

# Stakeholder Engagement

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TSMC pursues sustainable operations and establishes multiple transparent and effective communication channels with stakeholders. These channels help TSMC understand their needs and expectations, which serve as important references for our CSR policy and plans.

In 2011, TSMC formed a CSR committee led by Senior Vice President Lora Ho and Volunteer Program President Ms. Sophie Chang. TSMC's CSR committee include representatives from Customer Service, Human Resources, Investor Relations, Legal, Material and Supply Chain Management, Operations, Public Relations, Quality and Reliability, R&D, Risk Management, Corporate ESH, and the independent TSMC Education & Culture Foundation. These representatives participate in our CSR quarterly meeting and compile stakeholders' concerns through various channels, communicate with them, and ensure implementation of appropriate initiatives and programs responsive to those interests and concerns.

In 2012, we included CSR in the Board meeting agenda at the first time. Our annual CSR achievements and projects will be reported in the Board meeting periodically so as to be an importance reference for decision making.

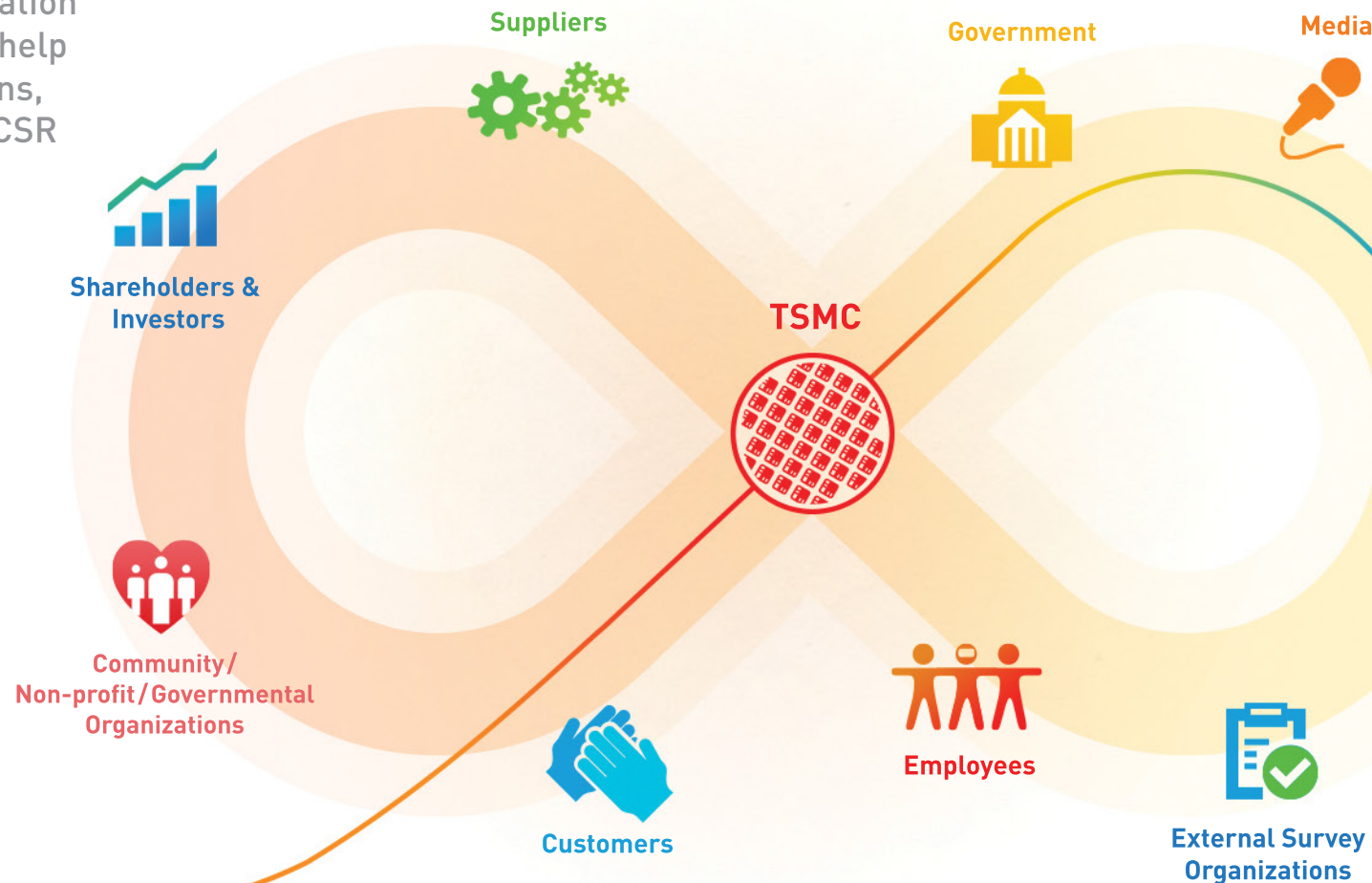


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TSMC values the views and suggestions of all its stakeholders. Its long-term dedication has won recognition from external stakeholders and internal efforts to build a workplace of open communication and gather diverse viewpoints have also gained the trust and support of employees, who are willing to offer suggestions to benefit both TSMC and society. The “TSMC i-Charity” platform website launched in December 2013 is an example of TSMC and employees working together to make an innovative idea into reality.

### Stakeholder Management Objectives

TSMC applies a “Plan-Do-Check-Act” model to improve social responsibility performance through continuous communication with stakeholders and invites them to participate in many of our activities. Our objectives for managing stakeholder concerns are as follows:

- Fully understand stakeholders’ concerns and continue to improve CSR-related performance.
- Obtain stakeholders’ trust and respect for TSMC.
- Disclose TSMC’s efforts and performance to maintain and enhance TSMC’s reputation.

### Stakeholder Management Procedure

TSMC’s stakeholder management procedure is divided into four stages: identification, analysis, plan, and engagement.

#### ● Stakeholder Identification

TSMC defines stakeholders as internal or external persons or organizations which can influence TSMC or be influenced by TSMC. According to this definition, we have identified TSMC’s stakeholders to include: employees, customers, suppliers, shareholders and investors, governments, communities/non-governmental/non-profit organizations, external survey organizations, and media.

#### ● Stakeholder and Its Concerned Topics Analysis

After identifying our stakeholders, we establish individual communication channels with each of them according to their influence and issues of concern. We communicate with stakeholders through multiple channels established by CSR-related units, and compile their economic, social and environmental concerns. We then prioritize concerns according to their impact on the Company. Stakeholders’ concerns are divided into significant, secondary and general topics to be included in key annual projects.

#### ● Stakeholder Related Projects

TSMC’s CSR-related units incorporate the results of the analyses described above into their daily work, annual plans, or cross-functional projects as a key reference for the Company’s sustainable development strategy.

#### ● Stakeholder Engagement and Measurement

TSMC and its stakeholders have differing levels of interactions according to priority so as to use company’s resource efficiently and to create win-win relationships.



### TSMC i-Charity: Behind the Scenes

Springing from a suggestion volunteered by an employee at the Fab 15 facility, “TSMC i-Charity” is an interactive online platform created with the support of the CSR Committee using company resources and made possible with cross-organizational support. It integrates philanthropic projects by the TSMC Volunteer Program, the TSMC Education and Culture Foundation, and other organizations, and also opens a channel for colleagues to report service projects, share results, and suggest new ideas for doing good.

To provide a more convenient way to help others, the platform’s donation system is linked with the Company’s compensation system and allows employees to set monthly deductions of no greater than NT\$1,000 for projects of their choice. Employees can also participate by donating their time and labor with volunteer service through this platform. TSMC hopes that the “TSMC i-Charity” platform can sow seed of love across Taiwan that will blossom into hope.

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In the interaction process with TSMC's stakeholders, we have set up various key performance indexes (KPI) for continuous improvement through periodical review.

TSMC also contacts stakeholders actively to understand their expectations and to help them understand our efforts

and performance. In addition to the multiple communication channels mentioned above, all persons or organizations can contact responsible people through the [TSMC website](#),  or submit questions or recommendations to our CSR taskforce through our [CSR mailbox](#). 

TSMC believes that maintaining good communication with stakeholders can not only help us understand our economic, social and environmental challenges, but also creates value for our company and society, and allows the Company to continue sustainable growth.

### Summary for TSMC Stakeholders Engagement in 2013

Stakeholders	Stakeholders Engaged	Communication Channels	Topics of Concern	2013 TSMC's Actions
 <b>Employees</b>	<ul style="list-style-type: none"> <li>All employees</li> </ul>	<ul style="list-style-type: none"> <li>Corporate intranet</li> <li>Announcements</li> <li>Human resource representatives</li> <li>Regular/Ad-hoc communication meetings</li> <li>Employee voice channels, such as immediate response system/employee opinion box/wellness center/wellness website, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Legal compliance</li> <li>Labor relations</li> <li>Employee recognition</li> <li>Salary and benefits</li> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Successfully creating diversified job opportunities for disabled persons</li> <li>Quarterly labor-management meetings; as well as responsive submission channels to collect employees opinions</li> <li>Health promotional programs under the theme of "Infuse Lohas into Your Life"</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Customer-Foundry Operation and Quality organizations</li> </ul>	<ul style="list-style-type: none"> <li>Annual customer satisfaction survey</li> <li>Customer quarterly business review meeting</li> <li>Customer quarterly technical review meeting</li> <li>Customer audits</li> </ul>	<ul style="list-style-type: none"> <li>Process technologies</li> <li>Product quality and reliability</li> <li>Design support</li> <li>Customer service</li> <li>Delivery and capacity</li> <li>Price</li> <li>Green product</li> <li>Conflict mineral free survey</li> <li>Proprietary information protection</li> </ul>	<ul style="list-style-type: none"> <li>Annual customer satisfaction survey</li> <li>Quarterly business review meeting</li> <li>Quarterly technical review meeting</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Raw material suppliers</li> <li>Facility/Equipment suppliers</li> <li>Tool suppliers</li> <li>Electronic parts suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Supplier quarterly business review meeting</li> <li>Supplier questionnaire survey</li> <li>Supplier on-site audit</li> <li>Annual supply chain management forum</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Environmental Safety &amp; Health (ESH) management</li> <li>Regulatory compliance</li> </ul>	<ul style="list-style-type: none"> <li>Supplier business review meeting</li> <li>Supplier questionnaire survey</li> <li>TSMC 2013 Supply Chain Management Forum</li> </ul>

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 <b>Shareholders &amp; Investors</b>	<ul style="list-style-type: none"> <li>Shareholders who directly or indirectly participated in Annual Shareholder Meeting</li> <li>Investors and analysts who attend Quarterly Earnings Conferences in person or via telephone or the Internet</li> <li>Investors or analysts who sent questions or feedback via telephone or emails</li> <li>Taiwan Stock Exchange and U.S. SEC</li> </ul>	<ul style="list-style-type: none"> <li>Hold Annual Shareholder Meeting</li> <li>Hold Quarterly Earnings Conference</li> <li>Participate in investor conferences and meetings</li> <li>Answer investors' questions and collect feedback via telephone and emails.</li> <li>Issue Annual Reports, Corporate Responsibility Reports, 20-F filings to U.S. SEC, material announcements to Taiwan Stock Exchange, and corporate news on company's website</li> </ul>	<ul style="list-style-type: none"> <li>Semiconductor industry outlook</li> <li>Company's competitive advantages</li> <li>Potential for future growth</li> <li>Continuous profitability improvement</li> <li>Dividend policy</li> <li>Management change</li> </ul>	<ul style="list-style-type: none"> <li>Highlight the fast growth of 28nm business and company's competitive advantages</li> <li>Report current development progress of 20 and 16nm technologies</li> <li>Highlight company's niche and growth potential in the mega trend of mobile computing</li> <li>Report company's status in achieving its 5-year strategic financial goals</li> <li>Communicate the considerations in raising cash dividend in the future</li> <li>Communicate the arrangements for CEO succession</li> </ul>
	<ul style="list-style-type: none"> <li>The citizens of Hsinchu, Taichung and Tainan</li> <li>The CommonWealth Magazine Foundation/The Wu Chien-Shiung Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Holding arts events in communities</li> <li>Sponsoring non-profit organizations to hold education programs</li> </ul>	<ul style="list-style-type: none"> <li>Arts appreciation promotion</li> <li>Narrowing the gap in the educational resources between rural and urban areas</li> <li>Scientific talent cultivation</li> </ul>	<ul style="list-style-type: none"> <li>Holding TSMC Hsin-chu Arts Festival in Hsinchu, Taichung and Tainan</li> <li>Sponsoring the CommonWealth Magazine Foundation to donate books to schools of remote townships</li> <li>Sponsoring the program "Raising the Level of High School Physics Experiments" of the Wu Chien-Shiung Foundation</li> </ul>
	<ul style="list-style-type: none"> <li>The United Daily and the China Times</li> </ul>	<ul style="list-style-type: none"> <li>Collaboration in holding literary and arts activities for youth</li> </ul>	<ul style="list-style-type: none"> <li>The young generation's humanity cultivation</li> </ul>	<ul style="list-style-type: none"> <li>Collaborated with the United Daily to hold the TSMC Literature Award</li> <li>Collaborated with the China Times to hold the TSMC Calligraphy Contest</li> </ul>
 <b>Community/ Non-profit/ Non-governmental Organizations</b>	<ul style="list-style-type: none"> <li>National Museum of Natural Science (Taichung)</li> <li>8 elementary schools in remote areas</li> <li>Hsinchu Veterans Home</li> <li>St. Teresa Children Centre</li> <li>Tainan Jacana Ecology Park</li> <li>Taiwan Fund for Children and Families, Hsinchu Branch</li> <li>Society of Jesus Hsinchu Social Service Center</li> <li>Hua-Shan Social Welfare Foundation</li> <li>Syin-Lu Social Welfare Foundation</li> <li>Genesis Social Welfare Foundation</li> <li>Others (36 NPOs)</li> </ul>	<ul style="list-style-type: none"> <li>Volunteer activities</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Volunteer services</li> </ul>	<ul style="list-style-type: none"> <li>Every weekend, volunteers docents guide visitors through "The World of Semiconductors" exhibit at the National Museum of Natural Science (Taichung)</li> <li>Book reading volunteers serve eight elementary schools in remote areas of Taiwan each month, reading stories to children and also reading with them</li> <li>Energy saving volunteers help to develop energy-saving plans to improve energy efficiency and teach students energy-saving skills</li> <li>Community volunteers regularly visit the elderly at the Hsinchu Veterans Home, and engage them in activities including karaoke and art projects</li> <li>Community volunteers go to the St. Teresa Children's Centre each month and spend the weekend with children</li> <li>Ecology volunteers serve as volunteer docents at the jacana ecology education park on weekends and holidays, introducing the jacanas and ecological knowledge to visitors.</li> <li>7 annual volunteer training camps</li> <li>2 holiday volunteer events</li> <li>New volunteer service: Hsinchu ecology volunteers</li> <li>Innovative non-profit events</li> </ul>

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 <b>Government</b>	<ul style="list-style-type: none"> <li>Science Park Administrations</li> <li>Environmental Protection Administration</li> <li>Local Environmental Protection Bureaus</li> <li>Water Resource Agency</li> </ul>	<ul style="list-style-type: none"> <li>Through official correspondence</li> <li>Through meetings (such as communication meetings or public hearings)</li> <li>Communication with government authorities through industry organizations, including the Association of Science Park Industries, Taiwan Semiconductor Industry Association, World Semiconductor Council, and Chinese National Federation of Industries</li> </ul>	<ul style="list-style-type: none"> <li>Greenhouse gas reduction</li> <li>Water resource management</li> <li>Green product</li> <li>Energy and water saving</li> </ul>	<ul style="list-style-type: none"> <li>TSMC collaborated with the Council of Labor Affairs and the National Taiwan University to hold the third Labor Health Forum</li> </ul>
	<ul style="list-style-type: none"> <li>Taipei Fine Arts Museum</li> </ul>	<ul style="list-style-type: none"> <li>Construction funded by TSMC Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Art Education Promotion</li> </ul>	<ul style="list-style-type: none"> <li>TSMC Foundation and Taipei City Government jointly funded the Taipei Fine Arts Museum "Children's Art Education Center"</li> </ul>
 <b>External survey organizations</b>	<ul style="list-style-type: none"> <li>Dow Jones Sustainability World Index (DJSI)</li> <li>Carbon Disclosure Project</li> <li>Goldman Sachs</li> <li>Taiwan Institute of Sustainable Energy</li> <li>CommonWealth Magazine</li> <li>Globalviews Magazine</li> </ul>	<ul style="list-style-type: none"> <li>Questionnaire surveys</li> <li>Corporate website</li> <li>Awards and competitions</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability Indexes</li> <li>Water resource management</li> <li>Ecological preservation</li> </ul>	<ul style="list-style-type: none"> <li>Dow Jones Sustainability World Index: First Taiwan company to be recognized as the DJSI "Semiconductors and Semiconductor Equipment" Industry Group Leader</li> <li>GS SUSTAIN Focus List: One of the world's 59 Industry Leaders</li> <li>Taiwan Institute of Sustainable Energy: Award for Corporate Sustainability Reports – Excellent for Manufacturing Industry</li> <li>Taiwan Institute of Sustainable Energy: Model Award for Corporate Sustainability Development Performances – Category of Transparency and Integrity</li> <li>CommonWealth Magazine: Most Admired Company in Taiwan</li> <li>CommonWealth Magazine: Excellence in Corporate Social Responsibility Award</li> <li>Globalviews Magazine: Excellence in Corporate Social Responsibility, Occupational Health First Prize</li> </ul>
 <b>Media</b>	<ul style="list-style-type: none"> <li>Print Media</li> <li>Electronic Media</li> </ul>	<ul style="list-style-type: none"> <li>Press conferences</li> <li>Interviews</li> <li>Press releases</li> </ul>	<ul style="list-style-type: none"> <li>Economic status and operational growth</li> <li>New fab planning and expansion</li> <li>Employee recruitment</li> <li>Succession issue</li> </ul>	<ul style="list-style-type: none"> <li>Collaborated with Commonwealth Publishing Group to publish 2 books: "TSMC Green Power", "TSMC Green Action". Distribution was more than 10 thousand in half a year. Published 2 books in simplified Chinese to share TSMC's green building experience with China in 2014</li> <li>Fab 14 Media tour: opening our largest GIGAFAB™ cleanroom to the press for the first time, demonstrating our technology advantage and strengthen relationships with media</li> <li>Arranged print-media interviews for Chairman to talk about the CEO succession issue</li> </ul>

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### Stakeholder Materiality Analysis



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| <ul style="list-style-type: none"> <li>● <b>Significant Topics</b></li> <li>1 Pollution Prevention</li> <li>2 Legal Compliance</li> <li>3 Semiconductor Prospect</li> <li>4 Corporate Governance</li> <li>5 Continuous Increase of Profit</li> <li>6 Water Resource Management</li> <li>7 Greenhouse Gas Reduction</li> <li>8 Employee-employer Relationship</li> <li>9 Energy/Resource Usage</li> <li>10 Future Growth</li> <li>11 Company's Competitiveness</li> <li>12 Compensation and Benefit</li> <li>13 Waste Management</li> <li>14 Human Right</li> <li>15 Customer Trust</li> <li>16 Green Product</li> </ul> | <ul style="list-style-type: none"> <li>● <b>Secondary Topics</b></li> <li>17 Trade Secret Protection</li> <li>18 People Retention</li> <li>19 Occupation Safety and Health</li> <li>20 Supply Chain Management</li> <li>21 Eco Preservation</li> <li>22 Individual Development</li> <li>23 Response to Organization Change</li> <li>24 Recruiting</li> <li>25 Employee Recognition</li> </ul> | <ul style="list-style-type: none"> <li>● <b>General Topics</b></li> <li>26 Career Development</li> <li>27 Environmental Accounting</li> <li>28 Indirect Environmental Impact</li> <li>29 Work Flow</li> <li>30 Social Welfare</li> <li>31 Manager Leadership</li> <li>32 Dividend Policy</li> <li>33 Employee Communication</li> </ul> |
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### Key Performance Indexes for Stakeholder Engagement

