

Vote Bulletin – Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC)

Meeting Type – Annual

Meeting Date – 06/06/23

Key Issues – Corporate governance, provision of endorsement and guarantees, company strategy

Vote Decisions – State Street Global Advisors supported the management proposal to amend procedures for endorsement and guarantees.

Management Resolution

Item number	Item description	Management recommendation	SSGA vote
3	Amend Procedures for Endorsement and Guarantees	FOR	FOR

Voting Rationale

For – Item 3 – Amend Procedures for Endorsement and Guarantees

State Street Global Advisors engaged with Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) ahead of the 2023 Annual General Meeting (AGM) to discuss the company’s long-term strategy and management proposal on the agenda to amend procedures for endorsement and guarantees. The company proposed to increase the upper limit for guarantee provision but did not provide sufficient disclosure about the purpose of the guarantee in the initial notice for the AGM. The company later published [explanatory notes](#) with additional information on the resolution.

During our engagement, we sought information regarding the purpose of the amendments and alignment with strategy, related entity/entities involved and governance around the provision of endorsements and guarantees.

As the company is in the process of expanding its global manufacturing footprint, including announced overseas expansion of its subsidiaries, TSMC Arizona in U.S. and Japan Advanced Semiconductor Manufacturing (“JASM”) in Japan, we believe the resolution would support its funding needs and capital expenditure requirements. Furthermore, we believe guarantees from the parent company would facilitate the subsidiaries’ ability to secure funding.

In terms of board oversight of guarantees and risk management, the company noted that endorsements and guarantees are reviewed and approved by the full board, which is majority independent and that the company has stringent control over the provision of endorsement/guarantees. We believe concerns around risks is somewhat mitigated by assurances that the provision of guarantees would only be provided to entities that are subsidiaries.

After engaging with the company and reviewing its public disclosures, we supported this proposal. We believe the proposed amendments would help support the investments required to deliver on the company’s growth opportunity and sustain its market position, in alignment with the company’s long-term strategy. We will continue monitoring the outcome and will remain engaged with the company.

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*Pensions & Investments Research Center, as of 12/31/22.

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Marketing Communication

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