



ESG Procedure

ESG Vision and Mission

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

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

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

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

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

Guidance for the Implementation of ESG

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

TSMC ESG Matrix

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

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

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

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

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

ESG Management

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

The Company's ESG Committee serves as the communication platform that integrates and brings together different departments. Chaired by the Company's Senior Vice President, Lora Ho, the committee members that are set up for quarterly meetings and based on issues identify sustainable topics related to company operations and of stakeholders' interest. The committee members formulate corresponding strategies and guiding principles, compile ESG budgets for each organization, coordinate resources, plan and carry out the annual plans, and track progress to ensure that ESG strategies are fully fulfilled in the daily operations of TSMC. At the same time, the Chairperson of the ESG Committee reports quarterly to the Board of Directors on implementation results and the work planned in the future. All employees follow TSMC's ESG Policy, carry out ESG-related duties in their daily work, and voluntarily participate in the Company's various ESG activities.

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

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

Responsibilities of ESG Steering Committee and ESG Committee Members

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

| | | |
|---------------------------------------|--|--|
| Human Resources | Diversity and inclusion, talent attraction and retention, talent development, human rights | Employees Government / Industry Associations Society |
| TSMC Education and Culture Foundation | Cultivating young generation, educational collaboration, promote arts and culture | Society |
| TSMC Charity Foundation | Philanthropy, community relations | Society |
| Public Relations | Stakeholder engagement, mechanism for reflecting issues of social concern, media relations | Society |

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



Mark Liu
Chairman and ESG Steering Committee Chairperson
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