government/industry associations, and communities — as the core stakeholders for sustainability engagement. Through a mix of regular and ad hoc, proactive and responsive engagement channels, TSMC monitors changes in stakeholder concerns regarding sustainability issues and adjusts its sustainability priorities, accordingly, ensuring strategies and actions remain aligned with stakeholder needs.

Collection Stage

TSMC reviewed the sustainability context, integrating international sustainability standards and frameworks, global ratings and assessments, industry and thematic initiatives, TSMC's five ESG directions, historical material issues, and stakeholder engagement outcomes to identify and define 138 sustainability topics.

In 2025, coordinated by the Corporate Sustainability Office, 159 ESG managers and representatives across 18 core sustainability business units and fabs participated in the survey. Based on their day-to-day business experience and stakeholder interactions, participants identified their top 10 sustainability topics. Following review and confirmation by each unit's direct-reporting vice president or senior management, the Corporate Sustainability Office consolidated the results from all units into 22 sustainability issues —comprising six governance, five economic, five environmental, and six social aspects— to form the basis for the materiality assessment.

TSMC ESG issue Collection Sources



GRI Sustainability Reporting Standards

Sustainability Accounting Standards Board (SASB)- Semiconductor Industry Indicators

Task Force on Climate-related Financial Disclosures (TCFD)

Taskforce on Nature-related Financial Disclosures (TNFD)

World Economic Forum International Business Council (WEF IBC)-Stakeholder Capitalism Metrics

European Sustainability Reporting Standards (ESRS)

International Financial Reporting Standards (IFRS)- Sustainability Disclosure Standards S1/S2



Dow Jones Best-in-Class (DJBIC)

FTSE4Good Index Series

MSCI ESG Index

Carbon Disclosure Project (CDP)- Climate Change and Water Security



Responsible Business Alliance (RBA)

UN Global Compact

RE100

UN Sustainable Development Goals (SDGs)

UN Guiding Principles on Business and Human Rights (UNGPs)



TSMC Sustainability Issues

Governance

6

Issues

- Corporate Governance
- Enterprise Risk Management
- Financial Performance
- Code of Ethics and Business Conduct
- Taxation
- Information Security

Economy

5

Issues

- Innovation Management
- Product Quality
- Intelligent Manufacturing and Production
- Customer Relations
- Sustainable Supply Chain

Environment

5

Issues

- Climate and Energy
- Water Stewardship
- Circular Resources
- Air Pollution Control
- Biodiversity

Society

6

Issues

- Business and Human Rights
- Inclusive Workplace
- Talent Attraction and Retention
- Talent Development
- Occupational Safety and Health
- Social Impact



Double Materiality

Survey and Analysis Stage

Building on the concept of double materiality, TSMC designed four questionnaires to conduct the materiality survey. For impact materiality, the Stakeholder Concerns Survey captures the level of concern internal and external stakeholders place on each sustainability issue, enabling TSMC to monitor shifts in external expectations, while the Impact on Sustainability Survey assesses the impacts the Company causes or contributes to on the external economy, environment, and people/human rights. Regarding financial materiality, the Impact on Operations Survey and the Sustainability-Related Risks and Opportunities Assessment evaluate how sustainability issues and related initiatives affect company operations, as well as the financial impacts of sustainability-related risks and opportunities. In terms of survey participation, the Stakeholder Concerns Survey targets both internal and external stakeholders, while the remaining three surveys are completed by managers and employees involved in or driving sustainability-related work.



TSMC follows the concept of double materiality to conduct the materiality survey.



Purpose

Measure the level of concern stakeholders place on each sustainability issue.

Survey Participants

SMC prioritizes stakeholders based on three key characteristics — **engagement frequency, influence, and level of concern** — and distributes the materiality assessment questionnaires based on stakeholder lists provided by each business unit.

- **Engagement Frequency**
Degree of communication with TSMC, including proactive engagement and long-term partnerships
- **Influence**
Stakeholders with a significant impact on TSMC's operations or recognized as opinion leaders in their stakeholder groups
- **Level of Concern**
Degree of familiarity with and attention to TSMC

Method

Adopt a five-point scale — **Highly concerned, Concerned, Neutral, Slightly concerned, and Not concerned** — and rank results based on average scores. To reflect feedback from each stakeholder group, TSMC calculates averages separately by stakeholder category to balance differences in sample size.

Purpose

Assess the degree of impact that company operations have on the external economy, environment, and people/human rights.

Survey Participants

Managers and employees involved in or responsible for sustainability-related work.

Method

TSMC uses monetized and non-monetized assessments in parallel as the basis for ranking and prioritizing sustainability issues.

- **Monetized Assessment**
Use Environmental Profit & Loss (EP&L) and sustainability impact valuation results to monetize the positive and negative external impacts of TSMC's operations, identifying material sustainability issues.
- **Non-monetized Assessment**
Draw on impact indicators from Harvard Business School's Impact-Weighted Accounts (IWA) and the Value Balancing Alliance (VBA), combined with TSMC's sustainability context, to design a questionnaire for managers and employees responsible for sustainability work. Participants identify and rank significant impacts and key issues, considering both positive and negative impacts, based on **scale, scope, irremediability, and likelihood**.



Purpose

Assess the degree to which each sustainability issue impacts company operations from an operational and financial perspective.

Survey Participants

Senior vice Presidents, vice presidents, senior fab directors, division directors, and managers at all levels and employees.

Method

A 5-point scale ranging from **Very significant, Significant, Neutral, Slightly significant, to Not significant**, analyzing the impact of each issue across four factors — **innovation capability, customer satisfaction, employee engagement, and social trust** — with issues ranked by average score.

Purpose

Identify sustainability-related risks and opportunities connected to company operations, based on its enterprise risk management system.

Survey Participants

Managers and employees involved in or responsible for sustainability-related work.

Design

TSMC applies quantitative and qualitative assessments to identify risks and opportunities with significant financial impact on the Company and their corresponding sustainability issues.

- **Quantitative Assessment**
Analyze the value chain stages where sustainability-related risks and opportunities may arise, and apply a 5-point scale to evaluate **impact severity and likelihood**, identifying material sustainability risks and opportunities.
- **Qualitative Assessment**
Evaluate the current management status of sustainability risks and opportunities, their alignment with corporate strategies and business goals, regulatory requirements, and stakeholder expectations, serving as a mechanism for determining whether an issue constitutes a material sustainability risk or opportunity.

Approval Stage

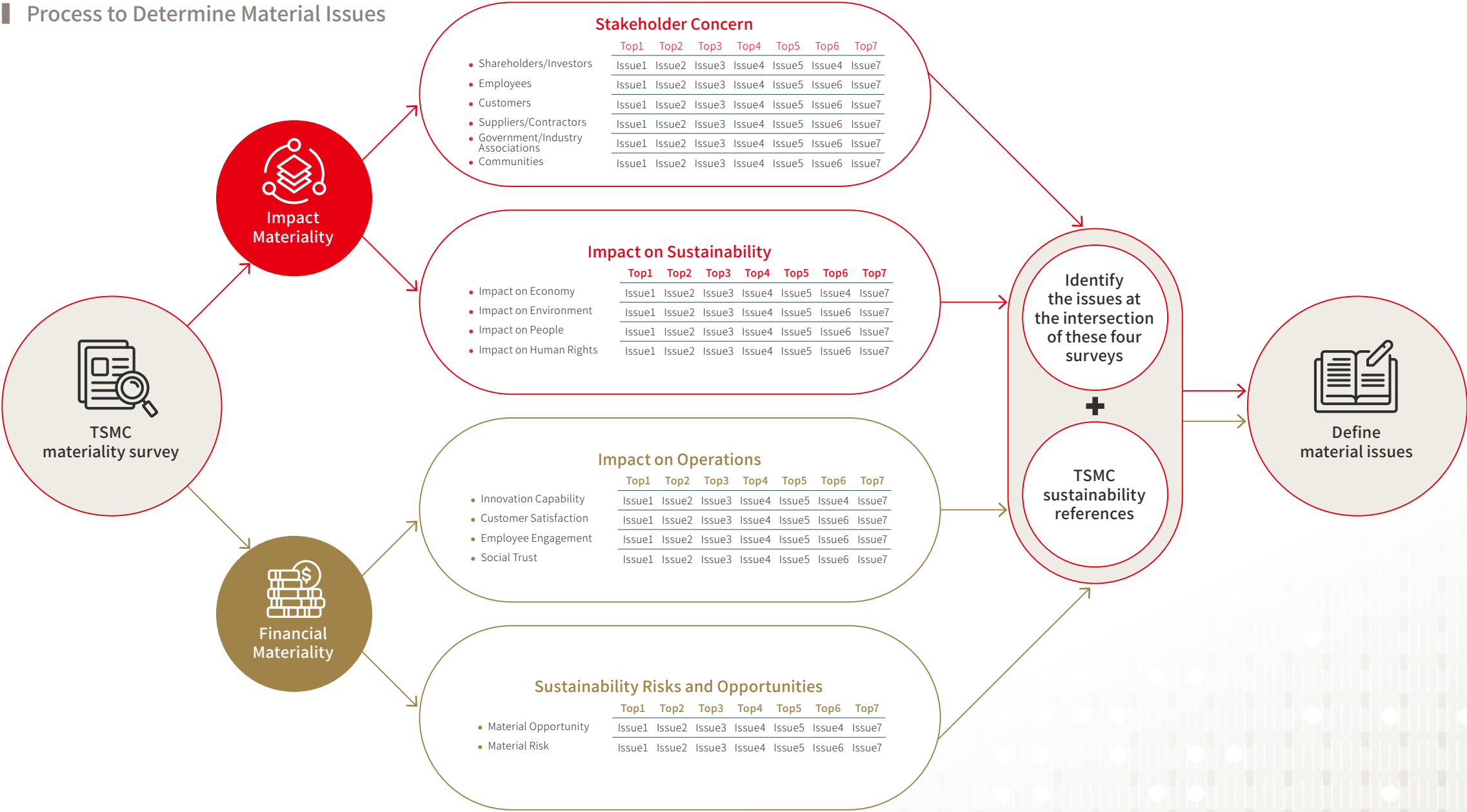
TSMC consolidated analysis results across four categories — Stakeholder Concerns, Impact on Sustainability, Impact on Operations, and Sustainability-related Risks and Opportunities. For each category, the top one-third of sustainability issues by ranking were selected, prioritizing those appearing across all four categories. TSMC then incorporated its five ESG directions, long-term sustainability goals, key sustainability rating requirements, and external advisor recommendations to finalize its material issues, which were submitted to the ESG Committee and reported to the Board of Directors.

For each material issue, TSMC identified the impact boundaries across the upstream value chain, its own operations, and the downstream value chain, and collected relevant information, data, and management approaches in accordance with GRI Standards as the basis for Sustainability Report disclosure.



TSMC uses material issues as the foundation for disclosure in its Sustainability Report.

Process to Determine Material Issues



Outcomes

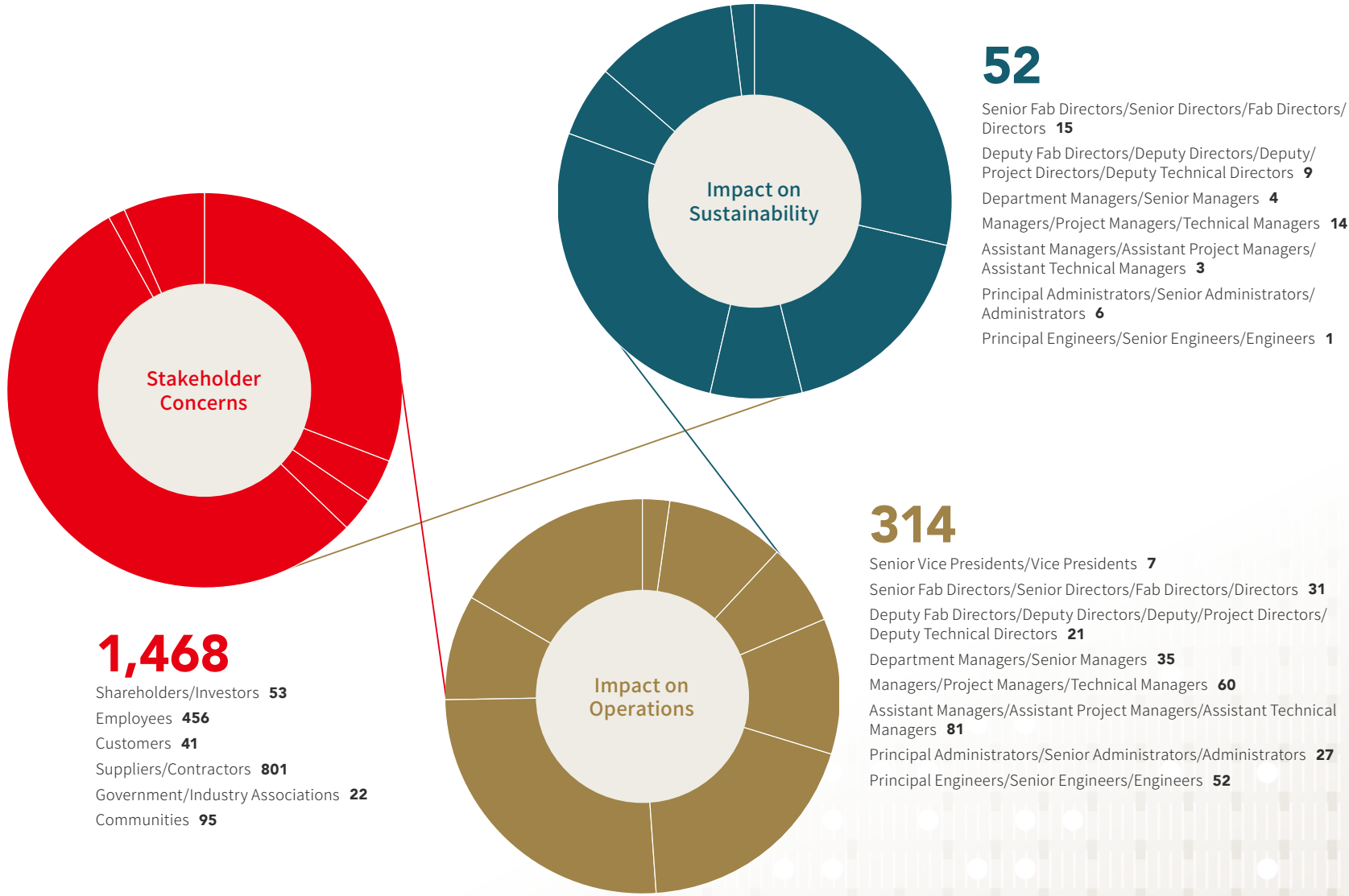
Survey Targets

Based on the concepts of dynamic and double materiality, TSMC designed four questionnaires and in 2025 invited 1,834 internal and external stakeholders, managers, and employees to participate. The Stakeholder Concerns questionnaire received 1,468 responses — 456 from employees, 53 from shareholders/investors, 41 from customers, 801 from suppliers/contractors, 22 from government/industry associations, and 95 from community groups. The Impact on Operations and Impact on Sustainability questionnaires engaged 366 employees, including 314 TSMC managers. In addition, a sustainability-related risks and opportunities survey was introduced that year in response to the adoption of IFRS Sustainability Disclosure Standards, enhancing compatibility between the materiality analysis and international sustainability frameworks.



TSMC continues to enhance compatibility between the materiality analysis and international sustainability framework.

Targets of TSMC's Materiality Analysis Investigation



Impact Materiality

Stakeholder Concerns

Based on feedback from 1,468 internal and external stakeholders, TSMC analyzed and ranked the average level of concern among stakeholder groups toward each sustainability issue. Results identified Intelligent Manufacturing and Production, Sustainable Supply Chain, Information Security, Product Quality, Business and Human Rights, and Occupational Safety and Health as the top-priority issues.

On the economic dimension, stakeholder expectations for Intelligent Manufacturing and Production focus on applying AI and big data to strengthen ESG performance — covering green manufacturing, occupational safety, and trade secret protection — as well as intelligent precision manufacturing. For Sustainable Supply Chain, focus areas include integrating ESG issues into supplier performance evaluation, risk assessment and audits, low-carbon supply chains, supplier consultation and empowerment, upgrade of local supply chains, supply chain human rights management, and sustainable raw materials. Information Security centers on proprietary information protection, and management of information and physical security. Product Quality covers product yield, quality culture and continuous improvement, and innovative testing methods for quality and reliability. These issues are of common concern to all stakeholders.

On the social dimensions, Business and Human Rights reflects stakeholders' strong emphasis on human rights issues, covering human rights statements and commitments, grievance channels and communication, human rights due diligence in the value chain, workplace human rights surveys, and living wage. Occupational Safety and Health focuses on construction site safety management, workplace health protection, contractor safety and health management, workplace safety culture/occupational safety and health education and promotion, fab earthquake disaster prevention, and occupational disabling injury (injury investigation). Both issues are of primary concern to shareholders/investors, customers, suppliers/contractors, and employees.

Priority of Stakeholder Concerns



Intelligent Manufacturing and Production, Sustainable Supply Chain, Information Security, Product Quality, Business and Human Rights, and Occupational Safety and Health are identified as the top-priorities among stakeholders.



TSMC analyzes and ranks the average level of concern among stakeholder groups toward each sustainability issue.



Stakeholder Concerns in Sustainability Issues



Note: The bars signify stakeholder concerns in the sustainability issue. The length of the bar represents the level of concerns, i.e., the longer the bar, the more concerned stakeholders are. Level of concern is ranked by a weighted average. The five-point scale ranges from Very Concerned (4), Concerned (3), Average (2), and Slightly Concerned (1) to Not Concerned (0)



Impact on Sustainability

Impact Evaluation - Non-monetary Method

TSMC's Impact on Sustainability assessment is based on economic, environmental, and social impact evaluation methodologies developed by Harvard Business School's IWA, VBA, and the London Benchmarking Group, combined with TSMC's own sustainability oversight. It was used to identify 21 external sustainability impacts related to the Company. The assessment further integrates the impact evaluation approach from GRI 3: Material Topics and the external impact matrix from the UNDP Business and Human Rights in Asia program, establishing a systematic impact assessment process. In 2025, 52 managers and employees participated in the assessment, identifying 12 significant impacts that TSMC causes or contributes to — seven positive and five negative.

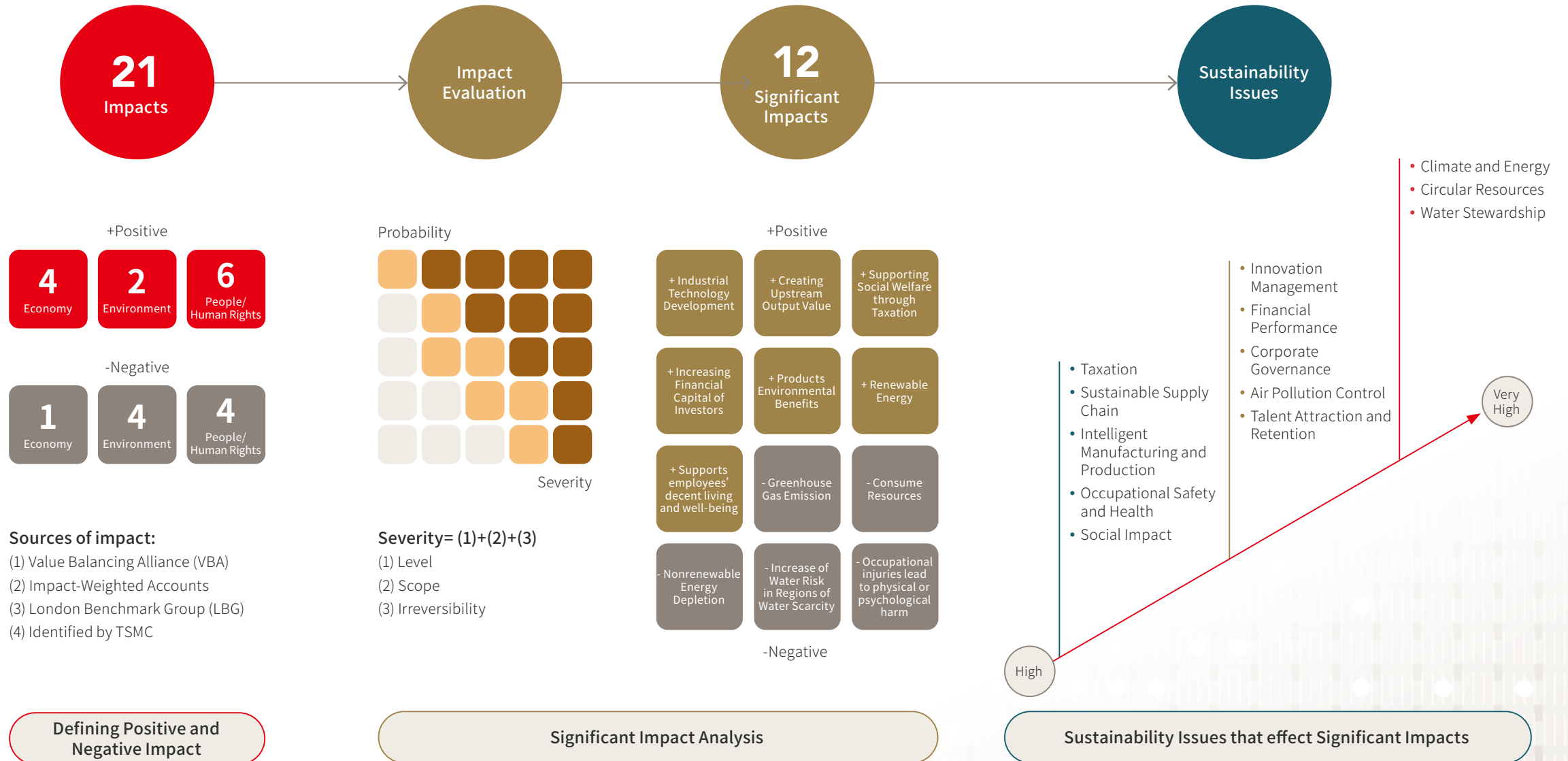
The highest-ranked positive impact is "TSMC's product and technology R&D and innovation contribute to the development and application of industrial technologies," primarily linked to Innovation Management, Talent Recruitment and Retention, and Intelligent Manufacturing and Production issues. TSMC's ongoing investment in technology R&D and innovation, combined with intelligent manufacturing and production to improve operational efficiency and product quality, drives progress in semiconductor technology while helping customers advance high-performance computing and product applications. This positive impact pathway enhances TSMC's strengths in innovation management and intelligent manufacturing while reinforcing talent attraction and retention, amplifying its positive influence on industry and society.

The highest-ranked negative impact is "the social cost of carbon from greenhouse gas emissions," linked to the Climate and Energy and Air Pollution Control issues. This negative impact stems primarily from greenhouse gas emissions generated during semiconductor manufacturing and supply chain activities, as well as environmental impacts from energy and resource consumption. To mitigate this impact, TSMC advances a low-carbon transition strategy, works with its supply chain to build a low-carbon supply system, and promotes renewable energy procurement to lower carbon-related social costs.



Integrating its own sustainability oversight, TSMC identifies external sustainability impacts that are relevant to the Company.

Impact Evaluation Process - Non-monetary



Impact Evaluation - Monetary Method

To assess the social and environmental impacts of its operations, TSMC adopts the Impact Measurement and Valuation (IMV) management framework. Following methodologies from authoritative international organizations, the Company utilizes Impact Pathways to analyze the causal relationships between a wide range of operational activities and their effects on society and the environment. These impacts are converted into monetary equivalents in NTD, assigning management value that is compatible with financial statements. TSMC leverages the IMV framework to gain a deeper understanding of the positive and negative impacts of its operations on human well-being, while embedding Impact Thinking into strategic decision-making, resource allocation, and innovative design. This facilitates a business model transition from "profit generation" toward "creating shared value." For further details, please refer to the [TSMC Sustainability Impact Valuation Report](#).

TSMC establishes its foundation for impact management based on the principles of significance threshold determination. According to the 2025 impact measurement and valuation results, the positive significant impacts created by TSMC include: semiconductor supply chain production value and employment opportunities driven by the upstream procurement stage; Gross Value Added (GVA) for stakeholders during its own operations; the payment of decent living wages to employees; and environmental benefits resulting from product energy efficiency during the customer use stage. Conversely, negative significant impacts are concentrated in the environmental dimension, primarily involving greenhouse gas (GHG) emissions from production operations and the social costs derived from the supply chain's environmental footprint. Furthermore, due to its irreversibility, a contractor occupational fatality that occurred in 2025 was also defined as a significant impact.

Principles of Significance Threshold Determination



Thresholds
Generated over NT\$100 billion in monetary value for stakeholders.

Impact Factors
Research and Development, Compensation and Benefits, Taxation, Cash Dividends, Depreciation of Tangible Assets



Thresholds
Direct/indirect external costs or benefits exceeding NT\$50 billion, with global impact lasting over ten years.

Impact Factors
Procurement-driven supply chain production value and employment opportunities, Supply chain environmental footprint (GHG and air pollutant emissions), Operational GHG emissions, Energy-efficient product design



Thresholds
Permanent damage to people, environment, or society (e.g., occupational fatalities) that is irreversible via technology, funding, or natural recovery.

Impact Factors
Contractor occupational accidents



TSMC establishes the foundation for impact management based on the principles for determining the threshold of significance.



TSMC's Sustainability Impact Pathways



Material Issue	Input/Output	IRIS	Outcome	Impact	Valuation	Impact Stakeholders
Sustainable Supply Chain	Payment to Suppliers for Procurement	PI5478	Procurement demand driving industry supply and demand relationships	Supply Chain Output Value Driven by TSMC	+ ●●●●●●●●	🏢
			Procurement demand creating supply chain job opportunities	Supply Chain Employee Compensation	+ ●●●●●●○○	👤
			Risks of forced labor resulting in loss of freedom and risks to physical and mental health for workers	Risk of Human Rights Violations-Forced Labor	- ●●○○○○○○	👤
			Risks of child labor resulting in loss of access to quality education and future income	Risk of Human Rights Violations-Employment of Child Labor	- ●○○○○○○○	👤
			Social cost of carbon derived from supply chain GHG emissions	GHG Emissions from the Supply Chain	- ●●●●○○○○	🌱
			Health and ecosystem losses caused by Supply Chain air pollution emissions	Air Pollution Emissions from the Supply Chain	- ●●●●○○○○	🌱
	Assisting suppliers in energy-saving	OI6697	Avoid social cost of carbon derived from mitigated GHG emissions	Energy-saving Consultation for the Supply Chain	+ ●●●○○○○○	🌱
	Assisting suppliers in water-saving	OI4015	Avoid health and ecosystem losses resulting from water resource scarcity	Water-saving Consultation for the Supply Chain	+ ●●○○○○○○	🌱
	Assisting suppliers in waste reduction	OI7920	Avoid social cost of carbon, health, and ecosystem losses from waste disposal reduction	Waste Reduction Consultation for the Supply Chain	+ ●●○○○○○○	🌱
Finance Performance / Innovation Management / Taxation	Net Revenue	FP6510	Bringing returns to investors and fostering economic growth momentum	Net Revenue	+ ●●●●●●●●	🏢
	Depreciation	FP9573	Changes in fixed assets generate revenue for suppliers	Depreciation	+ ●●●●●●○○	🏢
	Amortization	-	Knowledge-based intangible assets help in the development and application of industry technology	Amortization	+ ●●●○○○○○	🏢
	R&D Expenses	-	R&D expenses aids in the development and application of industry technology	R&D	+ ●●●●●●○○	🏢
	Tax	FP5261	Supporting government initiatives for infrastructure expansion and social welfare	Taxation	+ ●●●●●●○○	🏢
Climate and Energy	GHG Emissions	OI1479	Social cost of carbon emissions derived from GHG emissions	GHG Emissions from TSMC Operations	- ●●●●●●○○	🌱
	Use of Self-generated Renewable Energy	OI2496	Avoid social cost of carbon derived from GHG emissions	Benefits of Using Renewable Energy	+ ●●●●○○○○	🌱
	Use of Purchased Renewable Energy	OI3324	Avoid social cost of carbon derived from GHG emissions			
	Effectiveness of Energy saving Measures	OI6697	Avoid social cost of carbon derived from GHG emissions	Benefits of Promoting Energy-saving Measures	+ ●●●○○○○○	🌱



Material Issue	Input/Output	IRIS	Outcome	Impact	Valuation	Impact Stakeholders
Water Stewardship	Water Consumption	OI0263	Water resource scarcity leads to health and ecosystem losses	☒ Water Resource Consumption from TSMC Operations	− ●●●○○○○○	🌱
	Use of Reclaimed Water	OI1927	Avoid health and ecosystem losses resulting from water resource scarcity	☒ Benefits of Using Reclaimed Water	+ ●●●○○○○○	🌱
	Water Conservation and Water Resource Recycling and Usage	OI4015	Avoid health and ecosystem losses resulting from water resource scarcity	☒ Benefits of Promoting Water-saving Measures	+ ●●●●○○○○	🌱
	Wastewater Discharge	OI0386	Social cost of carbon, health, and ecosystem losses derived from wastewater disposal	☒ Wastewater Discharge from TSMC Operations	− ●●○○○○○○	🌱
Air Pollution Control	Air Pollution Emissions	−	Health, and ecosystem losses derived from air pollution emissions	☒ Air Pollution Emissions from TSMC Operations	− ●●○○○○○○	🌱
Circular Resources	Waste Disposal	OI6192	Social cost of carbon, health, and ecosystem losses derived from waste disposal	☒ Waste Disposal from TSMC Operations	− ●●●○○○○○	🌱
Talent Attraction and Retention	Employee Compensation and Benefits	OI4724	Enhance well-being and purchasing power through improved quality-of-life-oriented compensation	☑ Compensation Balancing Quality of Life	+ ●●●●●○○○	🏠
	Employee Support Programs	OI2742	Achieve work-life balance through family friendly and life-supportive initiatives	☑ Support for Life and Family	+ ●●●○○○○○	🏠
	Incidents of Workplace Sexual Harassment	OI9077	Cause medical costs and future well-being losses from physical and psychological harm due to sexual harassment	☑ Sexual Harassment	− ●○○○○○○○	🏠
Talent Development	Employee Training and Development	OI7877	Training to enhance skills and employability, leading to increased future earnings	☑ Training Benefits for Employee Future Income	+ ●●●○○○○○	🏠
Inclusive Workplace	Employee Compensation Structure	−	Boost salary growth potential through equal opportunities for women in high-paying positions	☑ Equal Opportunity	+ ●●●○○○○○	🏠
		−	Potential salary compensation costs due to unequal opportunities for women in high-paying positions	☑ Equal Opportunity	− ●●●○○○○○	🏠
Occupational Safety and Health	Employees with Improved Health Management	OI4061	Lifestyle and health improvements through health education	☑ Employee Health Management	+ ●●○○○○○○	🏠
	Employee Occupational Accident	OI3757	Physical and mental impact of workers and healthcare expenditure	☑ Employee Occupational Accidents	− ●○○○○○○○	🏠
		OI6525				
	Contractor Occupational Accident	OI3757 OI6525	Physical and mental impact of workers and healthcare expenditure	☑ Contractor Occupational Accidents	− ●○○○○○○○	🚧
Social Impact	Social Investments	OI1619	Promotion of local community relations and improvement of life quality	☑ Value of Social Investments	+ ●●●○○○○○	👥
Customer Use	Innovation Management	PI7623	Assisting customers in product energy efficiency to avoid and mitigate environmental impacts from GHG emissions	☒ Energy-efficient Product Design	+ ●●●●○○○○	🌱🏠

👥 Society ☒ External employee 🌱 Environment 🏠 Shareholders/Investors 🏠 Suppliers 🏠 Government 🏠 Internal employee 🌱 Customers ☑ Social externalities ☒ Environmental externalities ☒ Gross value added

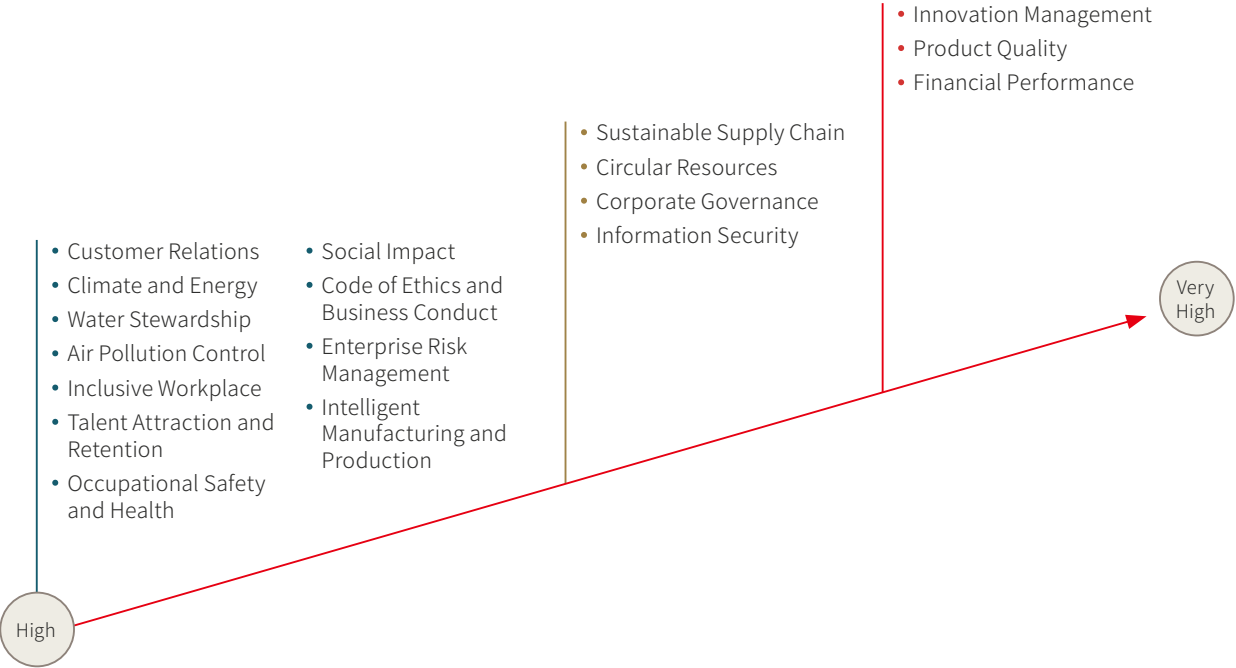
Note: Impact Reporting & Investment Standards (IRIS) is a standardized framework developed by the Global Impact Investing Network (GIIN) for measuring the environmental, social, and economic performance of enterprises. It enhances the comparability of impact investments

Financial Materiality

Impact on Operations

TSMC has defined four factors that impact operations — innovation capability, customer satisfaction, employee engagement, and social trust — and in 2025 invited 314 internal managers and employees to assess the degree to which each sustainability issue impacts company operations. Results identified Financial Performance, Innovation Management, and Product Quality as the most influential issues, with Innovation Management and Product Quality showing the strongest impact on innovation capability and customer satisfaction. Employee engagement is driven primarily by Financial Performance and Occupational Safety and Health — including financial growth, profitable returns for shareholders, cash dividends, construction site safety management, workplace health protection, and contractor safety and health management — while Corporate Governance and Social Impact are closely tied to social trust.

Level of Impact on Operations

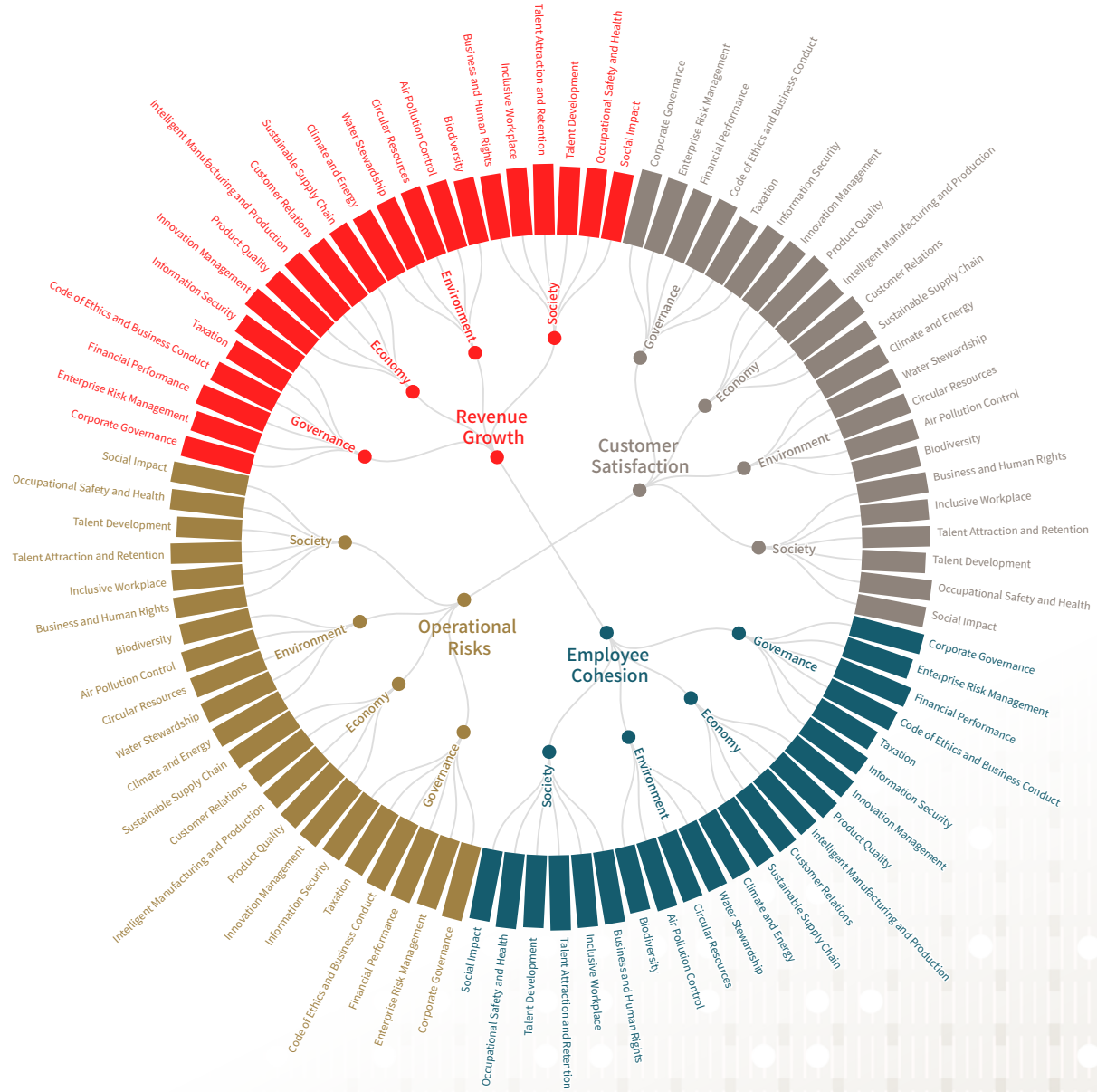


Financial Performance, Innovation Management, and Product Quality have a substantial impact on TSMC.





Sustainability Issues' Impact on Operations



Note: The bars signify the impact level of ESG issues on operations, i.e., the longer the bar, the higher the impact. The impact level is ranked by a weighted average. The five-point scale ranges from Very Significant (4), Significant (3), Average (2), and Slightly Significant (1) to Insignificant (0)

TSMC invites internal managers and colleagues to assess the impact of sustainability issues on the Company's operations.

Sustainability Risks and Opportunities

Integrating findings from the adoption of IFRS Sustainability Disclosure Standards S1 and S2, TSMC assessed the financial impacts of sustainability-related risks and opportunities on revenue, costs, and expenses, linking them to related sustainability issues as the basis for determining financial materiality in the material issue analysis process. Results show that risks and opportunities related to Climate and Energy, Innovation Management, and Sustainable Supply Chain have a substantial impact on TSMC's financial performance. Among these, Climate and Energy has a significant impact on both sustainability-related risks and opportunities, while Innovation Management has a considerable impact on sustainability-related opportunities.

Sustainability Risk and Opportunity Impact Assessment Results



Integrating findings from the adoption of IFRS Sustainability Disclosure Standards S1 and S2, TSMC assessed the financial impacts of sustainability-related risks and opportunities.

Material Issues

Dynamic Materiality

To respond to the dynamic impacts from evolving international sustainability trends and regulatory changes, TSMC applies the TDDM methodology to establish an annual material issue identification and analysis cycle. In the first year, TSMC collects, surveys, and analyzes issues to define material sustainability issues, and presents the results in the Materiality Analysis Report. In the following year, TSMC reviews trends and relationships among those material issues, examining causal linkages to strengthen the connection between material issues and action plans and ensure the effectiveness of sustainability initiatives.

Simultaneously, TSMC adopted the WEF's concept of Dynamic Materiality to monitor stakeholder priorities and conduct in-depth analyses of how various sustainability issues impact operations. This ensures that the Company's sustainability strategies evolve in step with the times. A comparison of stakeholder concern surveys between 2023 and 2025 reveals an upward trend in interest among more than half of the stakeholders across 11 issues, including: Corporate Governance, Taxation, Information Security, Innovation Management, Intelligent Manufacturing and Production, Customer Relations, Sustainable Supply Chain, Business Human Rights, Inclusive Workplace, Talent Attraction and Retention, and Occupational Health and Safety. Regarding shifts in the degree to which sustainability issues impact operations, as TSMC redefined its four operational impact factors in 2025, year-over-year observations are limited to the two consistent factors — customer satisfaction and employee engagement. Results show that Code of Ethics and Business Conduct, Sustainable Supply Chain, Air Pollution Control, and Occupational Safety and Health all show an increasing trend in their impact on both customer satisfaction and employee engagement.

TSMC's Dynamic Materiality

■ Governance ■ Economy ■ Environment ■ Society ▲ Rank up ▼ Rank down – No Change

Stakeholder Concerns						Sustainability Issues	Impact on Operations	
Shareholders/ Investors	Employees	Customers	Suppliers/ Contractors	Government/ Industry Associations	Communities		Customer Satisfaction	Employee Engagement
▼	▲	▲	▲	▼	–	Corporate Governance	▲	▼
–	–	▼	▲	▼	▼	Enterprise Risk Management	▼	▼
▲	▼	▼	–	–	▼	Financial Performance	–	▲
▼	▼	▲	▼	▲	▼	Code of Ethics and Business Conduct	▲	▲
▲	▲	▲	▲	–	–	Taxation	▲	–
▲	▲	–	▲	▼	▲	Information Security	▼	▲
▼	▼	▲	▼	▲	▲	Innovation Management	▼	▲
▼	▼	▲	▼	▼	▲	Product Quality	–	▲
▲	▼	▲	▼	▲	▲	Intelligent Manufacturing and Production	▼	▼
▼	▲	▲	▲	▼	–	Customer Relations	▼	▲
▼	▲	▼	▼	▲	▲	Sustainable Supply Chain	▲	▲
▲	▼	▼	▼	▼	▼	Climate and Energy	▼	▼
▼	▼	▼	▼	▼	▼	Water Stewardship	▲	–
▼	▼	▼	–	▲	▼	Circular Resources	▼	▲
▲	▼	▼	▼	–	▼	Air Pollution Control	▲	▲
▼	▼	▲	▼	▲	▼	Biodiversity	–	–
▲	▼	▲	▲	▲	▼	Business and Human Rights	▼	▼
▼	▲	▼	▲	▲	▲	Inclusive Workplace	▼	▲
▲	▼	–	▲	▲	▲	Talent Attraction and Retention	▼	▼
▲	▼	▼	–	▲	▲	Talent Development	▼	▼
▲	▲	▲	–	▲	–	Occupational Safety and Health	▲	▲
▲	▼	▼	–	▼	▲	Social Impact	▲	▼

Double Materiality

TSMC's materiality analysis considers both financial materiality and impact materiality. On financial materiality, TSMC applies both qualitative and quantitative assessments to evaluate significance. Qualitative analysis identifies Financial Performance, Innovation Management, and Product Quality as having a more marked influence on operational impact, while quantitative results point to Climate and Energy, Innovation Management, and Sustainable Supply Chain as having a greater impact on TSMC's

revenue, costs, and expenses. On impact materiality, results indicate that Climate and Energy, Circular Resources, and Water Stewardship are key issues affecting sustainable development. Across both categories, Climate and Energy plays a central role within the double materiality framework, making it a critical issue in TSMC's sustainability efforts.

TSMC's Double Materiality

■ Governance ■ Economy ■ Environment ■ Society ⊕ Positive ⊖ Negative

Financial Materiality (Impact on Operations - IFRS S1/S2)					Sustainability Issues	Impact Materiality (Monetary and non-monetary results of sustainability impacts)											
Expected Financial Impact	Innovation Capability	Customer Satisfaction	Employee Engagement	Social Trust		Industrial Development ⊕	Upstream Output Value ⊕	Taxation ⊕	Financial Return of Investors ⊕	Product Environmental Benefits ⊕	Renewable Energy ⊕	Supports employees' decent living and well-being ⊕	GHG Emissions ⊖	Resource Consumption ⊖	Natural Resource Scarcity ⊖	Risk of Water Shortage ⊖	Occupational Injury ⊖
		●		●	Corporate Governance			●	●								
		●			Enterprise Risk Management												
	●		●	●	Financial Performance			●	●								
●			●		Code of Ethics and Business Conduct												
					Taxation			●									
●	●	●			Information Security												
●	●	●	●		Innovation Management	●			●								
●	●	●	●		Product Quality												
	●				Intelligent Manufacturing and Production	●											
●		●			Customer Relations												
●	●	●			Sustainable Supply Chain		●										
●				●	Climate and Energy				●	●		●	●				
●				●	Water Stewardship				●	●						●	
●	●			●	Circular Resources				●	●			●	●			
●				●	Air Pollution Control							●	●				
					Biodiversity												
●					Business and Human Rights												
●			●		Inclusive Workplace												
●			●		Talent Attraction and Retention	●					●						
●					Talent Development												
●			●		Occupational Safety and Health			●								●	
				●	Social Impact			●									

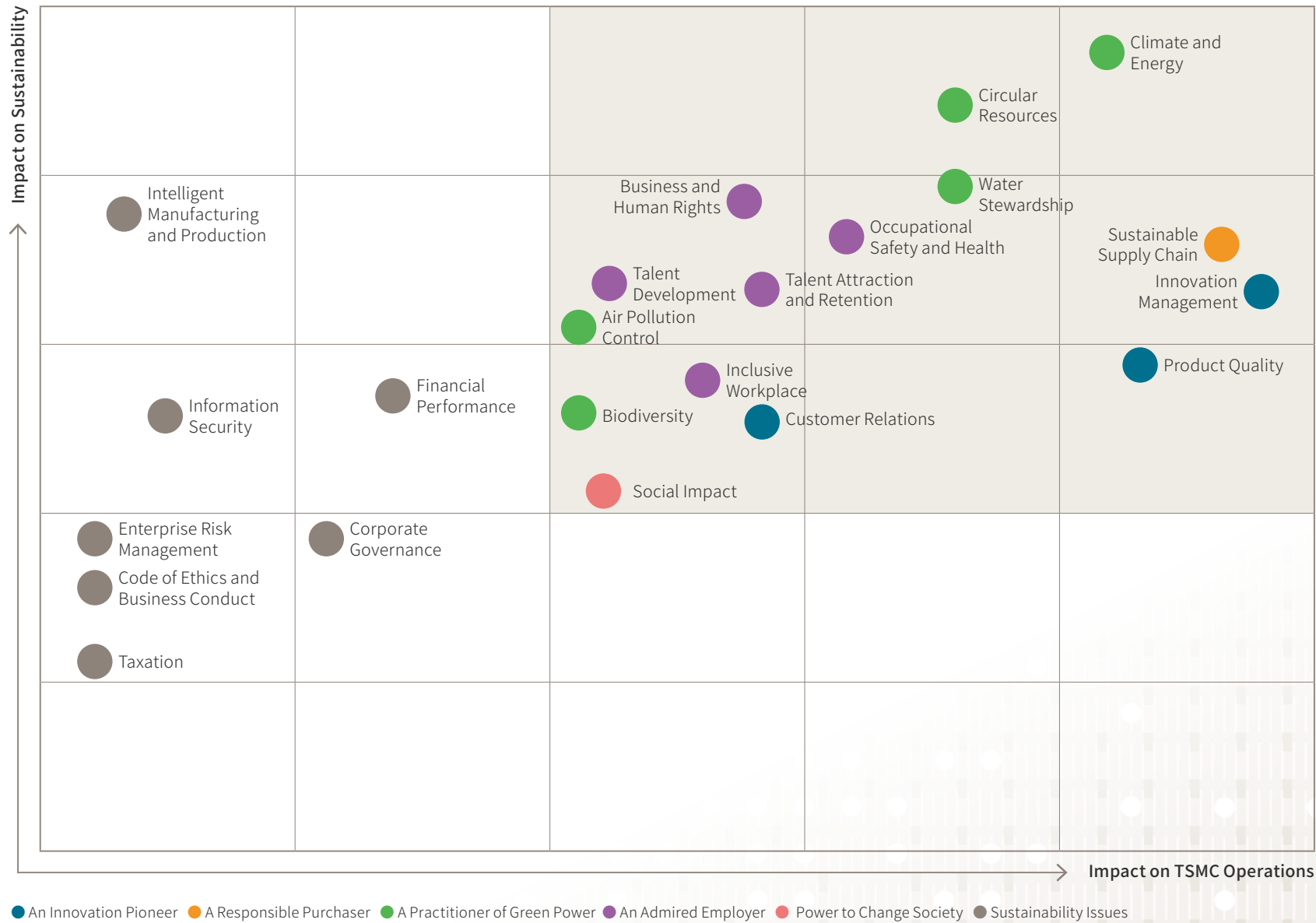


Material Issues

TSMC integrates four questionnaires — Stakeholder Concerns, Impact on Sustainability, Impact on Operations, and Sustainability-related Risks and Opportunities — alongside its five ESG directions, long-term sustainability goals, key sustainability ratings, and external advisor recommendations. TSMC prioritizes sustainability issues based on communication, growth, and impact to determine their relative importance and develops a materiality matrix as a key reference for advancing sustainability management and stakeholder communication. TSMC added biodiversity as a material issue in 2025, and the ESG Committee confirmed a total of 15 material issues, which were subsequently reported to the Board of Directors.

TSMC develops a materiality matrix as a key reference for advancing sustainability management.

TSMC Materiality Matrix



Three Principles for Assessing Material Issues

 Survey

	Communication		Growth				Impacts	
	Significant Concerns to Stakeholders 	Disclosure Requirements from International Ratings/Analytics	Significant Impact to TSMC Operations 	Expected financial impact on TSMC	TSMC Sustainability References	Priority of Setting Long-term Goals	Significant Impact on Sustainable Development-Monetized Evaluation	Significant Impact on Sustainable Development-Non-Monetized Evaluation 
 Governance	Corporate Governance							
	Risk Management							
	Financial Performance							
	Code of Ethics and Business Conduct							
	Taxation							
	Information Security							
 Economy	Innovation Management							
	Product Quality							
	Intelligent Manufacturing and Production							
	Customer Relations							
	Sustainable Supply Chain							
 Environment	Climate and Energy							
	Water Stewardship							
	Circular Resources							
	Air Pollution Control							
	Biodiversity							
	Business and Human Rights							
 Society	Inclusive Workplace							
	Talent Attraction and Retention							
	Talent Development							
	Occupational Safety and Health							
	Social Impact							

Note: Unchecked boxes indicate that the issue has not received high concern from stakeholders or has not reached a significant impact on operations, but it is still a matter of concern for stakeholders and is important to TSMC's operations.



Management Plan for Material Issues

Innovation Management

Commitment

Strengthen R&D capabilities through internal innovation incentive programs and support customers, industry, and academia in advancing cross-disciplinary innovation

2030 Goals

- Maintain TSMC's technology leadership and invest 6% of revenue into R&D expenses annually
- Over 100,000 global patent applications
- Over 1,000,000 trade secret registrations
- Cultivate more than 35,000 undergraduate and graduate students globally through campus programs that deepen industry-academia collaboration between 2021 and 2030
- Introduce STEM workshops for female high school students with over 3,000 participants

Policies/Statements

- ESG Policy/ESG Procedure

Strategies

- Maintain Technology Leadership
- Protect Intellectual Property
- Enhance Industry-Academia Collaboration

Progress Tracking

- Patent Management System
- Trade Secret Management System
- ESG Steering Committee/ESG Committee
- ESG mailbox

Why it Matters

- Innovation is the foundation of TSMC's growth and breakthroughs and a cornerstone of its culture and core values. Sustained innovation enables TSMC to respond to a rapidly evolving industry, maintain resilience and global leadership, and fuel long-term sustainable development
- As a long-term, trusted provider of technology and capacity for the global logic IC industry, TSMC pursues innovation in all dimensions to serve as a long-term partner in customer success and create sustainable value

Impact/Risk/Opportunity

⊕	Innovative sustainable products with low environmental impact
⊕	Strengthen core competitiveness and intellectual property management
⊕	Innovative and exceptional product quality and safety
⊕	Develop low-carbon products/Increase energy efficiency in customer products
⊕	Improve company reputation
⊕	Drive low-carbon manufacturing
※	Products, technology research and development, and innovation, contribute to the advancement and broader application of industry technologies
※	Products and services benefit the environment (e.g., energy conservation, reduced carbon emissions, water conservation, reduced pollution, and recyclability) during the use phase of end products

○ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact

Innovation is the foundation of TSMC's growth and the driving force behind its breakthroughs, enabling customers' product innovation through industry-leading technology.





Product Quality

Commitment

Build a strong quality culture and core capabilities, develop innovative testing methods, and extend them to suppliers to strengthen supply chain quality competitiveness. Support customer product innovation and ensure product quality and safety

Progress Tracking

- ESG Steering Committee/ESG Committee
- Quality Management Certification (ISO 9001、IATF 16949、ANSI/ESD S20.20)
- Hazardous Substance Process Management Certification (QC 080000)
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

TSMC delivers superior product quality to help customers capture market opportunities and develops innovative testing methods to reduce quality risks.



Policies/Statements

- ESG Policy/ESG Procedure
- Quality Policy

Why it Matters

- A culture of continuous quality improvement is key to strengthening TSMC's long-term competitiveness in the industry
- Superior product quality helps customers capture market opportunities, while innovative testing methods reduce quality risks and lower the potential environmental impact of chip re-manufacturing and product scrap
- Through chemical management, TSMC improves its green manufacturing capabilities and ensures the stability and safety of the upstream supply chain and recycled materials. This improves chip quality and drives supply chain partners toward environmentally responsible, safe, and healthy workplaces

Strategies

- Enhance Quality Culture
- Improve Quality Capability
- Enhance Sustainable Chemicals Management
- Realize Quality Application

2030 Goals

- Achieve the annual target for the total number of CIT projects and Involve outstanding projects in Taiwan Continuous Improvement Award (TCIA)
- Develop a cumulative total of 3,000 innovative testing methods for quality and reliability
- 100% of major raw material suppliers obtain ISO 9001 certification
- Develop the capability to analyze 100% of CMR substances in materials with potential risks, and assist suppliers of such materials in developing the same capability
- Replace 100% of NMP used in etching processes
- Eliminate the use of PFASs containing more than four perfluorinated carbons in all processes
- Complete quality and reliability certification for advanced process technologies, specialty process technologies, and wafer-level packaging technologies during the design and development stage based on the Company's technology roadmap
- Zero cases of product recalls by customers due to safety concerns

Impact/Risk/Opportunity

- ⊖ Improper product hazardous substance management
- ⊕ Development of alternatives to hazardous substances in processes and implementation of waste reduction projects
- ⊕ Innovative and excellent product quality and safety

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact

Customer Relations

Commitment

Deliver the best customer experience and earn customer trust through technology leadership, superior quality, and integrated professional services—core values central to TSMC

Policies/Statements

- ESG Policy/ESG Procedure

Why it Matters

- Customer trust and satisfaction are critical to TSMC's growth. TSMC responds promptly to customer needs through high-quality services while protecting customer product information to the highest standards to deliver the best service experience
- Sustainable growth is built on growing together with customers. TSMC views customer competitiveness as its own, building long-term partnerships and creating shared market opportunities

2030 Goals

- Maintain a customer trust and satisfaction rating of over 90%
- Reduce cases of problematic engineering quality to 20% of the level in 2019 for every one million 12-inch wafers shipped
- Provide >1,200 wafer manufacturing and process technologies and >270 advanced packaging technologies in line with the TSMC technology roadmap
- Pass customer product information security audits with no major flaws

Strategies

- React with Precise Response
- Virtual Fab Service

Progress Tracking

- ESG Steering Committee/ESG Committee
- Customer trust and satisfaction survey
- Information Security Audits for Customer Products
- Quarterly Business Review
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Impact/Risk/Opportunity

- ⊖ Leakage of proprietary information and customer data
- ⊕ Strengthen core competitiveness and intellectual property management
- ⊖ Improper use of data may result in the infringement of employees' or customers' privacy rights

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact

TSMC responds promptly to customer needs through high-quality services while serving as a trusted long-term partner to customers.

”





Sustainable Supply Chain

Commitment

Strengthen sustainability risk management and suppliers' sustainability capabilities, and drive a green, low-carbon supply chain to lay the groundwork for net-zero action and build a responsible operating model

Why it Matters

- Supply chain sustainability resilience is key to reducing operational disruption risks. Building on its Supplier Code of Conduct, TSMC strengthens management practices, promotes human rights and workplace inclusion, and enhances supply chain sustainability capabilities
- Advancing sustainability in the semiconductor industry is a key ESG priority for TSMC. To mitigate environmental impact, TSMC develops supply chain decarbonization targets and action plans, guiding suppliers to set goals for energy, water, and waste reduction, and lowering environmental externalities in the industry

Strategies

- Improve Sustainability Risk Management
- Promote Green and Low-carbon Supply Chains

Policies/Statements

- ESG Policy/ESG Procedure
- Supplier Code of Conduct
- Supplier Sustainability Standards
- Sustainable Raw Material Policy
- Statement on Responsible Sourcing of Minerals
- Supplier Material Packaging White Paper Regulations
- Supplier Transportation WhiteBook
- Contractor ESH Bluebook
- Construction Site Safety at TSMC

Progress Tracking

- ESG Steering Committee/ESG Committee
- Sustainability Management Self-Assessment Questionnaire
- Supplier Human Rights Management Tracking Platform
- Supply Chain Conflict-free Minerals Due Diligence
- Carbon reduction follow-up meeting with major emission contributors
- Supply Chain Audits
- CDP Supply Chain Program
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox
- Supply Chain Worker Grievance Channel

2030 Goals

- Achieve an average human rights rating of Grade B (score 85) on the Self-Assessment Questionnaire (SAQ) for tier 1 suppliers
- Increase Taiwan local sourcing - 68% for indirect raw materials and 60% for spare parts
- Increase overseas subsidiaries local sourcing –52.5% for indirect raw materials
- Continue to diversify production plant sites and assess new suppliers; develop 185 multi-source supply solutions
- Ensure a cumulative total of 145 local raw materials suppliers receive consultation on process advancement and quality improvement
- Supplier due diligence on responsible mineral sourcing: 100% of the minerals used are sourced responsibly
- Audit a cumulative total of 30 suppliers (≥ 3 suppliers per year) for due diligence on responsible mineral sourcing
- Reduce supplier carbon emissions by 15% and Ensure 100% of high energy consumption suppliers receive ISO 14064 GHG Emission verification
- Suppliers invited to participate in CDP in the year should achieve an average score of B and a response rate of 100%
- Provide consultation for suppliers and reduce energy consumption by a total of 1,500 GWh, reduce water consumption by a cumulative total of 150 million metric tons, and achieve an average waste recycling rate of 86%
- Require tier 1 suppliers to establish phase-out plans for regulated materials, with a 100% completion rate

Impact/Risk/Opportunity

⊖	TSMC and supply chain lack of compliance in decarbonization efforts
⊖	Violations of health and safety standards by TSMC and supplier/contractor
⊖	Fires at TSMC or supplier/contractor cause material shortages and operational disruptions
⊕	Protecting the human rights of TSMC employees and those of suppliers/contractors
⊕	Establish inclusive and participatory mechanisms for TSMC employees and those of suppliers/contractors
⊕	Enhancing supplier/contractor sustainability
※	Procurement activities drive economic output across the value chain, indirectly creating job opportunities at the same time
⊖	Violations of labor conditions across the supply chain may lead to adverse human rights impacts (e.g., child labor, forced labor, discrimination, harassment, and excessive working hours)

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact



Climate and Energy

Commitment

Adopt a climate-transition model for semiconductor production and supply chain management through improved energy efficiency and expanded renewable energy use, as well as carbon reduction, decarbonization, and net-zero measures to build a low-carbon and shared-value ecosystem, and moving toward net-zero emissions

Policies/Statements

- ESG Policy/ESG Procedure
- Environmental Policy
- Climate Change Statement
- F-GHGs Emissions Reduction Declaration (IEEE 1680.1)

2030 Goals

- 0 days of production interruption due to climate disasters
- Reduce Scope 1 and Scope 2 emissions by 31%, and restore total emissions to 2020 levels
- Reduce Scope 3 emissions by 15%
- 60% of the electricity consumption at all company operational sites comes from renewable energy
- Achieve a cumulative energy-saving rate of 7.5% from new energy-saving measures adopted between 2026 and 2030
- Double energy efficiency after five years of volume production for each process technology

Strategies

- Strengthen Climate Resilience
- Drive Low-carbon Manufacturing
- Use Renewable Energy
- Increase Energy Efficiency

Progress Tracking

- ESG Steering Committee/ESG Committee
- Energy Saving and Carbon Reduction Committee
- Green Manufacturing Department- Energy-saving/Carbon Reduction Center
- Green Building Certificates
- Environmental Profit and Loss (EP&L) valuation
- ISO 14064 GHG Emissions Verification
- ISO 50001 Energy Management System Certification
- ISO 14076 Carbon Footprint Verification
- CDP Climate Change Program
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Why it Matters

- Extreme climate conditions pose significant challenges to manufacturing operations. Driving green manufacturing strengthens climate mitigation and adaptation capabilities, reduces operational and financial risks, and leads the semiconductor industry toward a zero-carbon transition
- As advanced process technologies lead to higher electricity demand, TSMC continues to pursue energy conservation and carbon reduction actions while expanding renewable energy use, steadily progressing toward net-zero emissions

Impact/Risk/Opportunity

⊖	Impact on company reputation	⊕	Drive low-carbon manufacturing
⊖	Renewable energy regulations and procurement	⊕	Increase resilience against natural disasters
⊖	Rising temperatures	⊕	Constructing green facilities to enhance energy efficiency
⊖	Net zero emissions	⊕	Improve company reputation
⊖	TSMC and supply chain lack of compliance in decarbonization efforts	⊕	Improve facility energy efficiency (TSMC operations)
⊖	Uncertainties in the development of new energy saving/carbon reduction technologies	⊕	Develop low-carbon products/Increase energy efficiency in customer products
⊖	Increased electricity consumption from new processes and customer requirements for renewable energy transition	⊖	Consumption of energy and resources, along with pollutant emissions, results in negative impacts on human health and ecosystems
⊖	GHG emissions and carbon taxes/carbon fee control	⊖	Greenhouse gas emissions generate social costs of carbon
⊖	Environmental Impact Assessment (EIA) commitments	※	Use of renewable energy and reclaimed water, as well as resource recycling and reuse, mitigating external environment impacts.
⊕	Receive rewards from the public sector for offsetting carbon		
⊕	Achieving cost savings through green production		
⊕	Innovative sustainable products with low environmental impact	※	Products and services benefit the environment (e.g., energy conservation, reduced carbon emissions, water conservation, reduced pollution, and recyclability) during the use phase of end products
⊕	Participate in renewable energy plans/carbon trading market		

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact



Water Stewardship

Commitment

Expand diverse water sources, develop water reclamation technologies, and increase replacement rates, while improving water efficiency and wastewater treatment performance to achieve Water Positive status

Strategies

- Sustainable Water Stewardship
- Innovative Water Pollution Prevention Technology

2030 Goals

- Global Water Positive achievement rate of > 65%
- Reduce water pollution composite indicator by > 60%

Policies/Statements

- ESG Policy/ESG Procedure
- Environmental Policy
- Water Statement

Progress Tracking

- ESG Steering Committee/ESG Committee
- Emissions Reporting in Compliance with Environmental Protection Laws
- Water Pollution Electronic and Anomaly Follow-up Platform
- Certification from AWS Standards
- WRI Water Risk Atlas
- ISO 14046 Water Footprint Verification
- CDP Water Security Program
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Why it Matters

- Water quality, purity, and supply reliability are critical to chip production. In response to drought and flood risks from extreme weather, TSMC establishes water monitoring systems, reinforces water conservation measures, develops alternative water sources, and expands reclaimed water use to build operational resilience and ensure uninterrupted production
- Water is an essential resource for semiconductor manufacturing. Throughout its global operations, TSMC explores water resource restoration opportunities and collaborates with academic institutions to research innovative water reclaim technologies, working toward Water Positive performance
- Water pollution prevention is a fundamental corporate responsibility. TSMC develops prevention technologies, manages wastewater resources, and applies multilayered controls to achieve zero-failure performance in pollution prevention

Impact/Risk/Opportunity

⊖	Impact on company reputation
⊖	Drought (TSMC operations)
⊖	Environmental Impact Assessment (EIA) commitments
⊕	Improving water recycling and expanding water resource options
⊕	Promote water efficiency and diversification
※	Use of renewable energy and reclaimed water, as well as resource recycling and reuse, mitigating external environment impacts.
※	Products and services benefit the environment (e.g., energy conservation, reduced carbon emissions, water conservation, reduced pollution, and recyclability) during the use phase of end products
⊖	Excessive water withdrawal and consumption in water-stressed regions exacerbates water scarcity and increases water stress
⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact	

TSMC has established water monitoring systems, develops alternative water sources, strengthens water conservation measures, and invests in water resource restoration to advance toward Water Positive.





Circular Resources

Commitment

Apply the principles of minimizing waste, maximizing resource recycling, and optimizing contractor management, while working closely with suppliers to advance sustainable resource practices

Strategies

- Sustainable Resource Management
- Strengthen Audit and Guidance

2030 Goals

- In-house recovery rate $\geq 70\%$
- 99.5% Waste recovery rate
- All waste contractors shall acquire ISO 14001 or other international EHS Management certification
- All waste contractors shall finish building the System of Waste Intelligent Fast Track (S.W.I.F.T.)
- Increase the percentage of "Excellent" and "Good" waste contractor evaluation results to 90%

Policies/Statements

- ESG Policy/ESG Procedure
- Environmental Policy

Progress Tracking

- ESG Steering Committee/ESG Committee
- Green Manufacturing Department- Zero Waste Manufacturing Center
- Waste Production Reporting in Compliance with Environmental Protection Laws
- Waste clean-up vendors audits
- System of Waste Intelligent Fast Track (S.W.I.F.T.)
- UL 2799 Zero Waste to Landfill Validation
- ISO 14001 Environmental Management System Certification
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

TSMC rigorously controls waste at the source, collaborates with suppliers to develop recycling and reuse technologies, builds a positive circular economy.



Why it Matters

- As part of its corporate citizenship responsibilities, TSMC minimizes waste generation at the source and drives waste reduction initiatives for production equipment to mitigate environmental impact
- TSMC recreates value through resource recycling by collaborating with suppliers to develop recycling and reuse technologies. Through its Zero Waste Manufacturing Center and regenerated electronic-grade chemical reuse programs, TSMC advances the circular economy and improves resource efficiency
- To prevent illegal waste disposal, TSMC fulfills its responsibilities for waste transport, treatment, and flow management, and monitors supplier compliance with waste handling and resource recycling requirements to strengthen supply chain risk management and sustainability performance

Impact/Risk/Opportunity

⊖	Environmental Impact Assessment (EIA) commitments
⊕	Committing to waste transformation and circular economy
⊕	Development of alternatives to hazardous substances in processes and implementation of waste reduction projects
※	Use of renewable energy and reclaimed water, as well as resource recycling and reuse, mitigating external environment impacts.
※	Products and services benefit the environment (e.g., energy conservation, reduced carbon emissions, water conservation, reduced pollution, and recyclability) during the use phase of end products
⊖	Consumption of non-renewable materials accelerates the depletion of natural resources and exacerbates resource scarcity
⊖	Consumption of energy and resources, along with pollutant emissions, results in negative impacts on human health and ecosystems
⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact	

Air Pollution Control

Commitment

Adopt best available technologies and improve control equipment performance to minimize air pollution and achieve harmony between operations and the environment

Strategies

- Adopt Best Available Technology
- Strengthen Monitoring by Air Pollution Control Equipment

Progress Tracking

- ESG Steering Committee/ESG Committee
- Environmental Lab
- Electronic Air Pollution/Water Pollution and Anomaly Follow-up Platform
- Emissions Reporting in Compliance with Environmental Protection Laws
- ISO 14001 Environmental Management System Certification
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

TSMC sets forward-looking air pollution control targets ahead of regulatory requirements and takes tangible action to reduce environmental impact. ”

Policies/Statements

- ESG Policy/ESG Procedure
- Environmental Policy

Why it Matters

- Uncontrolled acidic, alkaline, and volatile organic gases in semiconductor processes can cause air pollution. TSMC monitors emissions through environmental laboratories, adopts multi-stage best available technologies including source separation and terminal control treatment, strengthens control equipment performance, and pre-treats process exhaust gases based on their characteristics to comprehensively reduce pollutant emissions
- In response to regulatory trends, TSMC sets forward-looking air pollution control targets ahead of regulatory requirements and takes concrete action to mitigate environmental impact

2030 Goals

- Reduce air pollution composite indicator by >90%
- Reduction rate of volatile organic gases: >99%
- Report <1 abnormal occurrence in air pollution control equipment

Impact/Risk/Opportunity

- ⊙ Air pollutant emissions from TSMC's operations
- ⊙ Environmental Impact Assessment (EIA) commitments
- ⊖ Consumption of energy and resources, along with pollutant emissions, results in negative impacts on human health and ecosystems
- ⊖ Greenhouse gas emissions generate social costs of carbon

⊙ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact



Biodiversity

Commitment

Reduce the environmental impact of operations and value chain, support nature-based and sustainable carbon-negative technologies, and drive reforestation, ecological restoration, and environmental education to achieve No Net Loss (NNL) of nature and biodiversity

Why it Matters

- Recognizing the impact of each value chain stage on natural resources and biodiversity, TSMC works to protect aquatic and terrestrial ecosystems within and beyond its sites, collaborating with stakeholders to advance ecological conservation and preserve biodiversity
- Building on talent development, TSMC supports ecological research and builds databases, drives biodiversity mainstreaming, and advances Nature Positive outcomes

TSMC works to protect aquatic and terrestrial ecosystems and supports ecological research and builds databases to promote the mainstreaming of biodiversity.

Policies/Statements

- ESG Policy/ESG Procedure
- Environmental Policy
- Biodiversity Statement

Strategies

- Achieve No Net Loss (NNL) of nature and biodiversity
- Promote ecological restoration and education

2030 Goals

- Implement on-site and off-site ecological habitat enhancement. Achieve 10% progress toward NNL
- Engage more than 9,000 participants annually in nature and environmental education programs

Progress Tracking

- ESG Steering Committee/ESG Committee
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Impact/Risk/Opportunity

- ⊖ Increasing customer / investor concerns over nature-related issues
- ⊖ Reputational risk at the Environmental Impact Assessment stage due to negative impacts on nature
- ⊖ Reputational risk due to suppliers' negative impacts on nature
- ⊖ International trends are shifting toward low-nature-impact technologies/operations
- ⊕ Nature-positive actions that support ecological restoration and boost brand value
- ⊕ Restoration, protection, or conservation of ecosystems or habitats
- ⊖ Consumption of non-renewable materials accelerates the depletion of natural resources and exacerbates resource scarcity
- ⊖ Consumption of energy and resources, along with pollutant emissions, results in negative impacts on human health and ecosystems

⊖ Risk ⊕ Opportunity ✖ Positive Impact ⊖ Negative Impact



Inclusive Workplace

Commitment

Build an inclusive workplace that unlocks employee potential and enthusiasm, fosters a sense of belonging, and delivers positive value and impact

2030 Goals

- Rank in the top 25% for Inclusive Workplace; the rank is determined by comparing results from the Employee Engagement Survey against the Global High Performance Companies Norm
- Women in management: $\geq 18\%$
- Women account for 30% of all newly-hired fresh graduates technical professionals

Progress Tracking

- ESG Steering Committee/ESG Committee
- Engagement Survey
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox
- Employee Voice Channels

Policies/Statements

- ESG Policy/ESG Procedure
- Global Inclusive Workplace Statement

Strategies

- Establish an Open-Style Management System
- Unleash the Potential of Diverse Talent

Impact/Risk/Opportunity

⊕ Establish inclusive and participatory mechanisms for TSMC employees and those of suppliers/contractors

※ Diversity and inclusive hiring policies promote equal employment opportunities

⊖ Risk ⊕ Opportunity
※ Positive Impact ⊖ Negative Impact

Why it Matters

- An inclusive environment brings diverse perspectives and experiences, unlocks employee potential, and promotes respect, empathy, and collaboration, improving corporate profitability, productivity, and innovation
- A diverse mix of management and employees helps TSMC better understand social and market needs and respond to employee expectations, so that every employee feels valued and can fully contribute, strengthening its competitive advantage
- Providing equal employment and development opportunities, along with the resources employees need to succeed, is key to attracting and retaining talent and a source of competitiveness

TSMC has built an open management model, promotes an inclusive culture, supports talent development, and unlocks employee potential.



Talent Attraction and Retention

Commitment

Cultivate semiconductor talent and build a high-quality, safe, and healthy workplace that helps employees excel and grow alongside the Company

Strategies

- ESG Policy/ESG Procedure

2030 Goals

- Conduct a Core Values Survey every two years and achieve over 95% employee satisfaction with the conduct of Integrity, fulfillment of Commitment, practice of Innovation, and efforts to build Customer Trust
- Conduct an Employee Engagement Survey every two years and develop enhancement plans to achieve a ranking within the top 25% for Sustainable Engagement, as compared to the Willis Towers Watson Global High-Performance Norm
- Maintain position in the top 25% among industry peers in total compensation
- Less than 10% total turnover rate
- Less than 10% new hire (<1 year) turnover rate

Policies/Statements

- Fulfill the Core Value

Progress Tracking

- ESG Steering Committee/ESG Committee
- Core Values Survey
- Employee Engagement Survey
- Salary Survey Reports
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox
- Employee Voice Channels

Why it Matters

- In response to technological evolution and the rise of new generations of talent, TSMC actively cultivates, recruits, and retains talent, strengthens R&D, manufacturing, and service capabilities, supports global expansion, and reinforces its long-term competitive advantage
- Talent forms the foundation of TSMC's success. By providing high-quality job opportunities, competitive compensation, benefits that exceed regulatory requirements, and a safe and healthy working environment, TSMC enhances employee engagement and a sense of belonging, and strengthens its talent base

Impact/Risk/Opportunity

⊕	Talent recruitment and development
※	The payment of fair wages and regular salary increases supports employees' decent living and well-being
※	Products, technology research and development, and innovation, contribute to the advancement and broader application of industry technologies
※	Diversity and inclusive hiring policies promote equal employment opportunities
※	Employee training improves their professional capabilities and competitiveness in the job market
※	The Company's health promotion initiatives support employees in achieving a healthy work-life balance
※	Increase job and employment opportunities to promote social purchasing power
⊖	Violations of labor conditions within the Company may lead to adverse human rights impacts (e.g., forced labor, discrimination, harassment, and excessive working hours)

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact



Talent Development

Commitment

Boost employee motivation for self-directed learning to ensure their skills stay current and build a strong pipeline of future talent

Why it Matters

- Building future workforce capabilities and managing the talent pipeline are key to TSMC's rapid growth. Through diverse learning resources, TSMC helps employees select learning content and methods suited to their needs, improving work performance and enabling growth alongside the Company
- Employee learning not only enhances individual value but also extends beyond the workplace, deepening personal and career development

2030 Goals

- Achieve an average of no less than 100 hours of learning in employees, including 12 hours dedicated to nontechnical skills training
- Fill over 80% of manager positions through internal promotions
- Fill over 50% of vacancies through internal transfers
- 60% completion of the talent pipeline within two years for fab directors/directors

Policies/Statements

- ESG Policy/ESG Procedure

Strategies

- Unleash Employees' Potential and Innovation
- Equip Employees with Future Capabilities

Progress Tracking

- ESG Steering Committee/ESG Committee
- Employee Performance Management
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Impact/Risk/Opportunity

⊕	Talent recruitment and development
※	Employee training improves their professional capabilities and competitiveness in the job market
⊙ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact	



Through competency-based learning modules, varied and flexible learning formats, and training and development programs tailored to each job level, TSMC converts employee potential into proven capability, effectively building its talent pipeline.

Occupational Safety and Health

Commitment

Be dedicated to a people-centric safety culture and work toward zero safety incidents, build an optimal healthy workplace that supports comprehensive employee health management, and collaborate externally to create a safe working environment in the value chain

Policies/Statements

- ESG Policy/ESG Procedure
- Safety and Health Policy
- Construction Site Safety at TSMC

Strategies

- Promote Safety Culture
- Provide Comprehensive Health Management
- Build Internal- External Alliance

TSMC is committed to protecting employee safety and health, promoting physical and mental well-being, and supporting work-life balance.

2030 Goals

- Incident Rate per 1,000 Employees: <0.2
- Disabling Injury Frequency Rate (FR): <0.3
- Disabling Severity Rate (SR): <3
- 0 cases of occupational disorders caused by exposure to chemicals
- Employee self-enrollment in health programs: > 60%
- Sick leave absenteeism rate: ≤ 2%
- Assist all high-risk contractors to obtain ISO 45001 certification for occupational safety and health management system
- Construction site Incident and accident rate per 1,000 workers < 3.2, Construction site occupational accidents frequency < 0.77, and 0 fatal occupational accidents at the construction site

Progress Tracking

- ESG Steering Committee/ESG Committee
- Safety Performance Index, SPI
- TOSHMS certification
- Contractors health management system for high-risk construction groups
- ISO 45001 certification for occupational safety and health management system
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG mailbox

Why it Matters

- Talent is a vital asset for corporate development. TSMC creates a safe and healthy work environment for its workforce, cultivating a top-down safety culture to promote physical and mental well-being
- In response to the challenges of domestic and overseas expansion, TSMC leverages its occupational safety and health standards and experience. By collaborating with business partners, industry, government, academia, and society, the Company builds shared occupational safety and health frameworks to create quality workplace environments

Impact/Risk/Opportunity

- ⊖ Violations of health and safety standards by TSMC and suppliers/contractors
- ⊖ Fires at TSMC or suppliers/contractors cause material shortages and operational disruptions
- ⊖ Occupational injuries affecting TSMC employees or supplier/contractor workers may lead to physical or psychological harm and consumption of medical resources

⊖ Risk ⊕ Opportunity ✖ Positive Impact ⊖ Negative Impact



Business and Human Rights

Commitment

Integrate a people-centric approach, uphold Human Rights Policy commitments, build a workplace that respects human rights, collaborate with supply chain partners to protect worker rights, and eliminate all forms of human rights violations

Policies/Statements

- ESG Policy/ESG Procedure
- Human Rights Policy

Why it Matters

- Human rights protection is central to corporate sustainability. TSMC strictly complies with the local laws and regulations of all its global operating locations and works to prevent and eliminate forced labor, human trafficking, and other forms of modern slavery in its operations and supply chain
- To understand employee needs related to human rights issues, TSMC has established a due diligence management process. Through the three core processes of "Establish Policies and Governance", "Conduct Surveys and Actions", and "Enhance Engagement and Disclosure", TSMC systematically prevents and mitigates adverse human rights impacts, building a fair, inclusive, and mutually respectful workplace

Strategies/2030 Goals

- Recognizing that Business and Human Rights issues involve four key stakeholder groups — employees, suppliers/contractors, customers, and communities — the Company's targets and strategies cover Labor Rights, Environmental Rights, Voice and Participation, Products and Services Liability, and Governance and Security. For full disclosure, please refer to the [TSMC Human Rights Progress Report](#)

Progress Tracking

- ESG Steering Committee/ESG Committee
- Human Rights Due Diligence
- Workplace Human Rights Climate Survey
- Dow Jones Best-in-Class Indices (DJBIC)
- ESG Email

Impact/Risk/Opportunity

- ⊖ Improper management of hazardous substances in products
- ⊕ Protecting the human rights of TSMC employees and those of suppliers/contractors
- ⊖ Improper use of data may result in the infringement of employees' or customers' privacy rights
- ⊖ Violations of labor conditions within the Company may lead to adverse human rights impacts (e.g., forced labor, discrimination, harassment, and excessive working hours)
- ⊖ Violations of labor conditions across the supply chain may lead to adverse human rights impacts (e.g., child labor, forced labor, discrimination, harassment, and excessive working hours)

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact

TSMC is dedicated to cultivating a workplace grounded in respect for human rights and human dignity. The Company establishes prevention and mitigation measures, as well as appropriate remediation processes to strengthen human rights protection.





Social Impact

Commitment

Uphold the belief that what is gained from society should be returned to society, work with cross-sector partners to advance education, arts and culture, rural empowerment, senior care, and environmental conservation, and give back to society while creating shared value

Policies/Statements

- ESG Policy/ESG Procedure

Strategies

- Cultivate Young Generation
- Promote Educational Collaboration
- Promote Arts and Culture
- Empower Education
- Care for the Elderly
- Protect the Environment

Why it Matters

- Arts, culture, and education are essential elements of a diverse society. The TSMC Education and Culture Foundation supports young people and future talent through multiple funding channels and incentive models, partnering with like-minded organizations to drive positive social development
- Bridging the urban-rural divide is key to social stability. The TSMC Charity Foundation integrates corporate resources and employee volunteering, connects government, industry, and academic partners, and strengthens education, healthcare, and environmental awareness to help build a better society

Progress Tracking

- ESG Steering Committee/ESG Committee
- ESG Email

2030 Goals

- Ensure participation in youth competitions and related programs reaches at least 20,000
- Hold ≥ 30 popular semiconductor activities with $\geq 4,000$ participants annually
- Invest $\geq$ NT\$45 million in resources annually
- Continue to cooperate with educational organizations and invest $\geq$ NT\$50 million in resources
- Sponsor ten talented local artists or art groups
- Ensure $\geq 3,000$ participants for Chinese opera activities, and the annual number of beneficiaries for arts and cultural events is $\geq 30,000$ people
- 20,000+ educational volunteer hours every year
- At least NT\$18 million in annual donations to underprivileged people
- Benefit 50,000+ children in rural areas; Benefit individuals 60,000+ times each year via the Cherish Food Project
- Serve seniors living alone 80,000 times each year, and 300,000 meal deliveries via the Network of Compassion
- Reach 22,000 participants through health promotion programs for seniors living alone
- Offer environmental protection-related volunteer services at least 1,200 times each year
- Establish 6 solar power installations annually to provide sustainable support for social welfare institutions, and retrofit LED lighting for 240 elementary schools annually

Impact/Risk/Opportunity

- ※ The payment of taxes and other fees to the government supports public infrastructure development and social welfare
- ※ Increase job and employment opportunities to promote social purchasing power
- ※ Company resources invested in community engagement and public welfare initiatives contribute to improving the environment and quality of life of local communities

⊖ Risk ⊕ Opportunity ※ Positive Impact ⊖ Negative Impact

Guided by its vision to "Uplift Society," TSMC applies its expertise and resources to develop concrete sustainability actions and works with global partners to advance the United Nations Sustainable Development Goals (SDGs).





Appendix

Definitions of Sustainability Issues

Governance-related Issues

Corporate Governance	Regulatory Compliance, Board Diversity Policy (Composition and Election)
Enterprise Risk Management	Trade and Geopolitical Risks, Global Strategy for Market Presence, Business Continuity Planning, Enterprise Risk Management, Global Regulatory Compliance and Adaptation, Cultivating a Culture of Risk Awareness, Integration of Risk Management and Material ESG Issues, Emerging Risks Identification
Financial Performance	Financial Growth, Profitable Returns for Shareholders, Cash Dividend
Code of Ethics and Business Conduct	Promotion of Business Conduct Culture
Taxation	Tax Risk Assessment
Information Security	Proprietary Information Protection, Information and Physical Security Management

Economic-related Issues

Innovation Management	Technology Leadership and Expenses, Open Innovation Platform®, Intellectual Property (Patent and Trade Secret), Campus Programs (Elementary and Junior High Schools-Inspiring Curiosity and Early Exploration of STEM, High Schools and Vocational Schools-Skill Development and Practical Applications, Universities and Graduate Institutes-Technological Research and Professional Development)
Product Quality	Product Yield, Quality Culture and Continuous Improvement, Innovative Testing Methods for Quality and Reliability
Intelligent Manufacturing and Production	Applying AI / Big Data for Reinforcing ESG Performance (e.g., Green Manufacturing, Occupational Safety, Trade Secret Safeguarding), Intelligent Precision Manufacturing
Customer Relations	Protection of Customer Product Information Security
Sustainable Supply Chain	Integrating ESG Issues into Supplier Performance Evaluation, Risk Assessment and Audits, Low-carbon Supply Chains, Supplier Consultation and Empowerment, Promoting Ongoing Upgrade of Local Supply Chains, Supply Chain Human Rights Management, Sustainable Raw Material



Environmental-related Issues

Climate and Energy	Net Zero Commitment / Science Based Targets, Renewable Energy Utilization and Equipment Construction, Paths and Strategies for Reducing Carbon Emissions, Energy Saving Measures, Task Force on Climate Related Financial Disclosures, Greenhouse Gas Inventory and Management, Carbon Credits / Carbon Emission Trading, Energy Efficiency of Manufacturing Processes, Carbon Taxes / Carbon Fees, Climate Adaptation and Disaster Prevention, Negative Carbon Technologies, Climate Change Training, Energy Management Training, Environmental Profit & Loss / Social Cost of Carbon
Water Stewardship	Water Saving Measures, Process Water Recycling and Reuse, Water Pollution Prevention Technology, Reclaimed Water Usage, Water Resource Risk Assessment at Fab, Protect and Restore Water-Related Ecosystems (Water Positive)
Circular Resources	Circular Economy / Utilization of Waste as Resource / Zero Waste Manufacturing Center, Hazardous Waste Treatment Technology, Zero Waste to Landfill
Air Pollution Control	Air Pollution Emission and Management
Biodiversity	Ecological Conservation in Fabs' Surrounding Areas, Taskforce on Nature-related Financial Disclosures, Biodiversity Risk Assessment, Citizen Science and Environmental Education, Species and Habitat Restoration

Social-related Issues

Business and Human Rights	Statement and Commitment on Human Rights Issues (Labor Rights, Environmental Rights, Voice and Participation, Gender Equality, Services & Products Liability, Governance and Security), Grievance Channel and Communication, Human Rights Due Diligence in the Value Chain (Employees, Suppliers / Contractors, Customers, Communities), Workplace Human Rights Climate Survey, Living Wage
Inclusive Workplace	Diverse Talent Recruitment Channels and Cultivation Systems, Inclusive Workplace Initiatives, Women's Empowerment
Talent Attraction and Retention	Global Talent Recruitment Strategy, Comprehensive Benefits and Competitive Compensation, Employee Performance Appraisal and Development, Long-term Workforce Demand Forecast, New Generation Employees / Talent Communication
Talent Development	Internal Promotions, Transfers, and Rotations, Career Development
Occupational Safety and Health	Construction Site Safety Management, Workplace Health Protection (Ergonomic Risk Factor/ Abnormal Workload / Unlawful Harassment / Maternal Health, Health Promotion, Mental Health), Contractor Safety and Health Management, Workplace Safety Culture / Occupational Safety and Health Education and Promotion, Fab Earthquake Disaster Prevention, Occupational Disabling Injury (Injury Investigation)
Social Impact	Educational Innovation, Community Inclusion, Ecological Sustainability, Health Protection, Corporate Volunteers



Glossary

Topics	The GRI Standards define topics to be comprised of three categories in sustainable development: economy, environment, and society. Under this guideline, topics include economic (200), environmental (300), and social (400) topics defined by GRI. Any details regarding the economic, environmental, and social categories in this guideline will be referred to as topics when citing GRI Standards
Material Topics	Topics that represent the organization's most significant impact on the economy, environment, and people; or on stakeholder assessment and decisions
Issues	Economic, environmental, and social topics that were not cited from the GRI Standards
Material Issues	The issue is of high concern to stakeholders and has a substantial and significant impact on TSMC's operations, requiring the establishment of corresponding quantifiable long-term goals, while also bringing significant impacts on the economy, environment, and people/human rights

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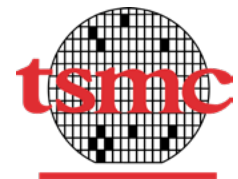
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