

3 CORPORATE *Governance*



TSMC continuously strengthens board of directors functions to enhance corporate governance and competitiveness.

3.1 Overview

TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, TSMC Board of Directors set up the “Audit Committee” and the “Compensation Committee” in 2002 and 2003 respectively. To continue to make our corporate governance more comprehensive, the TSMC Board took a step further in February 2023 to expand and strengthen the functions and responsibilities of its committees, including renaming the “Audit Committee” to the “Audit and Risk Committee”, and the renaming the “Compensation Committee” to the “Compensation and People Development Committee”. In addition, in order to strengthen the selection mechanism for directors, build diversified and professional board, TSMC’s Board of Directors approved the establishment of the “Nominating, Corporate Governance and Sustainability Committee” referencing international practices. Each Committee supports the Board to fulfill its responsibilities and each Committee’s chairperson regularly reports to the Board on its activities and recommendations.

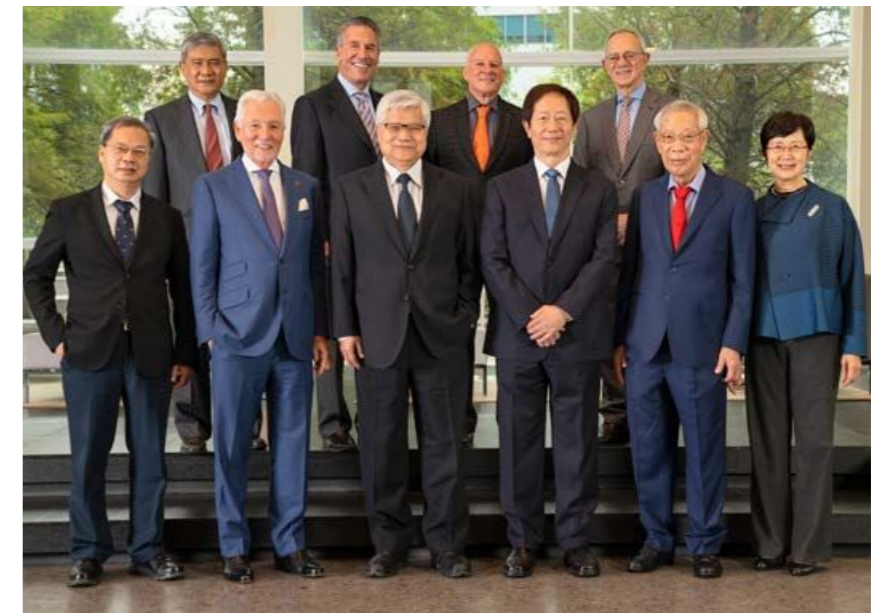
2022 Corporate Governance Awards and Ratings

Organization	Awards
Dow Jones Sustainability Indices (DJSI)	Dow Jones Sustainability World Index for the 22 nd consecutive year Dow Jones Sustainability Emerging Markets Index
MSCI ESG Indexes	MSCI ACWI ESG Leaders Index component MSCI ESG Research – AAA Ratings MSCI ACWI SRI Index component MSCI ACWI Islamic Index component MSCI Emerging Markets ESG Leaders Index
Sustainalytics	Company ESG Risk Ratings: Low ESG Risk – Semiconductor Industry
ISS ESG	“Prime” Rated by ISS ESG Corporate Rating
FTSE4Good Index	FTSE4Good Emerging Index component FTSE4Good All-World Index component FTSE4Good TIP Taiwan ESG Index component
Corporate Knights	2022 Global 100 Most Sustainable Corporations Semiconductor Company Top 100
Taiwan Stock Exchange	Top 5% in Corporate Governance Evaluation of Listed Companies for the 8 th consecutive year
CommonWealth Magazine	Excellence in Corporate Social Responsibility Award – Honorable Legion of Corporate Sustainability Semiconductor Company Top 100
Institutional Investor Magazine	Most Honored Company (Technology/Semiconductors) – All-Asia Best Overall ESG (Technology/Semiconductors) – 1 st Place (buy-side and sell-side) – All-Asia
Forbes	The World’s Top 10 Largest Technology Companies in 2022 World’s Best Employers
FORTUNE	2022 World’s Most Admired Companies Fortune Global 500
Asiamoney	2022 Asia’s Outstanding Companies – Semiconductors & Semiconductor Equipment Sector for the 5 th consecutive year
Taiwan Institute of Sustainable Energy	Taiwan Top 10 Sustainability Exemplary Awards for the 7 th consecutive year
IFI Claims Patent Services	Ranked as 3 rd in 2022 Top 50 US Patent Assignees

3.2 Board of Directors

Board Structure

TSMC’s Board of Directors consists of ten distinguished members with a great breadth of experience as world-class business leaders or professionals. We deeply rely on them for their diverse knowledge, personal perspectives, and solid business judgment. Six of those ten members are Independent Directors: former British Telecommunications Chief Executive Officer, Sir Peter L. Bonfield; former Chairman of National Performing Arts Center and former Advisor of Executive Yuan, R.O.C., Ms. Kok-Choo Chen; former Chairman of Applied Materials, Inc., Mr. Michael R. Splinter; former Chief Executive Officer of Xilinx, Inc., Mr. Moshe N. Gavriellov; currently Chairman of Delta Electronics Inc., Mr. Yancey Hai; and former President of MIT, Mr. L. Rafael Reif.



TSMC’s Board is comprised of a diverse group of professionals from different backgrounds in industries, academia, law, etc. These professionals include citizens from Taiwan, Europe and the U.S. with world-class business operating experience, one of whom is female. Independent Directors constitute 60% of the Board.

Board Responsibilities

Inheriting the spirit of TSMC’s Founder, Dr. Morris Chang’s philosophy on corporate governance, under the leadership of Chairman Dr. Mark Liu and CEO & Vice Chairman Dr. C.C. Wei, TSMC’s Board of Directors takes a serious and forthright approach to its duties and is a dedicated, competent and independent Board.

The Board’s primary duty is to supervise the Company’s compliance with relevant laws and regulations, financial transparency, timely disclosure of material information, and maintaining of the highest integrity. TSMC’s Board of Directors strives to perform these responsibilities through its Audit Committee and the Compensation Committee, the hiring of a financial expert consultant for the Audit Committee, and coordination with our Internal Audit department.

The second duty of the Board of Directors is to appoint and dismiss officers of the Company when necessary, to evaluate the management’s performance and to review the succession plan for senior executives. TSMC’s management has maintained a healthy and functional communication with the Board of Directors, has been devoted in executing guidance of the Board, and is dedicated in running the business operations, all to achieve the best interests for TSMC shareholders.

The third duty of the Board of Directors is to resolve critical matters, such as capital appropriations, investment activities, dividends, etc.

The fourth duty of the Board of Directors is to provide guidance to the Company’s management team and risk management. In each quarter, TSMC’s management reports to the Board on various subjects (including ESG programs) and strategies, and spends substantial time and effort to communicate with the Board. The Board would comment on the risk and probabilities for success of the proposed corporate strategies. The Board also periodically oversees those strategies’ implementation and outcomes, and may suggest the management team to make adjustments to the strategic goals and objectives if necessary.

Nomination and Election of Directors

TSMC envisions the membership of its esteemed Board of Directors to be composed of highly ethical professionals with the necessary knowledge, experience as world-class business leaders and understanding from diverse backgrounds. TSMC establishes the “Guidelines for Nomination of Directors” that set out the procedures and criteria for the nomination, qualification and evaluation of Director candidates to be nominated by the Board of Directors, and provide that “Nominating, Corporate Governance and Sustainability Committee” will propose independent director candidates to the Board of Directors. The independence of each independent director candidate is also considered and assessed under relevant laws.

Directors shall be elected pursuant to the candidate nomination system specified in Article 192-1 of the R.O.C. Company Law. The tenure of office for Directors shall be three years. The independence of each independent director candidate is also considered and assessed under relevant law such as the Taiwan “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Under R.O.C. law, in which TSMC was incorporated, any shareholders holding one percent or more of our total outstanding common shares may nominate their own candidate to stand for election as a Board member. This democratic mechanism allows our shareholders to become involved in the selection and nomination process of Board candidates. The final slate of candidates is put to the shareholders for voting at the relevant annual shareholders’ meeting.

There are no limits on the number of terms that a director may serve. We believe the Company benefits from the contributions of directors who have over their years of dedicated service acquired unique insights into the operations and financial developments of the Company. The Company reviews the appropriateness of each director’s continued service to ensure there are new viewpoints available to the Board.

Directors’ Compensation

According to TSMC’s Articles of Incorporation, the Board of Directors is authorized to determine the salary for the Chairman, Vice Chairman and Directors, taking into account the extent and value of the services provided for the management of the Corporation and the standards of the industry within the R.O.C. and overseas.

TSMC’s Articles of Incorporation also state that not more than 0.3 percent of our annual profits may be distributed as compensation to our directors. In addition, directors who also serve as executive officers of the Company are not entitled to receive any director compensation. According to TSMC’s Compensation Committee Charter, the distribution of compensation to directors shall be made in accordance with TSMC’s “Rules for Distribution of Compensation to Directors” based on the following principles: (1) directors who also serve as executive officers of the Company are not entitled to receive compensation; (2) the compensation for independent directors may be higher than other directors, as all independent directors also serve as members of the Audit Committee and Compensation Committee and thus participate in the discussions as well as resolutions of related committee meetings in accordance with the charter of each committee; and (3) the compensation for overseas independent directors may be higher than domestic independent directors, as they require additional time to attend quarterly meetings in Taiwan.

Directors’ Professional Qualifications and Independent Directors’ Independence Status

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors’ Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
Mark Liu Chairman		For Directors’ professional qualification and experience, please refer to “2.4.1 Information Regarding Board Members” on page 24-29 of this Annual Report. None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)	Not Applicable	0
C.C. Wei Vice Chairman				0
Ming-Hsin Kung Director				0
F.C. Tseng Director				0
Sir Peter L. Bonfield Independent Director			All of the following situations apply to each and every of the Independent Directors: 1. Satisfy the requirements of Article 14-2 of “Securities and Exchange Act” and “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (Note 2) issued by Taiwan’s Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC common shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an “audit service” or a “non-audit service”	0
Kok-Choo Chen Independent Director				0
Michael R. Splinter Independent Director				0
Moshe N. Gavrielov Independent Director				0
Yancey Hai Independent Director				1
L. Rafael Reif Independent Director		0		

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her rights and privileges;
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
6. if she/he does not have any or limited legal capacity; or
7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. Not serving concurrently as an independent director on more than three other Taiwanese public companies in total.
3. During the two years before being elected and during the term of office, meet any of the following situations:
(1) Not an employee of the company or any of its affiliates;
(2) Not a director or supervisor of the company or any of its affiliates;
(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company’s board based on Article 27 of the Company Law;
(6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
(7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company’s chairman or CEO (or equivalent);
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
(9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an “audit service” or a “non-audit service which total compensation within the recent two years exceeds NT\$500,000”.

Board Diversity and Independence

TSMC establishes the “Guidelines for Nomination of Directors” that set out the procedures and criteria for the nomination, qualification and evaluation of candidates for Directors. The members of TSMC Board of Directors are nominated via rigorous selection processes. It not only considers background diversity, professional competence and experience, but also attaches great importance to his/her personal reputation on ethics and leadership. The Company aims to have at least of 50% independent directors and at least one female director to serve on the Board. Presently, the ten members of the Board of Directors represent diversified perspectives, including a complementary mix of skills, experiences, and backgrounds such as that from the industry, academia, and in law. These professionals, including a female board member, are citizens from Taiwan, Europe and the U.S. with world-class business operating experiences. The six Independent Directors constitute 60% of the Board, and there is no marital or is within the second degree of kinship relationship between or among the Directors. As such, the Board of Directors carries independence. The following table demonstrates the implementation of the diversity policy for Board members:

Implementation of the Diversity Policy for Board Members

Title	Chairman	Vice Chairman	Director		Independent Director					
Name	Mark Liu	C.C. Wei	F.C. Tseng	Ming-Hsin Kung	Sir Peter L. Bonfield	Kok-Choo Chen	Michael R. Splinter	Moshe N. Gavriolov	Yancey Hai	L. Rafael Reif
Gender	Male	Male	Male	Male	Male	Female	Male	Male	Male	Male
Nationality	U.S.	R.O.C.	R.O.C.	R.O.C.	UK	R.O.C.	U.S.	U.S.	R.O.C./U.S.	U.S.
Age	66-70	66-70	76-80	56-60	76-80	71-75	71-75	66-70	71-75	71-75
Employed by TSMC		✓								
Professional Knowledge and Expertise										
Business	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Technology	✓	✓	✓		✓		✓	✓	✓	✓
Finance/Accounting				✓					✓	
Legal						✓				
Sales and Marketing	✓	✓	✓		✓	✓	✓	✓	✓	
Cybersecurity					✓					
Others										Innovation/ R&D/ Education/ Training
Skills and Experience										
Leadership Skill	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategic Decision-making	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Global Market Perspective	✓	✓	✓	✓	✓		✓	✓	✓	
Industry Experience	✓	✓	✓		✓	✓	✓	✓		✓
Financial	✓	✓	✓	✓	✓		✓	✓	✓	✓
Operating and Manufacturing	✓	✓	✓		✓		✓	✓	✓	
Business Development	✓	✓	✓		✓	✓	✓	✓	✓	
Risk/Crisis Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Environmental Sustainability	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Social Engagement	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

3.2.1 Audit Committee

The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices, as well as risk management of the Company.

The Audit Committee is responsible to review the following major matters:

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems and related policies and procedures;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Derivatives and cash investments;
- Legal compliance;
- Related-party transactions and potential conflicts of interests involving executive officers and directors;
- Ombudsman reports;
- Fraud prevention and investigation reports;
- Corporate information security;
- Corporate risk management;
- Performance, independence, qualification of independent auditor;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto;
- Appointment or discharge of financial, accounting, or internal auditing officers;
- Assessment of Committee Charter and fulfillment of Audit Committee duties;
- Self-assessment of the Committee's performance; and
- Any other matters that shall be reviewed by the Audit Committee Meeting as required by relevant laws and regulations or the Audit Committee Charter, or that are deemed to be material by the regulatory authorities.

Under R.O.C. law, the membership of Audit Committee shall consist of all independent directors. TSMC's Audit Committee satisfies this statutory requirement. The Committee also engaged a financial expert consultant in accordance with the rules of the U.S. Securities and Exchange Commission. The Audit Committee annually conducts self-evaluation to assess the Committee's performance and identify areas for further attention.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate.

3.2.2 Compensation Committee

The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's directors of the Board and executives.

The members of the Compensation Committee are appointed by the Board as required by R.O.C. law. According to its charter, the committee shall consist of no fewer than three independent directors of the Board, whereas the actual committee is comprised of all six independent directors. The Chairman of the Board and the Chief Executive Officer are invited by the committee to attend all meetings and are excused from the committee's discussion of their own compensation.

TSMC's Compensation Committee is authorized by its charter to retain an independent consultant to assist in the evaluation of CEO's or executive officer's compensation.

Information Regarding Compensation Committee Members

Name/Title	Criteria	Professional Qualification and Experience	Independent Directors' Independence Status	Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member
Michael R. Splinter (Chair) Independent Director	TSMC's Compensation Committee is comprised of all six independent directors. For members professional qualification and experience, please refer to "2.4.1 Information Regarding Board Members" on page 24-29 of this Annual Report.	All the Compensation Committee members meet any of the following situations: 1. Satisfy the requirements of Article 14-6 of "Securities and Exchange Act" and the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (Note) issued by Taiwan's Securities and Futures Bureau 2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC common shares 3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service"		0
Sir Peter L. Bonfield Independent Director				0
Kok-Choo Chen Independent Director				0
Moshe N. Gavriellov Independent Director				0
Yancey Hai Independent Director				1
L. Rafael Reif Independent Director				0

Note: During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the company or any of its affiliates;
- (2) Not a director or supervisor of the company or any of its affiliates;
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
- (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
- (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
- (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
- (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

3.2.3 Corporate Governance Officer

The Board of Directors appointed Ms. Sylvia Fang, the Vice President of Legal and General Counsel of TSMC, as the Corporate Governance Officer responsible for corporate governance matters, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.

For details on performance of duties by the Corporate Governance Officer, please refer to "3. Corporate Governance" on page 40-66 of this Annual Report.

3.2.4 Director and Committees Members' Attendance

Each Director is expected to attend every Board meeting and the committees meeting on which he or she serves. In 2022, the average Board Meeting attendance rate was 100% and the attendance rate for the Audit Committee and Compensation Committee's Meetings were 93% and 97% respectively.

Board of Directors Meeting Status

Tenures of the Board of Directors members are from July 26, 2021 to July 25, 2024. Dr. Mark Liu, TSMC's Chairman of the Board of Directors convened four regular meetings and one special meeting in 2022. The directors' attendance status is as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairman	Mark Liu	5	0	100%	None
Vice Chairman	C.C. Wei	5	0	100%	None
Director	Ming-Hsin Kung (Representative of National Development Fund, Executive Yuan)	5	0	100%	None
Director	F.C. Tseng	5	0	100%	None
Independent Director	Sir Peter L. Bonfield	5	0	100%	None
Independent Director	Kok-Choo Chen	5	0	100%	None
Independent Director	Michael R. Splinter	5	0	100%	None
Independent Director	Moshe N. Gavriellov	5	0	100%	None
Independent Director	Yancey Hai	5	0	100%	None
Independent Director	L. Rafael Reif	5	0	100%	None

Annotations:

- A. (1) Matters listed in the Securities and Exchange Act §14-3: The Securities and Exchange Act §14-3 is not be applicable because the Company has established the Audit Committee. For relevant information, please refer to the "Audit Committee Meeting Status" in this Annual Report.
- (2) There were no other written or otherwise recorded resolutions on which an independent director had an objection or reservation.
- B. Recusals of Directors due to conflicts of interests: Directors recused themselves from the discussion and voting of their compensation resolution.
- C. Measures taken to strengthen the functionality of the Board:
 - TSMC's Directors are composed of diverse backgrounds, including professional backgrounds in different industries, academic and legal, etc.; nationalities in different countries in Taiwan, Europe and the U.S.; world-class business operating experience; and one Director is female. Our Board has six independent directors who constitute 60% of the Board.
 - The Chairman of the Board of Directors is not executive officer of the Company.
 - TSMC established "Guidelines for Nomination of Directors", which describes the procedures and criteria for the nomination, qualification and evaluation of candidates for Directors.

Audit Committee Meeting Status

Tenures of the Audit Committee members are from July 26, 2021 to July 25, 2024. Sir Peter L. Bonfield, Chairman of the Audit Committee, convened four regular meetings in 2022. In addition to these meetings, he also convened one special meeting and three telephone conferences to discuss the Company's Annual Report to be filed with the Taiwan and U.S. authorities and investor conference materials with management. The Committee members and consultant's attendance status is as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Telephone Conferences	Attendance Rate of Telephone Conferences (%)	Notes
Chair	Sir Peter L. Bonfield	5	0	100%	3	100%	None
Member	Kok-Choo Chen	5	0	100%	3	100%	None
Member	Michael R. Splinter	5	0	100%	2	67%	None
Member	Moshe N. Gavriellov	5	0	100%	3	100%	None
Member	Yancey Hai	5	0	100%	3	100%	None
Member	L. Rafael Reif	3	2	60%	2	67%	None
Financial Expert Consultant	Jan C. Lobbezoo	5	0	100%	3	100%	None

(Continued)

Annotations:

A. (1) Resolutions related to Securities and Exchange Act §14-5:

Audit Committee Meeting Date	Resolution
2022 1 st Regular Meeting February 14	<ul style="list-style-type: none"> •2021 annual financial statements •2021 business report •2021 fourth quarter earnings distribution •Amendments to TSMC's "Procedures for Acquisition or Disposal of Assets" •Issuance of total 1,387,000 shares of 2021 employee restricted stock awards •Issuance of 2022 employee restricted stock awards •Ratification of the comfort letter service already provided for the 3.5 billion U.S. bond issuance by Deloitte •Additional 2022 service fees to Deloitte for TSMC Japan 3DIC R&D Center •2021 Statement of Internal Control System
2022 1 st Special Meeting April 12	<ul style="list-style-type: none"> •Amendments to the issuance of 2022 employee restricted stock awards
2022 2 nd Regular Meeting May 9	<ul style="list-style-type: none"> •2022 first quarter financial statements •2022 first quarter business report •2022 first quarter earnings distribution •Amendments to TSMC's internal control related policies and procedures
2022 3 rd Regular Meeting August 8	<ul style="list-style-type: none"> •2022 second quarter financial statements •2022 second quarter business report •2022 second quarter earnings distribution •Ratification of TSMC's security investments classified as non-current assets •Ratification of additional 2022 service fees and out-of-pocket expenses to Deloitte for Global Employee Stock Purchase Plan and TSMC Nanjing •The comfort letter service, and the additional service & service fee for the review of IFRS interim financial statements by Deloitte for the planned U.S. bond issuance
2022 4 th Regular Meeting November 7	<ul style="list-style-type: none"> •2022 third quarter financial statements •2022 third quarter business report •2022 third quarter earnings distribution •Mr. Jimmy Wu as the new engagement partner of Deloitte for TSMC starting from 2023, and 2023 service fees and out-of-pocket expenses for Deloitte
Independent directors' objections, reservations or major suggestions: None.	
Resolution of the Audit Committee and the Company's response to the Audit Committee's Opinion: The members of the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.	

(2) There were no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2022.

B. There were no recusals of independent directors due to conflicts of interests in 2022.

C. Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2022 (which should include the material items, channels, and results of the audits on the corporate finance and/or operations, etc.):

(1) The internal auditors have sent the audit reports to the members of the Audit Committee periodically and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The head of Internal Audit will immediately report to the members of the Audit Committee any material matters. During 2022, the head of Internal Audit did not report any such material matters. The communication channel between the Audit Committee and the internal auditor functioned well.

(2) The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results. Under applicable laws and regulations, the independent auditors are also required to immediately communicate to the Audit Committee any material matters that they have discovered. During 2022, the Company's independent auditors did not report any irregularity. The communication channel between the Audit Committee and the independent auditors functioned well.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below.

Audit Committee Meeting Date	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2022 1 st Regular Meeting February 14	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) •Report on SOX 404 self-testing results for the year 2021 (Closed Door Session) •2021 Statement of Internal Control System (Closed Door Session) 	<ul style="list-style-type: none"> •External auditor relationship (i.e. qualification, performance and independence) •Report of regulatory developments •Any audit problems or difficulties and management's response in connection with 2021 annual financial statements (Closed Door Session)
2022 2 nd Regular Meeting May 9	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) •Amendments to TSMC's internal control related policies and procedures (Closed Door Session) 	<ul style="list-style-type: none"> •The result of 2021 CPA evaluation questionnaire •Report of regulatory developments •Any review problems or difficulties and management's response in connection with 2022 first quarter financial statements (Closed Door Session)
2022 3 rd Regular Meeting August 8	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) 	<ul style="list-style-type: none"> •Report of regulatory developments •Any review problems or difficulties and management's response in connection with 2022 second quarter financial statements (Closed Door Session)
2022 4 th Regular Meeting November 7	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) •2023 internal audit plan (Closed Door Session) 	<ul style="list-style-type: none"> •Report of regulatory developments •Any review problems or difficulties and management's response in connection with 2022 third quarter financial statements (Closed Door Session)

Result: all of the above matters were reviewed and/or approved by the Audit Committee whereupon independent directors raised no objection.

Compensation Committee Meeting Status

Tenures of the Compensation Committee members are from July 26, 2021 to July 25, 2024. Mr. Michael R. Splinter, Chairman of the Compensation Committee, convened four regular meetings and one special meeting in 2022. Committee member attendance is as follows.

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chair	Michael R. Splinter	5	0	100%	None
Member	Sir Peter L. Bonfield	5	0	100%	None
Member	Kok-Choo Chen	5	0	100%	None
Member	Moshe N. Gavriolov	5	0	100%	None
Member	Yancey Hai	5	0	100%	None
Member	L. Rafael Reif	4	1	80%	None

Annotations:

A. In 2022, the Compensation Committee conducted four regular meetings on February 14, May 9, August 8 as well as November 7. The Committee also conducted one special meeting on April 12. The discussion items were as follows:

- Report on matters related to employee compensation
- Total amount of quarterly business performance bonus
- Total amount of annual profit sharing
- The amount of quarterly business performance bonus for executive officers, CEO and Chairman
- The annual compensation of directors and executive officers, and the disclosure of same in the Annual Report
- Grant of Employee restricted stock awards for 2021
- Employee restricted stock awards rules for 2022
- Global Employee Stock Purchase Plan
- Organization and Succession Discussion

All of the above matters were reviewed and/or approved by the Compensation Committee.

B. The Board of Directors adopted all recommendations of the Compensation Committee without modification.

C. There were no written or otherwise recorded resolutions on which any member of the Compensation Committee had an objection or reservation opinion.

Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspect
Annual	From January 1, 2022 to December 31, 2022	<ul style="list-style-type: none"> •The Board of Directors as a whole •The individual directors •The Audit Committee 	<ul style="list-style-type: none"> •Internal assessment of the Board •Self-assessments by each board member 	<p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> 1. Understanding of the Company's goals and mission 2. Awareness of director's duties 3. Involvement in the Company's operations 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls <p>The Audit Committee is assessed on the following five aspects:</p> <ol style="list-style-type: none"> 1. Involvement in the Company's operation 2. Awareness of the audit committee's duties 3. Enhancement of the quality of the audit committee's decision-making 4. Makeup of the audit committee and election of its members 5. Internal controls

The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.76 out of 5, that included an average score of 4.9 on a particular assessment item "The board has sufficient discussions over the Company's involvement in the implementation of ESG programs". The weighted average score for the performance of the individual directors is 4.9 out of 5. As demonstrated, the overall board's operation has been effective. Members of the Audit Committee's self-assessment results also 100% satisfied with the evaluation criteria.

3.3 Major Decisions of Shareholders' Meeting and Board Meetings

3.3.1 Major Resolutions of Shareholders' Meeting and Implementation Status

TSMC held 2022 Annual Shareholders' Meeting in Hsinchu, Taiwan on June 8, 2022. At the meeting, shareholders present in person or by proxy approved the following resolutions:

- (1) The 2021 Business Report and Financial Statements. Consolidated revenue totaled NT\$1,587.42 billion and net income was NT\$596.54 billion, with diluted earnings per share of NT\$23.01;
- (2) The revisions to TSMC's Articles of Incorporation; and
- (3) The issuance of employee restricted stock awards for year 2022.

Implementation Status

All the resolutions of the Shareholders' Meeting have been fully implemented in accordance with the resolutions.

3.3.2 Major Resolutions of Board Meetings

During 2022 and as of the date of this Annual Report, major resolutions approved at Board meetings are summarized below:

- (1) Board Meeting of February 14 & 15, 2022:
 - approving the 2021 Business Report and Financial Statements;
 - approving the distribution of a NT\$2.75 per share cash dividend for the fourth quarter of 2021, and setting June 22, 2022 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
 - approving distribution of employees' business performance bonus and profit sharing for 2021;
 - approving capital appropriations of approximately US\$20,944.17 million for purposes including: 1. Installation and upgrade of advanced technology capacity; 2. Installation of mature and specialty technology capacity; 3. Installation of advanced packaging capacity; 4. Fab construction, and installation of fab facility systems; 5. Second quarter through fourth quarter 2022 R&D capital investments and sustaining capital expenditures;
 - approving the issuance of unsecured corporate bonds in the domestic market for an amount not to exceed NT\$60 billion, and the issuance of US dollar-denominated unsecured corporate bonds in Taiwan's International Bond Market for an amount not to exceed US\$1 billion, to finance TSMC's capacity expansion and/or pollution prevention related expenditures;
 - approving the issuance of 1,387,000 shares of 2021 employee restricted stock awards (RSAs). In order to offset dilution from the increase of outstanding shares due to the above-mentioned issuance, the board approved a share buyback program for TSMC to buy back its common shares on the Taiwan Stock Exchange. In addition, approving the issuance of no more than 2,960,000 common shares of RSAs for the year 2022, which will be submitted to the 2022 Annual Shareholders' Meeting for approval; and
 - convening the 2022 Annual Shareholders' Meeting.
- (2) Regular Board Meeting of May 9 & 10, 2022:
 - approving the distribution of a NT\$2.75 per share cash dividend for the first quarter of 2022, and setting September 21, 2022 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
 - approving capital appropriations of approximately US\$16,757.67 million for purposes including: 1. Installation and upgrade of advanced technology capacity; 2. Installation of mature and specialty technology capacity; 3. Installation and upgrade of advanced packaging capacity; 4. capitalized leased assets; and
 - approving the Global Employee Stock Purchase Plan which applies to all regular employees of TSMC and its wholly owned subsidiaries.
- (3) Regular Board Meeting of August 8 & 9, 2022:
 - approving the distribution of a NT\$2.75 per share cash dividend for the second quarter of 2022, and setting December 21, 2022 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
 - approving capital appropriations of approximately US\$9,234.73 million for purposes including: 1. Installation and expansion of advanced technology capacity; 2. Installation of mature and specialty technology capacity; and
 - approving the provision of a guarantee to TSMC Arizona, a wholly-owned subsidiary of TSMC, for its issuance of US dollar-denominated senior unsecured corporate bonds for an amount not to exceed US\$4 billion, to finance TSMC's capacity expansion.

(4) Regular Board Meeting of November 7 & 8, 2022:

- approving the distribution of a NT\$2.75 per share cash dividend for the third quarter of 2022, and setting March 22, 2023 as the record date for common stock shareholders entitled to participate in this cash dividend distribution; and
- approving capital appropriations of approximately US\$5,717.19 million for purposes including: 1. Installation and upgrade of advanced technology capacity; 2. Installation of specialty technology capacity; 3. Fab construction, and installation of fab facility systems; 4. 2023 R&D capital investments and sustaining capital expenditures; 5. 2023 capitalized leased assets.

(5) Regular Board Meeting of February 13 & 14, 2023:

- approving the 2022 Business Report and Financial Statements;
- approving the distribution of a NT\$2.75 per share cash dividend for the fourth quarter of 2022, and setting June 21, 2023 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
- approving distribution of employees' business performance bonus and profit sharing for 2022;
- approving capital appropriations of approximately US\$6,959.5 million for purposes including: 1. Installation and upgrade of advanced technology capacity; 2. Installation of specialty technology capacity; 3. Fab construction, and installation of fab facility systems;
- approving the capital injection of not more than US\$3.5 billion to TSMC Arizona, a wholly-owned subsidiary of TSMC;
- approving the issuance of unsecured corporate bonds in the domestic market for an amount not to exceed NT\$60 billion to finance TSMC's capacity expansion and/or pollution prevention related expenditures;
- approving the issuance of 2,110,000 shares of 2022 employee restricted stock awards (RSAs). In addition, approving the issuance of no more than 6,249,000 common shares of RSAs for the year 2023, which will be submitted to the 2023 Annual Shareholders' Meeting for approval; and
- convening the 2023 Annual Shareholders' Meeting.

3.3.3 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2022 and as of the Date of this Annual Report: None.

3.4 Taiwan Corporate Governance Implementation as Required by Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does Company follow "Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?		V	TSMC has always followed excellent corporate governance practices, provided the utmost in operational transparency and safeguarded shareholders' equity. Although the Company does not have a formal code of practice for corporate governance, however TSMC has always been highly regarded as an industry leader in implementing comprehensive corporate governance practices. In addition, the Company also has a world-class Board of Directors. The Company believes that corporate governance is based on integrity, professional management and implementation. TSMC has been proving its excellent corporate governance in its operating performance and continued winning of domestic and international awards on best corporate governance company.	Same as explanation
2. Shareholding Structure & Shareholders' Rights				None
(1) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) TSMC has designated appropriate departments, such as Investor Relations Division, Public Relations Division, Shareholders Services & SEC Compliance Department, Legal, etc., to handle shareholder suggestions, concerns, disputes or litigation matters.	
(2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders?	V		(2) TSMC tracks the shareholdings of directors, officers, and top ten shareholders.	
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) TSMC has set up internal rules in the Company's Internal Control System and Affiliated Corporations Management.	
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) TSMC has established its "Insider Trading Policy" that applies to all employees, officers and members of the Board of Directors of the Company and to any other person having a duty of trust or confidence, with respect to transactions in the Company's securities. This policy prohibits any insider trading and the Company regularly provides internal training on this issue.	

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors established a diversity policy, set goals, and implemented them accordingly? (2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees? (3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis, reported the results of performance to the Board of Directors, and use the results as reference for directors' remuneration and renewal?	V		(1) Please refer to "3.2 Board of Directors – Board Diversity and Independence" on page 46 of this Annual Report. (2) Audit Committee (founded in 2002); Compensation Committee (founded in 2003); Nominating, Corporate Governance and Sustainability Committee (founded in 2023); ESG Steering Committee (founded in 2019): is formed by the Company's management team and chaired by Chairman Mark Liu; ESG Committee (founded in 2011): is formed by the Company's executive team and reports quarterly to the Board of Directors on the implementation of plans and results. (3) As TSMC's corporate governance concept, the Board of Director's primary responsibility is to supervise, evaluate the management's performance and dismiss officers of the Company when necessary, resolve the important, concrete matters and provide guidance to the management team. TSMC's Board of Directors consists of distinguished members with a great breadth of experience as world-class business leaders or professionals and adhere high ethical standards and commitment to the Company. Each quarter's Board Meeting is last for two days. Company's resolutions are determined in board meeting, also business strategy and future orientation are discussed in the meeting, in order to create best interest for shareholders. Based on TSMC's operating performance and local/international awards of best corporate governance, it certainly proves the Company's excellent performance of Board of Directors. Each year, TSMC conducts regular Board performance self-evaluation in form of written questionnaires for the Board, individual directors, and the Audit Committee. The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company's operation 2. Enhancement of the quality of the board's decision-making 3. Makeup and structure of the board 4. Election of board members and continuing knowledge development 5. Internal controls The individual directors are assessed on the following six aspects: 1. Understanding of the Company's goals and mission 2. Awareness of director's duties 3. Involvement in the Company's operations 4. Internal relationship and communication 5. Director's professionalism and continuing knowledge development 6. Internal controls The Audit Committee is assessed on the following five aspects: 1. Involvement in the Company's operation 2. Awareness of the audit committee's duties 3. Enhancement of the quality of the audit committee's decision-making 4. Makeup of the audit committee and election of its members 5. Internal controls The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.76 out of 5, that included an average score of 4.9 on a particular assessment item "The board has sufficient discussions over the Company's involvement in the implementation of ESG programs". The weighted average score for the performance of the individual directors is 4.9 out of 5. As demonstrated, the overall board's operation has been effective. Members of the Audit Committee's self-assessment results also 100% satisfied with the evaluation criteria.	None
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The Audit Committee annually evaluates the independence of external auditors and reports the same to the Board of Directors. Please refer to "3.9.4 Evaluation of the External Auditor's Independence and Suitability" on page 66 of this Annual Report.	
4. Does the Company appoint competent and appropriate corporate governance personnel and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?	V		The Board of Directors appointed the Vice President of Legal and General Counsel of TSMC as the Corporate Governance Officer. TSMC's Corporate & Compliance Legal Division, which directly reports to the General Counsel, is in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, assistance in onboarding and continuing education of directors, provision of information required for performance of duties by directors, and assistance in directors' compliance of law, etc.	None

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		Depending on the situation, the Company's Investor Relations Division, Public Relations Division, Shareholders Services & SEC Compliance Department, Human Resources Organization, Customer Service Department, Procurement Department and ESG will communicate with stakeholders. We also have publicly disclosed the contact information of our corporate spokesperson and relevant departments. Also, we have a stakeholder section on our corporate website to address our sustainability and any other issues. For details, please refer to "7. Environmental, Social and Governance (ESG)" on page 148-173 of this Annual Report and "Materiality Analysis and Stakeholder Communication" of TSMC's Sustainability Report.	None
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		We have appointed China Trust as registrar for our Shareholders' Meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? (3) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	V		(1) TSMC discloses its financials business and corporate governance status on its website at http://www.tsmc.com (in Chinese and English). TSMC's American Depository Receipt (ADR) is listed on the New York Stock Exchange (NYSE). As a foreign issuer, TSMC must comply with NYSE's rules. We have been operating in accordance with NYSE listing standards, and have been disclosing the major differences between our corporate governance practices and U.S. corporate governance practices. Please see https://www.tsmc.com/download/ir/NYSE_Section_303A.pdf . (2) TSMC has designated appropriate departments (e.g. the Investor Relations Division, Public Relations Division, Shareholders Services & SEC Compliance Department, etc.) to handle the collection and disclosure of information as required by the relevant laws and regulations of Taiwan and other jurisdictions. TSMC has designated Spokesperson and Deputy Spokesperson as required by relevant regulations. TSMC provides live audio webcasts and replays of investor conferences on its website. (3) TSMC follows relevant laws and regulations to announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		(1) For employee rights and employee wellness, please refer to "5.6 Human Capital" on page 109-116 of this Annual Report. (2) For investor relations, supplier relations and rights of stakeholders, please refer to "7. Environmental, Social and Governance (ESG)" on page 148-173 of this Annual Report. (3) For Directors' training records, please refer to "Continuing Education/Training of Directors in 2022" on page 55-56 of this Annual Report. (4) For Risk Management Policies and Risk Evaluation, please refer to "6.3 Risk Management" on page 131-146 of this Annual Report. (5) For Customer Relations Policies, please refer to "5.4 Customer Trust" on page 106-108 of this Annual Report. (6) TSMC maintains D&O Insurance for its directors and officers.	None
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange			TSMC was ranked in top 5% in Corporate Governance Evaluation over the years. The improvement status in 2022 is as follows: (1) The TSMC Board set up the "Audit Committee" and the "Compensation Committee" in 2002 and 2003 respectively. In order to make our corporate governance more comprehensive, the TSMC Board took a step further in February 2023 to expand and strengthen the functions and responsibilities of its committees, including renaming the "Audit Committee" to the "Audit and Risk Committee", and the renaming the "Compensation Committee" to the "Compensation and People Development Committee". It also established a "Nominating, Corporate Governance and Sustainability Committee" of the Board of Directors. (2) ESG Quarterly Report: Regularly report to the Board of Directors on a quarterly basis.	

Continuing Education/Training of Directors in 2022

The major training methods of Directors include:

- At quarterly Board meetings, TSMC management presents updates on the Company's business, regulatory developments and other information;
- The Company arranges speeches on politics, economics, and regulatory compliance, etc.;
- At quarterly Audit Committee meetings, TSMC's General Counsel and the Company's independent auditors provide regulatory update reports and legal compliance status; and
- Directors participate in externally-provided training courses as needed.

In addition, from time to time, Directors are invited by other parties to give speeches on corporate governance and related topics.

Name	Date	Host by	Training/Speech Title	Duration
Mark Liu (Note)	03/16	East Asia Economic Caucus (EAEC)	Global Semiconductor Industry Trends and TSMC's Development in Japan	0.75 hour
	05/19	Taiwan Semiconductor Industry Association (TSIA)	2022 World Semiconductor Council (WSC) Meeting	2 hours
	07/13	SEMI	SEMICON West 2022 Hybrid – Global Sustainability Summit	0.25 hour
	11/30	The Third Wednesday Club	Opportunities and Challenges for Taiwan Semiconductor Industry	1 hour
F.C. Tseng	04/28	Taiwan Corporate Governance Association	Making Sustainability the New Normal	3 hours
	12/13	Taiwan Corporate Governance Association	The Risk and Opportunities of Climate Change	3 hours
Michael R. Splinter	06/13	SolarEdge Technologies	Executive Training – Leadership (Note)	2 hours
	06/15	NASDAQ	Regulation and Governance Trends	4 hours
	11/02	NASDAQ	Director Knowledge Exchange – Trends in Boardroom (Note)	2 hours
Moshe N. Gavriellov	09/21-23	McKinsey & Company	T-30 Semiconductor Executive/Board Member Event	16 hours
Yancey Hai	02/24	Taiwan Corporate Governance Association	Latest Developments and Legislative Amendment Trends in International and Domestic Tax	3 hours
	07/28	Taiwan Corporate Governance Association	Net-zero Emissions, Carbon Neutrality, and Corporate Compliance	3 hours

Note: Selected speeches on corporate governance and related topics.

Continuing Education/Training of Corporate Governance Officer in 2022

Name	Date	Host by	Training/Speech Title	Duration
Vice President and General Counsel Corporate Governance Officer Sylvia Fang	04/22	Taiwan Corporate Governance Association	Net-zero Emissions, Carbon Neutrality, and Corporate Compliance	3 hours
	10/19	Taiwan Corporate Governance Association	The 18 th Corporate Governance Summit Forum – Boosting Board Directors' Competencies for Effective Sustainable Corporate Governance	6 hours
	12/21	Taiwan Corporate Governance Association	Introduction of Hostile Takeovers and Regulation Compliance	3 hours

3.5 Code of Ethics and Business Conduct

Ethics at TSMC

"Integrity" is TSMC's most important core value. TSMC strictly adheres to the highest standards of integrity and promotes good ethical behavior to sustain the hard-earned trust and confidence of its shareholders, customers, suppliers, employees and the general public – constantly and vigilantly promoting integrity, fairness, and transparency in all that we say and do. We have zero tolerance for corruption, refrain from bribery, fraud, abuse or embezzlement of corporate assets, and prohibit the advancement of personal interests at the expense of or in conflict with TSMC. At the heart of our corporate governance culture is the "TSMC Ethics and Business Conduct Policy" (Ethics Code). The Ethics Code requires that each employee bear a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation. At the same time, we have formulated the "TSMC's Supplier Code of Conduct" as well to ensure our suppliers understand and follow the Ethics Code and together fulfill our corporate social responsibilities.

Specifically, every TSMC employee must adhere to the following:

- Do not advance personal interests at the expense of or in conflict with the Company;
- Refrain from corruption (including collusion with others), bribery, unfair competition, fraud, extortion, embezzlement, and waste or abuse of corporate assets;
- Avoid any improper efforts to influence the decisions of anyone, including government officials, agencies, as well as TSMC's customers and suppliers;
- Do not undertake any practices detrimental to TSMC, to the environment, or to society;
- Procure all of our raw materials from socially responsible sources;
- Protect proprietary information of TSMC, our customers and suppliers; and
- Abide by the letter of all applicable laws, rules and regulations.

The protection of intellectual properties is also an important part of the Ethics Code. In order to build and sustain an environment of innovation, technology leadership, and sustainable profitable growth, the Ethics Code requires that TSMC promotes business relationships founded upon an unwavering respect for the intellectual property rights, proprietary information and trade secrets of TSMC, our customers, and others.

With regarding to public disclosures, TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports and documents filed by the Company with securities authorities and in all TSMC public communications and disclosures. TSMC has a variety of measures in place to ensure compliance with these disclosure obligations.

Any modification to the Ethics Code requires the approval of our Audit Committee to ensure our ethics compliance program is independently reviewed against corporate best practices.

Ethics Code Implementation

High Standard of Ethics Culture: Our ethics program is implemented in four ways by all of TSMC's Board members, officers, and employees. First, the TSMC management team sets the "tone from top" by acting in accordance with the Ethics Code so that they will be an example to all stakeholders. Second, working-level managers are responsible for ensuring their staff's understanding of and compliance with applicable rules and regulations. Third, TSMC encourages an environment of open communications in discussing any questions related to the Ethics Code. Any employee may consult his or her direct supervisors, Human Resources or Legal to obtain timely advice. Lastly, TSMC requires all employees to stay vigilant and report any noncompliance by anyone to their supervisors, the function head of Human Resources, the responsible corporate senior management appointed by CEO that oversees the Ombudsman system, or to the Chairman of the Company's Audit Committee directly.

Self-Assessment of All Departments and Employees: Self-assessment of all departments and employees is an important part of our ethics compliance program. All TSMC departments and subsidiaries are required to conduct Control Self-Assessment (CSA) tests annually in reviewing employees' awareness of the Ethics Code, and to evaluate and strengthen the effectiveness of internal control related to the Ethics Code. The CSA results are reviewed to track the results of our compliance program. In addition, all employees must disclose any matters that cause, or may cause, actual or potential conflict of interest. In addition to this proactive disclosure requirement, employees with specific job grades or job responsibilities must annually declare any relationships that may constitute a conflict of interest, which enables TSMC to take necessary arrangements and report the results to the Audit Committee.

Internal Auditing: The Internal Auditor of TSMC plays a critical role in ensuring the Company's compliance with the Ethics Code and relevant rules and regulations. To ensure that our financial, managerial, and operating information is accurate, reliable, and timely and that our employees' actions are in compliance with applicable policies, standards, procedures, laws and regulations, our Internal Auditor conducts audits of various control points within the Company in accordance with its annual audit plan approved by the Board of Directors and subsequently reports its audit findings and remedial issues to the Board and management on a regular basis.

Training and Promotion: To promote awareness to our employees of their responsibilities under the Ethics Code, we publish our Ethics Code and related policies and documents on our intranet and, provide training courses, posters, emails, and other diversified ways to advocate the Company's core values and compliance system. In terms of training courses, TSMC not only provides annual online course on the Ethics Code and requires all employees to complete the training, as well as face-to-face training courses delving into more specific ethics-related topics for targeted employees. In 2022, there were 67,922 attendances that completed the "Annual Ethics and Compliance Training Course" (mandatory 0.5 hour online course) at TSMC and its subsidiaries, reaching 99.9% completion rate.

In addition to our internal compliance efforts, we expect and assist our business partners such as customers and suppliers, and any other entities with whom we deal (include consultants or third party agents who act for or on behalf of TSMC) to recognize and understand TSMC's ethical standards to fulfill our responsibilities as a corporate citizen. For instance, we require all of our suppliers to declare in writing that they will respect and comply with TSMC's ethical standards and culture. TSMC is a full member of the Responsible Business Alliance (RBA, formerly the (Electronic Industry Citizenship Coalition, EICC)), dedicated to global supply chain sustainability. In addition to adopting the RBA Code of Conduct at all of its facilities, TSMC applied the RBA's standards to enhance our audit program of our suppliers and relevant business partners. We provide training and communicate our ethical culture to our suppliers through live seminars and online programs to prevent any unethical conduct and detect any sign of Ethics Code violations. In 2022, we held a sustainable supply chain ESH forum to share/exchange practical experiences on topics such as the Ethics Code, environmental protection, and occupational safety. We also exchange views on appropriate business conduct and TSMC's ethical standards and implementation status with our customers as part of customer audit programs.

Reporting Channels and Whistleblower Protection

TSMC has established and published its "Complaint Policy and Procedure for Certain Accounting & Legal Matters" and pledges to comply with the relevant regulations in the policy. Open and multiple reporting channels are available for internal and external voices to protect the rights and interests of stakeholders and the Company. All reported incidents collected from reporting channels inside or outside of TSMC are properly recorded and traced. TSMC also prohibits any form of retaliation by providing proper protection for any individual who in good faith reports a suspected violation or participates in an investigation. In 2022, the Ethics Committee held a total six meetings to examine major reported incidents under investigation.

TSMC investigates each individual case according to its characteristics through specific divisions, and treats every received case seriously, carefully, and effectively to ensure the accuracy of the investigation. The TSMC Ethics Committee will evaluate each case to determine whether it is an exceptional case or whether it results from systemic issues of insufficient awareness in ethics. This allows TSMC to continue evaluating whether it is necessary to improve its management and internal control procedures. Awareness such as emails to employees describing the violations and disciplinary actions in each quarter are conducted to promote employees' awareness and avoid recurrence of similar incidents.

In 2022, TSMC did not receive any reports related to finance, accounting or antitrust matters, nor did we receive any complaints concerning breach of customer privacy and loss of customer data, or any material regulatory violations (where a fine exceeds NT\$1 million), including non-monetary sanctions.

In 2022, the incidents reported through the Audit Committee Whistleblower System, Ombudsman System, and Irregular Business Conduct Reporting System totaled 335. Among them, 217 cases were related to people management/employee relations, 107 cases were categorized as others (e.g., asking personal questions or private matters), and 11 cases were related to ethics. Four incidents were verified upon investigation and determined for disciplinary action by the Ethics Committee. In 2022, TSMC leveraged the four violations to strengthen ethics promotion for all employees in supplier-related activities. Below is a summary of reported incidents.

Year	FY2018	FY2019	FY2020	FY2021	FY2022
Total reported cases	150	205	246	327	335
Ethics-related cases	14	26	22	17	11
Cases investigated and verified as ethics violations	1	2	6	4	4 (Note 1)
Sexual Harassment Investigation Committees Formed	3	4	4	14	19
Cases investigated and verified as violations	3	4	2	11	14 (Note 2)

Note 1: Of the four verified cases: One incident involved employees who failed to notice the price listed on order was different from the Company's quotation and one employee received major demerit and one employee received warning. One incident involved employees who approached vendors for business without authorization in pursuit of personal interest. The Company took progressive disciplinary actions according to the nature and severity of each misconduct, including dismissal for one employee. One incident involved an employee who engaged in inappropriate interactions and received a probation. One incident involved an employee who asked vendor to provide services for personal benefit and received warning.

Note 2: Employees who violated Company sexual prevention policy (the "Policy") were disciplined by the Company based on the case-by-case nature and severity of the verified misbehaviors. Since these violations involved various inappropriate behaviors, the Company leveraged the violations and summarized the Policy to educate employees what kinds of behaviors could be viewed as sexual harassment and the consequences in 2022 TSMC annual sexual harassment prevention training so as to raise employees' awareness.

Ethics Code Violation Disciplinary Action

We do not tolerate any violation of the Ethics Code and treat every possible violation incident seriously. Each violator of the Ethics Code (or relevant regulations) will be severely disciplined to the full extent of our policies and the law, up to and including immediate dismissal, termination of business relationship, and judicial prosecution as appropriate.

3.5.1 Taiwan Corporate Conduct and Ethics Implementation as Required by the Taiwan Financial Supervisory Commission

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summary	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) Does the company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team? (2) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? (3) Whether the company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaint procedures, and periodically reviews and revises such policies?	V		(1) Integrity is the most important core value of TSMC's culture. TSMC is committed to acting ethically in all aspects of our business. We have established TSMC Code of Ethics and Business Conduct (the "Ethics Code") to require that each employee bears a heavy personal responsibility to uphold TSMC's ethics value. For more details on the Ethics Code and the measures that TSMC Board of Directors (the "Board") and the management team take to ensure compliance of the Ethics Code please refer to TSMC's Annual Report and the Sustainability Report. (2) At the heart of our corporate governance culture is the Ethics Code that applies to TSMC and its subsidiaries, and this Ethics Code requires that each employee bears a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation and to comply with various applicable laws and regulations. Specific requirements under the Ethics Code could be found in our Annual Report. In addition, to educate and remind our employees of their responsibilities under the Ethics Code, we publish our Ethics Code, relevant policies and documents on our intranet and promote its awareness through training courses, posters, emails, and other diversified ways to advocate the company's core values and compliance. Furthermore, to ensure that our conduct meets relevant legal requirements and the highest ethical standards under the Ethics Code, TSMC provides multiple channels for reporting business conduct concerns. Please refer to Assessment Item 3 for details. We do not tolerate any violation of the Ethics Code and treat every possible violation incident seriously. Each violator of the Ethics Code (or relevant regulations) will be severely disciplined to the full extent of our policies and the law, up to and including immediate dismissal, termination of business relationship, and judicial prosecution as appropriate. (3) Under the framework of the Ethics Code, TSMC has established a regulatory compliance program that includes policies, guidelines and procedures in other policy areas, including: Corporate Governance, Securities Laws, Anti-corruption, Anti-harassment, Anti-discrimination, Labor Laws, Antitrust (fair competition), Environmental Protection, Safety and Health, Export Control, Financial Reporting, Insider Trading, Intellectual Property, Proprietary Information Protection, Personal Data Protection, Record Retention and Disposal, as well as procuring certain raw materials from socially responsible sources (Conflict-free Minerals). The above-mentioned policies are crucial in facilitating overall compliance with the Ethics Code. TSMC provided an "Annual Ethics and Compliance Training Course"(mandatory 0.5 hour online course) covering various important regulatory compliance topics and a total of 67,922 employees (including employees in subsidiaries) completed this training course, 99.9% completion rate. TSMC, its employees and its subsidiaries are expected to fully understand and comply with all laws and regulations that govern our businesses, as well as relevant policies, guidelines and procedures, and make ethical decisions in every circumstance. The Internal Auditor of TSMC also plays a critical role in ensuring the Company's compliance with the Ethics Code and relevant rules and regulations. To ensure that our financial, managerial, and operating information is accurate, reliable, and timely and that our employee's actions are in compliance with applicable policies, standards, procedures, laws and regulations, our Internal Auditor conducts audits of various control points within the Company in accordance with its annual audit plan approved by the Board of Directors and subsequently reports its audit findings and remedial issues to the Board and Management on a regular basis.	None

(Continued)

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summary	
<p>2. Ethic Management Practice</p> <p>(1) Whether the company has assessed the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?</p>	V		(1) We expect and assist our customers, suppliers, business partners, and any other entities with whom we deal (such as consultant or third party agents who act for or on behalf of TSMC) to understand and act in accordance with TSMC's ethical standards. For instance, we require all of our suppliers to declare in writing that they will respect and comply with TSMC's ethical standards and culture. In addition to periodic audit, we provide training and communicate our ethical culture to our suppliers through live seminars or online programs to prevent any unethical conduct. We exchange views on appropriate business conduct and TSMC's ethical standards with our customers as part of customer audit programs.	None
<p>(2) Whether the company has set up a unit which is dedicated to promoting the company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p>	V		(2) TSMC's Board of Directors strives to perform the responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit Committee and the Compensation Committee, the hiring of a financial expert consultant for the Audit Committee, and coordination with the Internal Audit department. The General Counsel and the Corporate & Compliance Legal Division (which directly reports to the General Counsel) promotes, the Company's ethical standards, and the General Counsel reports quarterly to the Board on the implementation status. In addition, both the responsible senior manager appointed by the CEO to oversee the Ombudsmen system and Internal Auditors update the Board on ethical standards and compliance issues on a regular basis. Moreover, TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting and financial disclosure in reports and documents filed by the Company with securities authorities and in all TSMC public communications and disclosures.	
<p>(3) Whether the company has established policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p>	V		(3) TSMC requires newly hired employees to declare any conflict of interest situation as appropriate. In addition, according to the Ethics Code, all employees must declare any actual or potential conflict of interest. Furthermore, employees with specific job grades or positions need to complete the conflict of interest declarations annually.	
<p>(4) To implement relevant policies on ethical conducts, has the company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?</p>	V		(4) TSMC continues maintaining the integrity of its financial reporting processes and controls and establishes appropriate internal control systems for preventing higher potential unethical conduct, and the Internal Auditors formulate annual audit plans based on the results of the risk assessment and subsequently reports its audit findings and remedial issues to the Board and Management on a regular basis. In addition, all departments and subsidiaries of TSMC are also required to conduct Control Self-Assessment (CSA) tests annually to review the effectiveness of the internal control system.	
<p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	V		(5) Training is a major component of our compliance program, conducted throughout the year to refresh TSMC's employees' commitment to ethical conduct, and to get updated information on laws and regulations related to their daily operations. Please refer to Assessment Item 1 for more information regarding the training courses. As for our suppliers, we communicate our ethical culture to our business partners through live seminars or online programs to ensure their fully understanding of our commit to ethical conduct.	
<p>3. Implementation of Complaint Procedures</p> <p>(1) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	V		(1) TSMC's Audit Committee approved and TSMC has implemented the "Complaint Policy and Procedures for Certain Accounting and Legal Matters" and "Procedures for Ombudsman System" that allow employees or any whistleblowers with relevant evidence to report any financial, legal, or ethical irregularities anonymously through either the Ombudsman or directly to the Audit Committee. TSMC also requires all employees to stay vigilant and whistle-blow any noncompliance by anyone to their supervisors, the function head of Human Resources, the responsible corporate senior manager that oversees the Ombudsmen system, or to the Chairman of the Company's Audit Committee directly.	None
<p>(2) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner?</p>	V		(2) TSMC treats any complaint and the investigation thereof in a confidential and sensitive manner, as is clearly stated in our bylaws.	
<p>(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	V		(3) TSMC strictly prohibits any form of retaliation against any individual who in good faith reports or helps with the investigation of any complaint, as is clearly stated in our bylaws.	

(Continued)

Assessment Item	Implementation Status			Causes for the Difference
	Yes	No	Summary	
<p>4. Information Disclosure</p> <p>Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System ("MOPS")?</p>	V		TSMC provides the guidelines and informative articles related to ethics and honorable business conduct on its internal website (in both Chinese and English) for employees' easy access. In addition, TSMC posts its Annual Report (which is also available at the MOPS) and Sustainability Report on its external website (in both Chinese and English, available at: http://www.tsmc.com) to disclose TSMC Ethics Code and the information about implementation of the Ethics Codes.	None
<p>5. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>TSMC has established the Ethics Code to require that all employees, officers and board members comply with the Ethics Code and the other policies and procedures. There is no discrepancy between the Ethics Code, including its affiliate policies and procedures, and its implementation. For more details, please refer to "3.5 Code of Ethics and Business Conduct" on page 56-61 of this Annual Report.</p>				
<p>6. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices (e.g., review the company's corporate conduct and ethics policy).</p> <p>For details on the implementation of TSMC's corporate conduct and ethics, please refer to "3.5 Code of Ethics and Business Conduct" on page 56-61 of this Annual Report.</p>				

3.6 Regulatory Compliance

TSMC's compliance systems are comprised of a series of legislation monitoring, developing and implementation of effective compliance policies and programs, training, and maintaining open reporting channels.

Legislative Monitoring

TSMC operates in many countries. To comply with governing legislation, applicable laws, regulations and regulatory expectations, we closely monitor domestic and foreign government policies and regulatory developments that could materially impact TSMC's business and financial operations. Our Legal organization periodically updates our relevant internal departments, management and the Audit Committee of applicable regulatory changes so that internal teams ensure compliance with new regulatory requirements in a timely manner. We are also a proactive advocate for legislative and regulatory reform, and our comments and recommendations on legal reforms to the government have been accepted constructively. TSMC is increasingly dedicated to identifying potential regulatory issues and will continue to be involved in advocating public policy changes that foster a positive and fair business environment.

Policy and Compliance Program Development and Implementation

Under the framework of the Ethics Code, TSMC has established a regulatory compliance program that includes policies, guidelines and procedures in different compliance areas, including: Corporate Governance, Securities Laws, Anti-corruption, Anti-harassment, Anti-discrimination, Labor Laws, Antitrust (fair competition), Environmental Protection, Safety and Health, Export Control, Financial Reporting, Insider Trading, Intellectual Property, Proprietary Information Protection, Personal Data Protection, Record Retention and Disposal, as well as procuring certain raw materials from socially responsible sources (Conflict-free Minerals). It is our belief that these policies are crucial in strengthening overall compliance with the Ethics Code and compliance program. TSMC, its employees and its subsidiaries are expected to fully understand and comply with all laws and regulations that govern our businesses, as well as internal relevant policies, guidelines and procedures, and make ethical decisions in every circumstance.

Compliance Awareness Training

Training is one of the major components of our regulatory compliance program. To get updated information on laws and regulations related to their daily operations and to strengthen TSMC's employees' commitment to ethical conduct through regular promotion and training courses. Highlights of our training include:

- Multiple types for training and promotion: TSMC enriches employees' information sources for regulatory compliance through various promotion activities. Awareness promotion emails to employees, posters at our facilities, and compliance guidelines, news articles, tips and FAQs which our employees can access through our intranet.
- Customized face-to-face training courses for different business attributes: Face-to-face seminars focusing on specific topics such as Anti-Corruption, Proprietary Information Protection, Intellectual Property, Personal Data Protection, Export Control Management and Antitrust (fair competition). Training is made mandatory for those employees whose jobs are especially relevant to a particular topic to ensure sufficient awareness of relevant laws and internal policies.
- Various on-line courses available to employees at any time: On-line learning programs updated frequently to provide most up-to-date information and timely and flexible access for employees to understand the law and key compliance issues, covering topics of Corporate Governance, Securities Laws, Anti-corruption, Anti-harassment, Anti-discrimination, Labor Laws, Antitrust (fair competition), Environmental Protection, Safety and Health, Export Control, Financial Reporting, Insider Trading, Intellectual Property, Proprietary Information Protection, Personal Data Protection, Record Retention and Disposal, as well as "Conflict-free Minerals" among others. The course contents will be updated with changes in applicable laws or TSMC internal policies to ensure the timeliness and accuracy of the course contents.
- Continuous training of the Legal team: TSMC's Legal team actively participate in external professional courses held in Taiwan or abroad to receive current developments of new laws and regulations and track the latest developments in various professional legal fields, and for its lawyers to comply with applicable continuing legal education requirements. External experts are also invited to give in-house lectures on key issues.

Reporting Channels

TSMC provides multiple channels for reporting business conduct concerns to ensure that our conduct meets relevant legal requirements and the highest ethical standards under the Ethics Code. For more details about the reporting channels, please refer to "3.5 Code of Ethics and Business Conduct" on page 56-61 of this Annual Report.

Major Accomplishments

In 2022, TSMC achieved several major accomplishments in regulatory compliance. Externally, in addition to fulfilling the Company's obligations toward regulatory compliance matters, TSMC exercised its civic duties as a responsible corporate citizen by providing feedback on current regulations and regulations in legislation, with the intent to improve Taiwan's industrial investment environment, enhance economic development, and help align domestic laws with international law. Furthermore, TSMC continues to focus on the topics related to the Company Law, the Securities and Exchange Act, intellectual property protection and environment protection. In addition, TSMC shared its practices and experiences on trade secrets, labor rights, regulatory compliance system and reporting channel with outside institutions.

Internally, TSMC provides multiple courses about legal and regulatory compliance. The important achievements are as follows:

- Ethics and Compliance: TSMC provided an "Annual Ethics and Compliance Training Course"(mandatory 0.5 hour online course) covering various important regulatory compliance topics and a total of 67,922 employees (including employees in subsidiaries) completed this training course (reaching 99.9% completion rate) – with all production staffs were starting from 2019.

- Export Compliance: TSMC's export management system (EMS) and policy have been in place for a number of years, and was certified by the Bureau of Foreign Trade, the Taiwan regulator, as a qualified Internal Compliance Program (ICP) exporter. It aims to ensure that TSMC and its subsidiaries comply with all applicable regulations covering the export of information, technologies, products, materials and equipment. In addition, TSMC implements "No ECCN, No Shipment" control and customers are required to provide end use and export control classification number (ECCN) of their products, among other required information, for TSMC to apply for applicable export licenses. To further enhance relevant employees' awareness of the export control requirements, in 2022 TSMC altogether provided 12 face-to-face meeting sessions and a targeted on-line learning program to employees in relevant functions.
- Supplier Management: TSMC shares and exchanges practical experiences with suppliers with sales offices in Taiwan by holding a sustainable supply chain ESH forums on topics such as Ethics Code, environmental protection and occupational safety. In total, 354 attendees from 116 suppliers were participated (including through on-line meeting) in these activities.
- Conflict-Free Supply Chain: As a recognized global leader in the Hi-tech supply chain, we acknowledge our corporate social responsibility to strive to procure conflict-free minerals in an effort to recognize humanitarian and ethical social principles that protect the dignity of all persons. Meanwhile, we have implemented a series of compliance safeguards in accordance with industry leading practices, requesting suppliers to fill in the "Conflict Minerals Reporting Template" and sign the "TSMC Conflict-Free Minerals Declaration" every year. TSMC will continuously make progress to ensure a conflict-free supply chain.
- Personal Data Protection: Because of the importance of personal data protection, TSMC periodically reviews the Rules of Privacy and Personal Data Protection and external and internal privacy policies to identify the needs to update such documents. Based on current personal data protection laws and risks, TSMC conducts an annual training on privacy and personal data protection to enhance employees' awareness and compliance. In addition, the Personal Data Protection Committee composed of Legal, Human Resources, and IT divisions convene on an annual basis to assist the implementation of and monitoring compliance with the rules.
- Antitrust Compliance: Based on annual antitrust risk assessment results, TSMC identified functions with potential higher risk from an antitrust perspective. To enhance targeted functions' employee awareness of the importance of competition and antitrust laws and issues during daily operations, TSMC established antitrust training programs and conducted several antitrust trainings, via either face-to-face or on-line training sessions, for global sales personnel at Taiwan, North America, Europe, Asia Pacific, Japan and mainland China areas, and employees in other relevant departments.
- Insider Trading Compliance: To implement insider trading regulatory compliance, TSMC revisited and updated training material of the insider trading on-line program (0.5 hour-length course), and designated managers at R&D Organization and oversea fabs of Operations Organizations as trainees – a total of 1,950 managers completed this on-line program (97.7% completion rate) as requested. Each year going forward, TSMC will designate employees from different departments to take insider trading on-line program to strengthen employees' awareness and compliance with insider trading laws.

3.7 Internal Control System Execution Status

3.7.1 Statement of Internal Control System

Taiwan Semiconductor Manufacturing Company Limited


Statement of Internal Control System


February 14, 2023

Based on the findings of a self-assessment, Taiwan Semiconductor Manufacturing Company Limited (TSMC) states the following with regard to its internal control system during the year 2022:

- TSMC's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
- An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TSMC takes immediate remedial actions in response to any identified deficiencies.
- TSMC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component also includes several items which can be found in the Regulations.
- TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- Based on the findings of such evaluation, TSMC believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- This Statement is an integral part of TSMC's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- This Statement was passed by the Board of Directors in their meeting held on February 14, 2023, with none of the ten attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Semiconductor Manufacturing Company Limited

 Mark Liu,
Chairman

 C.C. Wei,
Chief Executive Officer

3.7.2 If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.8 Status of Personnel Responsible for the Company's Financial and Business Operation

3.8.1 Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2022 and as of the Date of this Annual Report: None.

3.8.2 Certification of Employees Whose Jobs are Related to the Release of the Company's Financial Information

Certification	Number of Employees	
	Internal Audit	Finance
Certified Public Accountants (CPA)	2	51
US Certified Public Accountants (US CPA)	4	20
Certified Internal Auditor (CIA)	13	3
Chartered Financial Analyst (CFA)	-	2
Certified Management Accountant (CMA)	-	2
Financial Risk Manager (FRM)	-	1
Certification in Control Self-Assessment (CCSA)	2	-
Certification in Risk Management Assurance (CRMA)	3	-
Certified Information Systems Auditor (CISA)	7	1
Certified Fraud Examiner (CFE)	2	-

3.9 Information Regarding TSMC's Independent Auditor

3.9.1 Audit Fees

The Audit Committee approves all fees payable to TSMC's independent auditor and recommends the same to the Board of Directors for further approval. The Board of Directors has authorized the Audit Committee to approve any increase not exceeding 10% of the approved fees.

Unit: NT\$ thousands

Accounting Firm	Name of CPA	CPA's Audit Period	Audit Fee (Note 1)	Non-audit Fee (Note 2)	Total	Remark
Deloitte & Touche	Mei-Yen Chiang, Shang-Chih Lin, and others	01/01/2022 – 12/31/2022	51,777	27,372	79,149	-

Note 1: Compared with last year, there is a NT\$8,345 thousands decrease, or a 14% year-over-year decrease, in the annual audit fees payment. This is mainly due to a portion of audit fees, NT\$14,450 thousands, were actually paid in January 2023. If such payment is included, the total audit fees in 2022 will be higher than last year.

Note 2: The fees were mainly related to the bond offering that was borne by the underwriter and audit of annual income tax returns.

3.9.2 CPA's information

(1) Former CPAs

Date of Change	Approved by BOD on November 8, 2022		
Reasons and Explanation of Changes	In compliance with regulatory requirements on rotation, the engagement partner Mei-Yen Chiang will be replaced by Shih-Tsung Wu starting from 2023. The co-signing partner will remain to be Shang-Chih Lin.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Status	Client	Consignor
	Appointment terminated automatically	CPA	Not available
	Appointment rejected (discontinued)	CPA	Not available
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions (Note)	None		
Is There Any Disagreement in Opinion with the Issuer	Yes		Accounting principle or practice
			Disclosure of financial statements
			Auditing scope or procedures
			Others
	No		v
Explanation			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

(2) Successor CPAs

Accounting Firm	Deloitte & Touche
CPA	Shih-Tsung Wu and Shang-Chih Lin
Date of Engagement	Approved by BOD on November 8, 2022
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

(3) The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: None.

3.9.3 TSMC's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within TSMC's Independent Audit Firm or Its Affiliates in the Most Recent Year.

3.9.4 Evaluation of the External Auditor's Independence and Suitability

The Audit Committee annually monitors the independence and Suitability TSMC's external auditor by conducting the following evaluation standards and reports the same to the Board of Directors:

1. The auditor's independence declaration
2. The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit
3. Ensure the audit partner rotates every five years
4. Annually evaluate the independence and suitability of the external auditor based on the results of the auditor survey and the Audit Quality Indicator (AQI) released by Financial Supervisory Commission (FSC) regarding its financial interests, commercial relations, employment relations, etc.