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Corporate Governance

TSMC was recognized by Fortune Magazine as one of the
“2023 World’s Most Admired Companies.”

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 delegates various responsibilities and authority to three Board Committees, Audit and Risk Committee, Compensation and People Development Committee, and Nominating, Corporate Governance and Sustainability Committee. Each Committee’s chairperson regularly reports to the Board on its activities and recommendations.

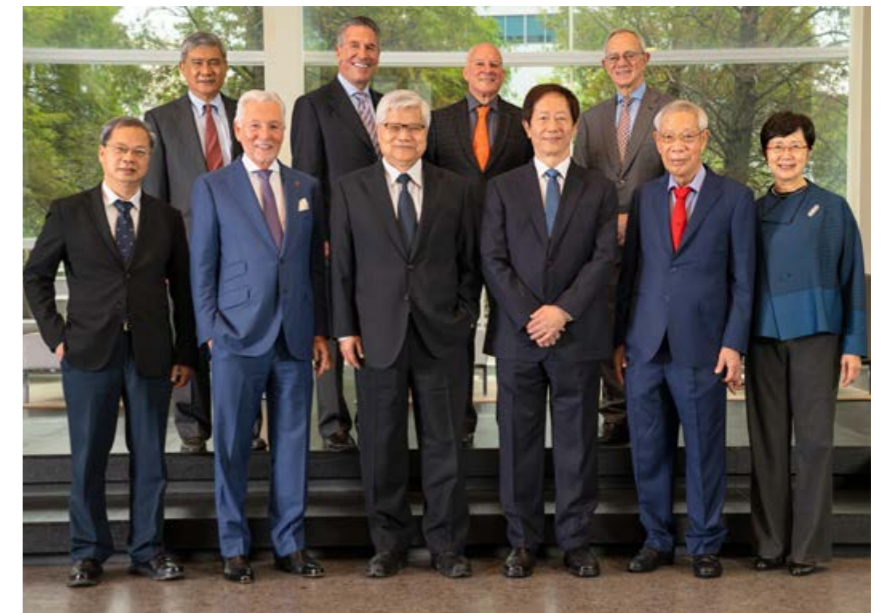
2023 Corporate Governance Awards and Ratings

Organization	Awards
Dow Jones Sustainability Indices (DJSI)	Dow Jones Sustainability World Index for the 23 rd consecutive year
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
Morningstar	The Best Sustainable Companies to Own in 2024
S&P Global	Corporate Sustainability Assessment – Top 10% S&P Global ESG Score
Sustainalytics	Company ESG Risk Ratings: Low ESG Risk – Semiconductor Industry
ISS ESG	ISS-oekom “Prime” Rated by ISS ESG Corporate Rating
FTSE4Good Index	FTSE4Good Emerging Index component FTSE4Good All-World Index component FTSE4Good TIP Taiwan ESG Index component
Taiwan Stock Exchange	Top 5% in Corporate Governance Evaluation of Listed Companies for the 9 th consecutive year
CommonWealth Magazine	Talent Sustainability Award
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 Best Company Board (Technology/Semiconductors) – 1 st Place (buy-side and sell-side) – All-Asia
Forbes	The World’s Top 10 Largest Technology Companies in 2023 2023 World’s Best Employers
FORTUNE	2023 World’s Most Admired Companies Fortune Global 500
Asiamoney	2023 Asia’s Outstanding Companies – Semiconductors & Semiconductor Equipment Sector for the 6 th consecutive year
Taiwan Institute of Sustainable Energy	Taiwan Top 10 Sustainability Exemplary Awards for the 8 th consecutive year
IFI Claims Patent Services	Ranked as 3 rd in 2023 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. Gavrielov; 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.

In December 2023, TSMC announced that Dr. Mark Liu plans to retire from TSMC in June 2024, and will not seek re-election to the board of directors. During his tenure, Dr. Liu has reaffirmed the Company’s commitment to its mission and focused on enhancing corporate governance and competitiveness particularly in technology leadership, digital excellence, and global footprint. TSMC’s Nominating, Corporate Governance and Sustainability Committee recommends Dr. C.C. Wei, while remaining as CEO, to succeed as TSMC’s next Chairman, subject to the election of the incoming board in June 2024.

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 and Risk Committee, Compensation and People Development Committee, Nominating, Corporate Governance and Sustainability Committee, the hiring of a financial expert consultant for the Audit and Risk 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 management 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 Board of Directors members are nominated via rigorous selection processes. TSMC established 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. Also, TSMC developed the “Corporate Governance Guidelines” that set out the criteria for evaluating director candidates for election by the shareholders shall be based on, among other considerations, their professional knowledge, experience, business judgment, commitment to uphold the Company’s core values, as well as reputation in both ethical conduct and leadership. Diversity of backgrounds (including gender, age, and culture) of Board members shall also be considered. The “Nominating, Corporate Governance and Sustainability Committee” will recommend Independent Director candidates to the Board of Directors for nomination. 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.

Taking the position that directors who over time have developed increasing knowledge, experience and insight into the semiconductor industry and deeper understanding of the operations of the Company can better perform their duties and provide an increasing contribution and value to the shareholders of the Company. Except as otherwise provided in applicable regulations regarding the tenure limits of independent directors, there are no limits on the number of terms that a director may serve. The Board will, however, assess director tenure on an on-going basis to ensure the Board continues to benefit from new perspectives.

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 and People Development 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 and Risk Committee, Compensation and People Development Committee, and Nominating, Corporate Governance and Sustainability 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

Criteria Name/Title	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.	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	None of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)	<ol style="list-style-type: none"> Every of the Independent Directors 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 Every of the Independent Directors (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC common shares Every of the Independent Directors received no compensation or benefits for providing commercial, legal, financial, accounting services or other services 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. Gavrieli Independent Director			0
Yancey Hai Independent Director			1
L. Rafael Reif Independent Director			0

Note 1: The circumstances listed in Article 30 of the R.O.C. Company Act do not apply to me:

- Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, 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 the probation, or pardon;
- Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted 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 the probation, or pardon;
- Having committed the offence as specified in the Anti-corruption Act and subsequently convicted of a crime, 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 the probation, or pardon;
- Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges;
- Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet; or
- Having no or only limited disposing capacity.
- Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

Note 2: 1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

- Not serving concurrently as an independent director on more than three other Taiwanese public companies in total.
- During the two years before being elected and during the term of office, meet any of the following situations:
 - Not an employee of the company or any of its affiliates;
 - Not a director or supervisor of the company or any of its affiliates;
 - 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;
 - 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);
 - 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;
 - 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;
 - 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);
 - 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
 - Not a professional individual, owner, partner, director, supervisor, or officer of a sole proprietorship or any type of legal entity, or a spouse thereof, that have provided to TSMC or its affiliates: (1) any audit service; or (2) commercial, legal, financial, accounting services or other services of which its total compensation exceeding NT\$500,000 within the recent two years.

Board Diversity and Independence

TSMC Board of Directors members are nominated via rigorous selection processes. TSMC established both 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 the “Corporate Governance Guidelines” that set out the criteria for evaluating director candidates for election by the shareholders shall be based on, among other considerations, their professional knowledge, experience, business judgment, commitment to uphold the Company’s core values, as well as reputation in both ethical conduct and leadership. Diversity of backgrounds (including gender, age, and culture) of Board members shall also be considered. The Company aims to have at least 50% Independent Directors and at least one female director to serve on the Board. Currently, all ten members of the Board of Directors, including a female board member, represent diverse range of 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 corporate management 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 board diversity policy:

Implementation of the Diversity Policy for Board Members

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

3.2.1 Audit and Risk Committee

The Audit and Risk 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 and Risk 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 Committee duties;
- Self-assessment of the Committee’s performance; and
- Any other matters that shall be reviewed by the Audit and Risk Committee Meeting as required by relevant laws and regulations or its 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 and Risk 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 and Risk Committee annually conducts self-evaluation to assess the Committee’s performance and identify areas for further attention.

TSMC’s Audit and Risk 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. The Audit and Risk Committee Charter is available on TSMC’s corporate website.

3.2.2 Compensation and People Development Committee

The Compensation and People Development Committee assists the Board in discharging its responsibilities related to TSMC’s compensation and benefits policies, plans and programs, in evaluation of compensation of TSMC’s directors of the Board and executives, and the review of the pipeline planning of the Company’s senior executives to ensure the long-term sustainability of the Company.

The members of the Compensation and People Development 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 and People Development Committee is authorized by its charter to retain an independent consultant to assist in the evaluation of CEO's or executive officer's compensation. The Compensation and People Development Committee Charter is available on TSMC's corporate website.

Information Regarding Compensation and People Development 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 and People Development 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.		1. All the Committee members 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. All the Committee members (or nominee arrangement) as well as his/her spouse and minor children do not hold any TSMC common shares 3. All the Committee members received no compensation or benefits for providing commercial, legal, financial, accounting services or other services 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. Gavriolov 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) Not a professional individual, owner, partner, director, supervisor, or officer of a sole proprietorship or any type of legal entity, or a spouse thereof, that have provided to TSMC or its affiliates: (1) any audit service; or (2) commercial, legal, financial, accounting services or other services of which its total compensation exceeding NT\$500,000 within the recent two years.

3.2.3 Nominating, Corporate Governance and Sustainability Committee

The Nominating, Corporate Governance and Sustainability Committee assists the Board in strengthening the selection mechanism for directors, selecting candidates for nomination to be elected as independent directors to the Board, building diversified and professional board, and advising on corporate governance and sustainability matters.

According to its Charter, the Committee shall be composed of the Chairman of the Board and three to six independent directors. Currently, the Committee consists of the Chairman of the Board and all six Independent Directors.

The Nominating, Corporate Governance and Sustainability Committee is authorized by its Charter to hire independent legal, financial and other advisors as it may deem necessary to fulfill its responsibilities. The Nominating, Corporate Governance and Sustainability Committee Charter is available on TSMC's corporate website.

3.2.4 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 and Risk Committee, Compensation and People Development Committee, Nominating, Corporate Governance and Sustainability 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 40-67 of this Annual Report.

3.2.5 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 2023, the average Board Meeting attendance rate was 94% and the attendance rate for the Audit and Risk Committee, Compensation and People Development Committee, and Nominating, Corporate Governance and Sustainability Committee's Meetings were 97%, 100%, 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 2023. 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)	3	2	60%	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	4	1	80%	None
Independent Director	Moshe N. Gavriolov	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 and Risk Committee. For relevant information, please refer to the "Audit and Risk 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: (1) Directors recused themselves from the discussion and voting of their compensation resolution; (2) given that NXP Semiconductors N.V. is a party to the sale of a 30% equity share of TSMC's wholly-owned German subsidiary, European Semiconductor Manufacturing Company (ESMC) GmbH, in an arrangement of TSMC selling 10% each to Bosch, Infineon and NXP, Mr. Moshe N. Gavriolov recused himself from the discussion and voting as he also serves as a Director of NXP.
- 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.
 - 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.
 - TSMC Board of Directors established "Corporate Governance Guidelines" in May, 2023.

Audit and Risk Committee Meeting Status

Tenures of the Audit and Risk Committee members are from July 26, 2021 to July 25, 2024. Sir Peter L. Bonfield, Chairman of the Audit and Risk Committee, convened four regular meetings in 2023. In addition to these meetings, he also convened one special meeting and three telephone conferences to review the Company's Annual Report to be filed with the Taiwan and U.S. authorities and investor conference materials. 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	4	1	80%	3	100%	None
Member	Michael R. Splinter	5	0	100%	3	100%	None
Member	Moshe N. Gavriellov	5	0	100%	2	67%	None
Member	Yancey Hai	5	0	100%	3	100%	None
Member	L. Rafael Reif	5	0	100%	2	67%	None
Financial Expert Consultant	Jan C. Lobbezoo	5	0	100%	3	100%	None

Annotations:

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

Audit and Risk Committee Meeting Date	Resolution
2023 1 st Regular Meeting February 13	<ul style="list-style-type: none"> •2022 annual financial statements •2022 business report •2022 fourth quarter earnings distribution •Capital injection of not more than US\$3.5 billion to TSMC Arizona •Fund-lending to TSMC Arizona for an amount not to exceed US\$3 billion and a period not to exceed one year •Amendments to TSMC's "Procedures for Endorsement and Guarantee" •NTD corporate bond issuance •Issuance of total 2,110,000 shares of 2022 employee restricted stock awards •Issuance of 2023 employee restricted stock awards •2022 Statement of Internal Control System
2023 2 nd Regular Meeting May 8	<ul style="list-style-type: none"> •2023 first quarter financial statements •2023 first quarter business report •2023 first quarter earnings distribution •NTD corporate bond issuance •Amendments to TSMC's internal control related policies and procedures
2023 3 rd Regular Meeting August 7	<ul style="list-style-type: none"> •2023 second quarter financial statements •2023 second quarter business report •2023 second quarter earnings distribution •Capital injection of not more than €3,499,930,000 to European Semiconductor Manufacturing Company (ESMC) GmbH •Capital injection of not more than US\$4.5 billion to TSMC Arizona •Ratification of TSMC's security investments classified as non-current assets
2023 4 th Regular Meeting November 13	<ul style="list-style-type: none"> •2023 third quarter financial statements •2023 third quarter business report •2023 third quarter earnings distribution •Related-party sale of existing TSMC equipment to Japan Advanced Semiconductor Manufacturing, Inc. (JASM) •2024 service fees and out-of-pocket expenses for Deloitte

Independent Directors' objections, reservations or major suggestions: None.

Resolution of the committee and the Company's response to the committee's opinion: The members of the Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Committee.

(2) There were no other resolutions which was not approved by the Committee but was approved by two thirds or more of all directors in 2023.

B. Recusals of Independent Directors due to conflicts of interests: Given that NXP Semiconductors N.V. is a party to the sale of a 30% equity share of TSMC's wholly-owned German subsidiary, European Semiconductor Manufacturing Company (ESMC) GmbH, in an arrangement of TSMC selling 10% each to Bosch, Infineon and NXP, Mr. Moshe N. Gavriellov recused himself from the discussion and voting as he also serves as a Director of NXP.

C. Descriptions of the communications between the Independent Directors, the internal auditors, and the independent auditors in 2023 (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 Committee periodically and presented the findings of all audit reports in the quarterly meetings of the Committee. The head of Internal Audit will immediately report to the members of the Committee any material matters. During 2023, the head of Internal Audit did not report any such material matters. The communication channel between the 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 Committee any material matters that they have discovered. During 2023, the Company's independent auditors did not report any irregularity. The communication channel between the 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 and Risk Committee Meeting Date	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2023 1 st Regular Meeting February 13	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) •Report on SOX 404 self-testing results for the year 2022 (Closed Door Session) •2022 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 2022 annual financial statements (Closed Door Session)
2023 2 nd Regular Meeting May 8	<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 2022 CPA evaluation questionnaire •External auditors' report on Deloitte China and KY matters •Report of regulatory developments •Any review problems or difficulties and management's response in connection with 2023 first quarter financial statements (Closed Door Session)
2023 3 rd Regular Meeting August 7	<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 2023 second quarter financial statements (Closed Door Session)
2023 4 th Regular Meeting November 13	<ul style="list-style-type: none"> •Internal Auditor's report (Closed Door Session) •2024 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 2023 third quarter financial statements (Closed Door Session)

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

Compensation and People Development Committee Meeting Status

Tenures of the Compensation and People Development Committee members are from July 26, 2021 to July 25, 2024. Mr. Michael R. Splinter, Chairman of the Committee, convened four regular meetings in 2023. The Committee members' qualification and attendance are as follows.

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

Annotations:

A. In 2023, the Compensation and People Development Committee conducted four regular meetings on February 13, May 8, August 7 and November 13. 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
 - Vest of Employee restricted stock awards for 2021
 - Grant of Employee restricted stock awards for 2022
 - Employee restricted stock awards rules for 2023
 - Clawback Policy
 - Organization and Executive Succession Discussion
 - The renaming the "Compensation Committee" to the "Compensation and People Development Committee" and the amendments to its Charter
- All of the above matters were reviewed and/or approved by the Committee.

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

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

Nominating, Corporate Governance and Sustainability Committee Meeting Status

According to its Charter, the Committee shall be composed of the Chairman of the Board and three to six independent directors. Currently, the Committee consists of the Chairman of the Board and all six Independent Directors. The Nominating, Corporate Governance and Sustainability Committee assists the Board in strengthening the selection mechanism for directors, selecting candidates for nomination to be elected as independent directors to the Board, building diversified and professional board, and advising on corporate governance and sustainability matters.

On February 14, 2023, the Board established the Nominating, Corporate Governance and Sustainability Committee. Tenures of the Committee members are from February 14, 2023 to July 25, 2024. Mr. Moshe N. Gavriellov, Chairman of the Governance and Sustainability Committee, convened five meetings in 2023. The Committee members' professional qualification and experience, attendance status, and discussion items are as follows:

Criteria Name/Title	Professional Qualification and Experience	Attendance in Person	By Proxy (Note)	Attendance Rate in Person (%)	Notes
Moshe N. Gavriellov (Chair) Independent Director	TSMC's Nominating, Corporate Governance and Sustainability Committee is comprised of the Chairman of the Board and 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.	5	-	100%	None
Mark Liu Chairman of the Board		5	-	100%	None
Sir Peter L. Bonfield Independent Director		5	-	100%	None
Kok-Choo Chen Independent Director		5	-	100%	None
Michael R. Splinter Independent Director		5	-	100%	None
Yancey Hai Independent Director		5	-	100%	None
L. Rafael Reif Independent Director		4	-	80%	None

Annotations:

A. In 2023, the Nominating, Corporate Governance and Sustainability Committee conducted five meetings on February 14, March 23, May 8, August 7 and November 13. The discussion items were as follows:

- Committee's operation
 - Future candidates for Independent Directors
 - Establishment of the TSMC's Corporate Governance Guidelines
 - Sustainable Development Action Plans for Listed Companies (2023)
 - Quarterly ESG report
 - Annual reviewing and assessing the Committee charter and fulfillment of Committee duties
- All of the above matters were reviewed, discussed and/or approved by the Committee.

B. There were no resolutions on which any member of the Committee had an objection opinion.

C. The Board of Directors approved and adopted all recommendations of the Committee without modification.

Note: The Committee members shall attend the meetings in-person, and there is no proxy available for the Committee members who are unable to attend the meeting.

Board of Directors' Performance Evaluation Implementation Status

Evaluation Cycle	Evaluation Period	Evaluation Scope	Evaluation Method	Evaluation Aspect
Annual	From January 1, 2023 to December 31, 2023	<ul style="list-style-type: none"> The Board of Directors as a whole The individual directors The Audit and Risk Committee The Compensation and People Development Committee The Nominating, Corporate Governance and Sustainability Committee 	<ul style="list-style-type: none"> Internal assessment of the Board Self-assessments by each board member Internal assessment of each committee 	<p>The Board of Directors are assessed on the following five aspects:</p> <ol style="list-style-type: none"> Involvement in the Company's operations Enhancement of the quality of the board's decision-making Makeup and structure of the board Election of board members and continuing knowledge development Internal control <p>The individual directors are assessed on the following six aspects:</p> <ol style="list-style-type: none"> Understanding of the Company's goals and mission Awareness of director's duties Involvement in the Company's operations Internal relationship and communication Director's professionalism and continuing knowledge development Internal control <p>Each functional Committee is assessed on the following five aspects:</p> <ol style="list-style-type: none"> Involvement in the Company's operations Awareness of the committee's duties Enhancement of the quality of the committee's decision-making Makeup of the committee and election of its members Internal control

The Company completed self-assessments of Board and each Committee performance in 2023 and reported the results to the Board and each Committee at its first quarter meeting in 2024 for review and improvement. The weighted average score for the overall performance of the Board of Directors is out of 5, that included an average score of 4.90 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 4.81 out of 5. As demonstrated, the overall board's operation has been effective. On a scale out of 5, the weighted average scores for self-assessed performance results of the Audit and Risk Committee, the Compensation and People Development Committee and the Nominating, Corporate Governance and Sustainability Committee are 4.82, 4.68 and 4.63, respectively. As demonstrated, each committee's operation has been effective.

3.3 Major Decisions of Shareholders' Meeting and Board Meetings

3.3.1 Major Resolutions of Shareholders' Meeting and Implementation Status

TSMC held 2023 Annual Shareholders' Meeting in Hsinchu, Taiwan on June 6, 2023. At the meeting, shareholders present in person or by proxy approved the following resolutions:

- The 2022 Business Report and Financial Statements. Consolidated revenue totaled NT\$2,263.89 billion and net income was NT\$1,016.53 billion, with diluted earnings per share of NT\$39.20;
- The issuance of employee restricted stock awards for year 2023.
- The revisions to the Procedures for Endorsement and Guarantee
- The revisions to the following TSMC policies in order to reflect the Audit Committee name change to the Audit and Risk Committee:
 - Procedures for Acquisition or Disposal of Assets
 - Procedures for Financial Derivatives Transactions
 - Procedures for Lending Funds to Other Parties
 - Procedures for Endorsement and Guarantee

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 2023 and as of the date of this Annual Report, major resolutions approved at Board meetings are summarized below:

(1) 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;
- to attract and retain corporate executives and critical talents and to link their compensation with shareholders' interests and ESG achievements, the board approved the issuance of 2,110,000 shares of 2022 employee restricted stock awards (RSAs). In addition, the board approved 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;
- approving the renaming of "Audit Committee" to "Audit and Risk Committee", and the renaming of "Compensation Committee" to "Compensation and People Development Committee", and the establishment of a "Nominating, Corporate Governance and Sustainability Committee" of the Board of Directors; and
- convening the 2023 Annual Shareholders' Meeting.

(2) Regular Board Meeting of May 9, 2023:

- approving the distribution of a NT\$3.00 per share cash dividend for the first quarter of 2023, and setting September 20, 2023 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
- approving capital appropriations of approximately US\$366.1 million for the purpose of fab construction and installation of fab facility systems;
- 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 TSMC's "Corporate Governance Guidelines"; and
- approving the promotion of Fab Operations I Fab 18A Senior Fab Director Mr. Ray Chuang to Vice President.

(3) Regular Board Meeting of August 8, 2023:

- approving the distribution of a NT\$3.00 per share cash dividend for the second quarter of 2023, and setting December 20, 2023 as the record date for common stock shareholders entitled to participate in this cash dividend distribution;
- approving capital appropriations of approximately US\$6,059.5 million for purposes including: 1. Fab construction, and installation of fab facility systems; 2. Installation of advanced packaging, mature and/or specialty technology capacity;
- approving an equity investment of not more than €3,499.93 million (approximately US\$3,884.9 million) to a TSMC-majority-owned subsidiary, European Semiconductor Manufacturing Company (ESMC) GmbH, in Germany to provide foundry services; and
- approving the capital injection of not more than US\$4.5 billion to TSMC Arizona, a wholly-owned subsidiary of TSMC.

(4) Special Board Meeting of September 12, 2023:

- approving the purchase of 10% equity interest in IMS Nanofabrication Global, LLC from Intel Corporation for an amount not exceeding US\$432.8 million; and
- approving an investment in Arm Holdings plc in an amount not exceeding US\$100 million based on Arm's share price at IPO.

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

- approving the distribution of a NT\$3.50 per share cash dividend for the third quarter of 2023, and setting March 24, 2024 as the record date for common stock shareholders entitled to participate in this cash dividend distribution; and
- approving capital appropriations of approximately US\$4,341.95 million for purposes including: 1. Installation of advanced technology capacity; 2. Installation of advanced packaging, mature and specialty technology capacity; 3. 2024 R&D capital investments and sustaining capital expenditures; 4. 2024 capitalized leased assets.

(6) Regular Board Meeting of February 5 & 6, 2024:

- approving the 2023 Business Report and Financial Statements;
- approving the distribution of a NT\$3.50 per share cash dividend for the fourth quarter of 2023, and setting June 19, 2024 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 2023;
- approving capital appropriations of approximately US\$9,421.48 million for purposes including: 1. Installation of advanced technology capacity; 2. Installation of advanced packaging, mature and/or specialty technology capacity; 3. Fab construction, and installation of fab facility systems, including construction of the Zero Waste Manufacturing Center at the Southern Taiwan Science Park; 4. capitalized leased assets;
- approving the capital injection of not more than US\$5,262 billion to Japan Advanced Semiconductor Manufacturing, Inc. (JASM);
- approving the capital injection of not more than US\$5 billion to TSMC Arizona, a wholly-owned subsidiary of TSMC;
- approving the capital injection of not more than US\$3 billion to TSMC Global Ltd., a wholly-owned subsidiary of TSMC, for the purpose of reducing foreign exchange hedging costs.
- approving the issuance of 2,960,000 shares of 2023 employee restricted stock awards (RSAs). In addition, approving the issuance of no more than 4,185,000 common shares of RSAs for the year 2024, which will be submitted to the 2024 Annual Shareholders' Meeting for approval; and
- convening the 2024 Annual Shareholders' Meeting;
- approving the promotion of Vice President, Finance and Chief Financial Officer Mr. Wendell Huang to Senior Vice President;
- approving the promotion of Vice President, Legal and General Counsel Ms. Sylvia Fang to Senior Vice President.

(7) Special Board Meeting of February 29, 2024:

- approving the appointment of Senior Vice President of R&D Dr. Y.J. Mii and Senior Vice President of Operations Mr. Y.P. Chyn as Executive Vice Presidents and Co-Chief Operating Officers of TSMC.

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 2023 and as of the Date of this Annual Report: None.

3.4 Corporate Governance Implementation Status 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		The Board of Directors of the Company has approved the establishment of the Corporate Governance Guidelines, which has been disclosed in the Company's official website.	None
2. Shareholding Structure & Shareholders' Rights (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 according to relevant internal procedures.	None
(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?	V		(1) Please refer to "3.2 Board of Directors – Board Diversity and Independence" on page 46 of this Annual Report.	None
(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?	V		(2) Audit and Risk Committee (Audit Committee is founded in 2002 and renamed in 2023); Compensation and People Development Committee (Compensation Committee is founded in 2003 and renamed in 2023); 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/ Nominating, Corporate Governance and Sustainability Committee on the implementation of plans and results.	
(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		(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, the Audit and Risk Committee, the Compensation and People Development Committee, and the Nominating, Corporate Governance and Sustainability Committee. The Board of Directors are assessed on the following five aspects: 1. Involvement in the Company's operations 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 control 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 control Each functional Committee is assessed on the following five aspects: 1. Involvement in the Company's operation 2. Awareness of the committee's duties 3. Enhancement of the quality of the committee's decision-making 4. Makeup of the audit committee and election of its members 5. Internal control 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 4.73 out of 5, that included an average score of 4.90 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 4.81 out of 5. As demonstrated, the overall board's operation has been effective. On a scale of 5, the weighted average scores for self-assessed performance results of the Audit and Risk Committee, the Compensation and People Development Committee and the Nominating, Corporate Governance and Sustainability Committee are 4.82, 4.68 and 4.63, respectively. As demonstrated, each committee's operation has been effective.	
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The Audit and Risk 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 67 of this Annual Report.	

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
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 and Risk Committee, Compensation and People Development Committee, Nominating, Corporate Governance and Sustainability 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
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 Governance (ESG)" on page 150-176 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?	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 .	None
(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.)?	V		(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) 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		(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.	
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 112-119 of this Annual Report. (2) For investor relations, supplier relations and rights of stakeholders, please refer to "7. Environmental Social Governance (ESG)" on page 150-176 of this Annual Report. (3) For Directors' training records, please refer to "Continuing Education/Training of Directors in 2023" on page 57 of this Annual Report. (4) For Risk Management Policies and Risk Evaluation, please refer to "6.3 Risk Management" on page 133-149 of this Annual Report. (5) For Customer Relations Policies, please refer to "5.4 Customer Trust" on page 109-111 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 2023 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". (2) The TSMC Board established TSMC's "Corporate Governance Guidelines" in May 2023.	

Continuing Education/Training of Directors in 2023

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 and Risk 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)	09/06	SEMI	SEMICON Taiwan 2023, CEO Summit Keynote speech: Semiconductor Technology in the Era of Artificial Intelligence	2.5 hours
	10/02	Science and Technology in Society (STS) Forum	Semiconductor Technology in the Era of Artificial Intelligence	1 hour
	11/22	Chinese National Association of Industry and Commerce	Gongliang Memorial Lecture: TSMC in the Artificial Intelligence (AI) Era	1.5 hours
F.C. Tseng	04/27	Taiwan Corporate Governance Association	Development of Artificial Intelligence and Application of Third-generation Semiconductors in Servers	3 hours
	12/08	Taiwan Corporate Governance Association	TCFD & SBTi Development Trends and Directors' Powers	3 hours
Sir Peter L. Bonfield	06/20	AlixPartners, London	Impact of Semiconductors in Electric Cars and Supply Chains	1 hour
	09/15	Darktrace	Cybersecurity Training for Board Members	4 hours
	11/23	AlixPartners, Munich	Impact of Semiconductors in Electric Cars and Supply Chains	1 hour
Moshe N. Gavrielov	04/28	Ascend	Director Summit	2 hours
	07/10-11	Goldman Sachs	Corporate Director Symposium	9 hours
	09/20-22	Morgan Stanley	6th Annual Semiconductor Company CEO and Board of Directors Forum	12 hours
	11/01-03	McKinsey & Company	T-30 Semiconductor Executive/Board Member Event	12 hours
Yancey Hai	11/07	Barclays	Semiconductor Board and CEO Summit	6 hours
	04/27	Taiwan Corporate Governance Association	Corporate Strategy	3 hours
	07/31	Taiwan Corporate Governance Association	Technology, Applications and Societal Impacts of Artificial Intelligence	3 hours

Note: Selected speeches on corporate governance and related topics.

Continuing Education/Training of Corporate Governance Officer in 2023

Name	Date	Host by	Training/Speech Title	Duration
Vice President and General Counsel Corporate Governance Officer Sylvia Fang	04/07	Securities and Futures Institute	Practical Advanced Seminar for Directors and Supervisors (including Independent) and Corporate Governance Officers – 2030/2050 Green Industrial Revolution	3 hours
	04/21	Taiwan Corporate Governance Association	How Board of Directors Formulate ESG Sustainable Governance Strategies in 2023	3 hours
	11/22	Intellectual Property Office, Ministry of Economic Affairs, R.O.C. Taiwan Association for Trade Secret Protection	Trade Secret Protection and Management Practice Sharing Forum	3 hours
	12/01	Intellectual Property Office, Ministry of Economic Affairs, R.O.C. Taiwan Association for Trade Secret Protection	Trade Secret Litigation Practice and the Impact of Generative AI on Trade Secret Protection	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 TSMC’s 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 and Risk 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 and Risk 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 and Risk 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 2023, there were 73,034 attendances that completed the “Annual Ethics and Compliance Training Course” (mandatory 0.5 hour online course) at TSMC and its subsidiaries, both completion rate and exam pass rate reaching 100%.

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). 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 2023, 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 2023, the Ethics Committee held a total of five 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 2023, TSMC did not receive any reports related to insider trading, money laundering, or other 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 2023, the incidents reported through the Audit and Risk Committee Whistleblower System, Ombudsman System, and Irregular Business Conduct Reporting System totaled 348. Among them, 218 cases were related to people management/employee relations, 117 cases were categorized as others (e.g., asking personal questions or private matters), and 13 cases were related to ethics. Five incidents were verified upon investigation and determined for disciplinary action by the Ethics Committee. In 2023, TSMC leveraged the five violations to strengthen ethics promotion for employees and suppliers in supplier-related activities. Below are the summary of reported incidents and reporting area.

Case	FY2019	FY2020	FY2021	FY2022	FY2023
Total reported cases	205	246	327	335	348
Ethics-related cases	26	22	17	11	13
Cases investigated and verified as ethics violations	2	6	4	4	5 (Note 1)
Sexual Harassment Investigation Committees Formed	4	4	14	19	35
Cases investigated and verified as violations	4	2	11	14	23 (Note 2)

Note 1: Of the five verified cases: one incident involved employee of vendor failed to follow the SOP for scrapping materials, one incident involved employees of vendors evaded the regular process to steal TSMC scrapped materials in pursuit of personal gain, and all the employees of the vendors involved in the misconducts were prohibited to provide service in TSMC. One incident involved employee who failed to follow TSMC's conflict-of-interest principles when dealing with vendors and received major demerit. One incident involved an employee who improperly asked subordinates to fund the department event, failed to follow SOP for payment requests, and failed to separate their personal and public accounts. The supervisor received a major demerit. One incident involved an employee who improperly asked a specific vendor to buy food and drinks to treat the other vendor who helped that specific vendor to complete the undo job. Even the purpose behind was not related to the bribery or fraud, the employee then received oral coaching.

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 as well as emphasize the type and possible consequences for power harassment in 2023 TSMC annual sexual harassment prevention training so as to raise employees' awareness.

Cases Investigated and Verified as Violations in Different Reporting Area	FY2019	FY2020	FY2021	FY2022	FY2023 (Note)
Corruption or Fraud	2	6	4	4	2
Discrimination or Harassment	4	2	11	14	22
Customer Privacy Data	0	0	0	0	0
Conflicts of Interest	-	-	-	-	1
Money Laundering or Insider trading	-	-	-	-	0
Antitrust	0	0	0	0	0
Others	-	-	-	-	2

Note: The reporting area classification is starting from 2023.

Ethics Code Violation Disciplinary Action

TSMC does not tolerate any violation of the Ethics Code and treat every possible violation incident seriously. Each violator of the Ethics Code (or relevant regulations), for employees, in addition to affecting individual annual performance evaluation, will be severely disciplined to the full extent of our policies and the law, up to and including immediate dismissal, or termination of business relationship for suppliers, and judicial prosecution as appropriate.

3.5.1 Corporate Conduct and Ethics Implementation Status as Required by 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?	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.	None
(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?	V		(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), for employees, in addition to affecting individual annual performance evaluation, will be severely disciplined to the full extent of our policies and the law, up to and including immediate dismissal, or termination of business relationship for suppliers, and judicial prosecution as appropriate.	
(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		(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, Anti-trust (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 73,034 employees (including employees in subsidiaries) completed this training course, both completion rate and exam pass rate reaching 100%. 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.	

(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> <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> <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> <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> <p>(5) Does the company provide internal and external ethical conduct training programs on a regular basis?</p>	V		<p>(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.</p> <p>(2) TSMC's Board of Directors strives to perform the responsibilities of supervising the corporate conduct and ethics compliance practice through the Audit and Risk Committee and the Compensation and People Development Committee, the hiring of a financial expert consultant for the Audit and Risk 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> <p>(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> <p>(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> <p>(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>	None
<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> <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> <p>(3) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p>	V		<p>(1) TSMC has implemented the "Complaint Policy and Procedures for Certain Accounting and Legal Matters" that allows employees or any whistleblowers with relevant evidence to report any financial, legal, or ethical irregularities anonymously through the Audit and Risk Committee Whistleblower System, Ombudsman System, and Irregular Business Conduct Reporting System. TSMC also requires all employees to stay vigilant and whistle-blow any noncompliance by anyone to their supervisors, the function head of Human Resources, or through those current reporting channels.</p> <p>(2) TSMC treats any complaint and the investigation thereof in a confidential and sensitive manner, as is clearly stated in our bylaws.</p> <p>(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.</p>	None
<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		<p>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.</p>	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 57-62 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 57-62 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 and Risk 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

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 regulatory compliance and 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: For important specific laws and regulations, TSMC provides face-to-face seminars. These customized training is made mandatory for those employees whose job responsibilities 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 57-62 of this Annual Report.

Major Accomplishments

In 2023, 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 73,034 employees (including employees in subsidiaries) completed this training course, both completion rate and exam pass rate reaching 100% – 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 complies 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 2023 TSMC altogether provided 9 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, 359 attendees from 117 suppliers 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 and to strengthen employees’ awareness and compliance with, in 2023, TSMC designated managers at Human Resources, Finance, Business Development and other Organizations as trainees – a total of 888 managers completed this insider trading on-line program (0.5 hour-length course), both completion rate and exam pass rate reaching 100%.

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 6, 2024

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 2023:

1. 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.
2. 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.
3. 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.
4. TSMC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, TSMC believes that, on December 31, 2023, 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.
6. 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.
7. This Statement was passed by the Board of Directors in their meeting held on February 6, 2024, 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 2023 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)	1	59
US Certified Public Accountants (US CPA)	3	25
Certified Internal Auditor (CIA)	4	3
Chartered Financial Analyst (CFA)	-	2
Certified Management Accountant (CMA)	-	1
Financial Risk Manager (FRM)	-	2
Certified Information Systems Auditor (CISA)	7	1
Certified Fraud Examiner (CFE)	3	-

3.9 Information Regarding TSMC's Independent Auditor

3.9.1 Audit Fees

The Audit and Risk 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 and Risk 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	Non-audit Fee (Note)	Total	Remark
Deloitte & Touche	Shih-Tsung Wu and Shang-Chih Lin	01/01/2023 – 12/31/2023	79,710	7,526	87,236	-

Note: The fees were mainly related to 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	Not available	Not available
	Appointment rejected (discontinued)	Not available	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
	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 and Risk Committee annually monitors the independence and suitability of 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 and Risk 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.