

Overview

TSMC believes a company’s corporate social responsibility is to uplift society. As an important part of the technology industry, looking to the future, we not only aim to maintain our leadership in worldwide competition and promote Taiwan’s globalization and economic growth, but we will also continue to carry out our corporate social responsibility and do our utmost to be good corporate citizens.

CSR Guidelines

Our 10 principles for practicing corporate social responsibility are important standards for continuing to support positive change in society:

1. We insist on honesty and integrity. We are honest to our shareholders, employees, customers, and to the public alike.
2. We respect the rule of law and always obey the law.
3. We abhor cronyism. We do not seek favoritism from the government or any government official, and we do not bribe.
4. We practice good corporate governance, and balance the interests of shareholders, employees, and all stakeholders in the Company.
5. We do not engage in politics.
6. We provide good job opportunities with a safe, comfortable, and intellectually challenging environment to give our employees both physical comfort and mental stimulation.
7. We do our part to control climate change and place great importance on the protection of the environment.
8. We emphasize and reward innovation, and actively manage the risks that innovation may bring.
9. We invest in green businesses such as solid state lighting and solar to contribute to a greener world.
10. We support educational and cultural activities, and care for our communities over the long term.

49

Market segment share of 49%

8,600

Manufacturing more than 8,600 different products using 202 different technologies for over 440 different customers in 2013

1

DJSI Semiconductors and Semiconductor Equipment “Industry Group Leader”

11

11 U.S. LEED Certifications at “Gold” Class or higher, leading the Semiconductor industry

172

Volunteer service hours increased by 172% in 2013

4,600

Recruited over 4,600 new employees in 2013

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CSR Management Approach

TSMC's decision-making and operations in corporate social responsibility (CSR) are led by the Company's Chief Financial Officer, who was appointed by the Chairman to act as an overall coordinator for the entire Company's CSR activities. To better carry out and coordinate sustainability efforts, the Company founded the "Corporate Social Responsibility Committee" in 2011, which brings together representatives from all of TSMC's CSR-related business segments. Since 2012, CSR has been a topic on TSMC's Board meeting agenda. Annual CSR performance is reported to the Board.

The CSR Committee holds quarterly meetings to discuss related topics, led by the CFO and the President of the Volunteer Program. The quarterly CSR meeting systematically and effectively carries out our corporate social responsibilities by following a "Plan-Do-Check-Act" cycle to regularly review interaction with stakeholders and the issues that concern them, discuss progress in CSR activities and set future plans. Through close cooperation between organizations, CSR is now an integral part of TSMC's daily operations.

Stakeholder Engagement

TSMC's stakeholder management procedure is divided into four stages: identification, analysis, plan, and engagement. In order to pursue sustainable operations, TSMC establishes individual communication channels with each of our stakeholders 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.

As we carry out our CSR principles, it is our firm belief that customers will trust us more because of our honesty and integrity, respect for the law, and good corporate governance. Investors will be more willing to invest over the long term because of our clear core values, and employees will feel closer to the Company as they identify with those values. Carrying out TSMC's social responsibilities brings us greater competitive advantage, creates greater value for shareholders, and benefits all of our stakeholders.

DJSI Industry Group Leader

In 2013, TSMC was recognized by the Dow Jones Sustainability Indexes (DJSI) as the Semiconductors and Semiconductor Equipment Industry Group Leader, setting a milestone for the Company's achievements in sustainability and corporate social responsibility. TSMC is the first Taiwan company, and one of just four Asian companies, to win the highest score out of its industry peers in the DJSI's 24 industry groups, made up of the 2,500 largest companies in the world. Moreover, TSMC is one of only two semiconductor companies chosen as index components for 13 consecutive years.

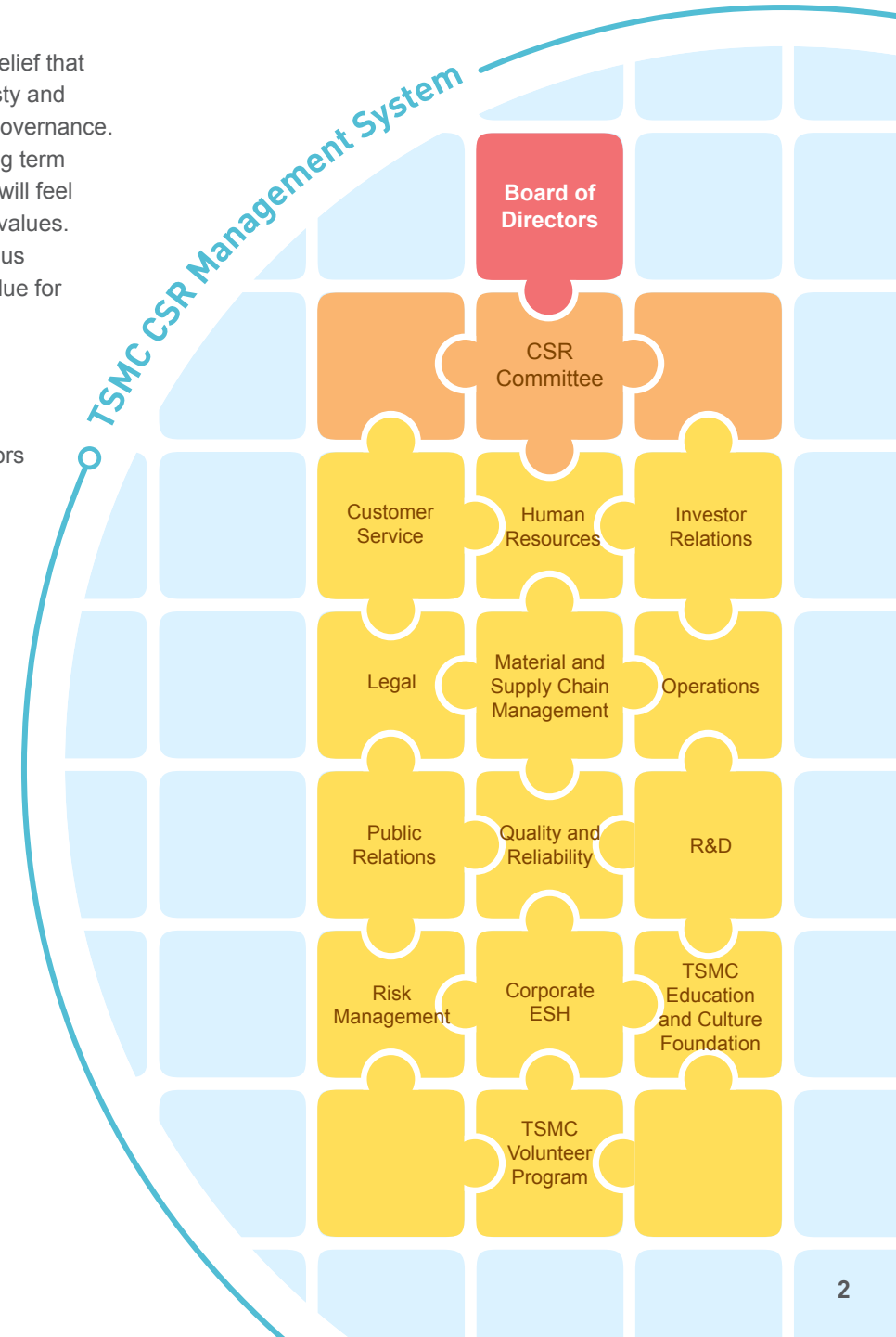


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2013 CSR Achievements, Awards, Recognitions, and Future Goals

The Summary of TSMC CSR Achievements and Goals on Material Topics

TSMC CSR Goals and Achievements in 2013 are summarized as follows:

CSR Material Topics	Commitments or Goals	Performance Indexes or Guidelines	2013 Achievements	Future Focuses
Shareholder Value Creation	Achieve profitable growth	Financial objectives: <ul style="list-style-type: none"> Average ROE across cycle greater or equal to 20% 10% profit before tax compounded annual growth rate from 2010 to 2015 	<ul style="list-style-type: none"> 2013 ROE reached 24.0%, profit before tax increased 18.6% Dividend-adjusted share price increased 12% during 2013 and market capitalization reached a record US\$91 billion 	<ul style="list-style-type: none"> Execute our growth strategies, protect structural profitability and return on investments Continue to enhance corporate governance and maintain good relationship with investors
Innovation Management	Advanced technology	Extend Moore's Law	TSMC's 16nm (16-FinFET) entered risk production in November 2013 and is firmly on track to complete manufacturing qualification in early 2014. Meanwhile, we are developing an enhanced transistor version of this technology, 16-FinFET+, that will offer an additional 15% performance improvement and which we believe will be the highest performance technology among all available 16/14nm technologies in 2014.	<ul style="list-style-type: none"> 10nm 3rd generation FinFET technology for both digital and analog products 7nm CMOS platform technology for SoC EUV and multiple e-beam to extend Moore's Law
	Specialty technology	TSMC continues to conduct research and development on a broad mix of capabilities. The Company enhanced its SoC (System-on-Chip) roadmap, with higher integration and more variants.	<ul style="list-style-type: none"> TSMC has successfully verified customer products in the 28nm technology for RF CMOS applications (28LP-RF) that are aimed at next generation RF transceivers (e.g. 4G LTE). TSMC released the 0.13BCD technology, the first BCD technology to be implemented in a 12-inch fab. 	Special SoC technology (including new NVM, MEMS, RF, analog)
Customer Satisfaction	Maintain TSMC's position as the most advanced and largest provider of semiconductor manufacturing technologies and foundry services	Customer satisfaction rating on overall technology	95% customers who gave high rating on the survey question of "Overall Technology" (>4) ^{Note} Note: Rating scale is from 1 (extremely dissatisfied) to 7 (extremely satisfied)	Maintain TSMC's leadership in the semiconductor industry

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Supply Chain Management	Single plant rate reduction	To have multiple supply sources for raw materials	Reached annual goal for single plant reduction	Continuously reduce single plant rate for advanced nodes, particularly for N28 and N20
	Increase local supply	Purchasing amount and ratio from local suppliers	Increased local supply ratio of raw material in 2013	Decentralize manufacturing sites from the high-risk areas (e.g. frequent natural disaster areas) and increase backup source
	Conflict-free sourcing for raw materials	To comply with U.S. SEC's and other relevant rules on conflict minerals	Completed smelter information survey for 15 identified raw material suppliers in 2013	To ensure suppliers' full compliance according to conflict-free smelter list updated by GeSI/EICC
	Green supply chain	Continuously improve supplier's sustainability scoring	52 critical suppliers' sustainability scores reached 2013 target	Ensure supplier's sustainability score reaches annual target
Greenhouse Gas Reduction	Reduce PFC emission intensity to 30% below the year 2010 level by 2020	Tons of CO ₂ equivalent/8-inch wafer equivalent	PFC emissions intensity in 2013 were 30% less than 2010	Adoption of best practices recognized by the World Semiconductor Council
Energy Conservation	Reduce power usage intensity to 2% below the year 2010 level by 2015	kWh/8-inch wafer equivalent—mask layer	Reduced power consumption by 3.5% from 10.5 kWh in 2012 to 10.2 kWh in 2013.	<ul style="list-style-type: none"> • Continuous promotion of ISO 50001 Energy Management System • Continuous promotion of the adoption of green building and green factory standards • Enhancement of daily management to avoid energy waste • Continuous installation of energy saving and recovery systems
Water Conservation	Reduce water usage intensity to 2% below the 2010 level by 2015	Liter/8-inch wafer equivalent—mask layer	Water usage reduced by 12.4% from 58.9 liters in 2012 to 51.5 liters in 2013	<ul style="list-style-type: none"> • Continuous promotion of process optimization to reduce water usage • Continuous development and installation of water recycling system
Waste Management	Achieve 95% waste recycling rate by 2015	Waste Recycling Rate (%)	Achieved a waste recycling rate of 92% in 2013.	<ul style="list-style-type: none"> • Continuous promotion of waste recycling and waste reduction at the source • Requiring process tool vendors to provide low chemical consumption tools • Collaborating with suppliers to develop new waste recycling technologies

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Talent Acquisition	Expand talent to support business growth and provide job opportunity	Quantity and quality of new hires	<ul style="list-style-type: none"> In 2013, TSMC recruited over 4,600 employees, not only successfully fulfilling our business needs but also providing more job opportunities for our society TSMC actively took innovative approaches to create more job opportunities for the disabled. By the end of 2013, the Company hired 369 disabled persons; a 16% increase compared with 2012 	<ul style="list-style-type: none"> Continuously attract talent in Taiwan and around the world Continuously strengthen the connections with schools and communities
Talent Retention	Maintain a healthy turnover rate and ensure the growth momentum of the Company	Turnover rate	In 2013, the turnover rate for all employees was 5.3%; this continued to fall within the range of our definition for a healthy turnover rate between 5% and 10%	Continuously enhance management excellence and downward engagement to make our employees bring all their potential into full play in the right position
Employee Engagement	Establish a positive employee relationship and a highly engaged work environment	Participation rate for company-wide activities	In 2013, more than 33,000 of employees and their family members attended TSMC Sports Day; while 32,000 of employees and their family members enjoyed the various activities held by the Company on other occasions.	Continuously reinforce the Company's core values, maintain unobstructed communication channels, and foster an encouraging environment
Work-Life Balance	Maximize our employees' productivity and promote a balanced life	<ul style="list-style-type: none"> The growth of revenue per headcount (RPH) Reasonable weekly working hours 	<ul style="list-style-type: none"> TSMC had over 10% Compound Annual Growth Rate of RPH from 2009 to 2013 In 2013, the weekly working hours were maintained within a reasonable range with the same high-quality work performance 	Continuously enhance the efficiency and effectiveness of our employees via human resources practices and improvement actions
Volunteer Program	Expand volunteer program influence	Volunteer number; Volunteer service hour	<ul style="list-style-type: none"> 6 major regular volunteer programs (initiate "Fab/ Division Volunteer Program") Volunteer number increased by 35% from 1,570 in 2012 to 2,119 in 2013. Volunteer service hours increased by 172% from 38,749 hours in 2012 to 105,430 hours in 2013. 	<ul style="list-style-type: none"> Integrate each function voluntary events Discover personal voluntarily activities, build up register platform
Social Contribution	<ul style="list-style-type: none"> Narrow the gap in educational resources between rural and urban areas Inspire the youth's interest in Arts and Science 	The number of the participants of the education and art programs	<ul style="list-style-type: none"> 87,000 students from remote townships have participated in the "TSMC Aesthetic Tour" and "TSMC Science Tour" to cultivate their appreciation of art and experience the charisma of science. "Lifting the Ability of High School Physics Experiments", providing professional development for 282 science teachers, reaching over 50,000 high school students nationwide. 188 teams in total over the nation participated in the "TSMC Cup – Competition of Scientific Story Telling," gaining overwhelmingly positive responses from high school students and teachers. 	Continuous promotion of arts and Chinese culture, and inspiring the science potential of talents.

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2013 CSR Awards and Recognitions

TSMC actively participated in various CSR-related awards to share experience and gain external feedback. Through this participation, we gain a better understanding of external concerns and are able to review internal performance for continuous improvement. TSMC has been honored with many awards over the years, and our awards and recognitions received in 2013 are as follows:

Category	Awards and Recognitions
Overall CSR	Dow Jones Sustainability Index (DJSI) <ul style="list-style-type: none"> • First Taiwan company to be recognized as the DJSI Semiconductors and Semiconductor Equipment “Industry Group Leader” (i.e. the company with the highest sustainability score out of its industry peers in the DJSI’s 24 industry groups, made up of 59 industries and the 2,500 largest companies in the world) • RobecoSAM Sustainability Award “Gold Class” • Membership in the Dow Jones Sustainability World Index for a 13th consecutive year
	Goldman Sachs <ul style="list-style-type: none"> • Membership on the GS SUSTAIN Focus List, which incorporates 59 global industry leaders
	CommonWealth Magazine <ul style="list-style-type: none"> • Most Admired Company Rank No.1 in Taiwan • Excellence in Corporate Social Responsibility Award
	Globalviews Magazine <ul style="list-style-type: none"> • Excellence in Corporate Social Responsibility, Occupational Health First Prize
	Taiwan Institute for Sustainable Energy <ul style="list-style-type: none"> • Award for Corporate Sustainability Reports – Excellent for Manufacturing Industry • Model Award for Corporate Sustainability Development Performances – Category of Transparency and Integrity
	FinanceAsia <ul style="list-style-type: none"> • Best Corporate Social Responsibility – Ranked No. 2 in Taiwan
	R.O.C. Ministry of Culture <ul style="list-style-type: none"> • “Wenxin Award” for the 10th consecutive year

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Report Scope and Profile

Through our 2013 Corporate Responsibility Report, we would like to share with you our continuing efforts in sustainable development along the economic, environmental and social dimensions.

This report outlines our performance in the full 2013 calendar year for the most relevant CSR issues to our stakeholders and our business. It contains CSR-related data and activities of all TSMC fabs located in Taiwan, and a portion of the content covers our overseas subsidiaries TSMC China, WaferTech in the United States and overseas offices, where noted. Financial figures in this report are expressed in NT dollars unless otherwise specified. Environmental performance is expressed in commonly accepted benchmarks.

We publish this report annually, and the previous report was published in June 2012. This report is compiled based on the Global Reporting Initiative (GRI) G3.1 framework; a table is attached in the appendix for the readers’ reference. In addition, we refer to ISO 26000 Guidance on Social Responsibility and United Nations Global Compact, and also provide a reference table in the appendix. This report is published in both English and Chinese and is available on TSMC’s corporate website.

Report Assurance


DNV Business Assurance reviewed this report against the AccountAbility AA1000 Assurance Standard and the GRI G3.1 guideline on materiality, inclusivity and responsiveness, and verified that this report complies with GRI Application Level A+. Financial data and Greenhouse Gases (GHG) emission/reduction data have been acquired from a verified financial report and GHG Inventory report. [DNV’s Report Assurance Statement](#)  can be found in the Appendix of this report.

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Economy, Governance	Institutional Investor <ul style="list-style-type: none"> • Best CEO (Technology/Semiconductors) – 1st Place (buy-side) • Best CEO (Technology/Semiconductors) – 1st Place (sell-side) • Best CFO (Technology/Semiconductors) – 1st Place (buy-side) • Best CFO (Technology/Semiconductors) – 2nd Place (sell-side) • Best IR Team (Technology/Semiconductors) – 1st Place (buy-side) • Best IR Team (Technology/Semiconductors) – 1st Place (sell-side) • Best IR Professional (Technology/Semiconductors) – 1st Place (buy-side) • Best IR Professional (Technology/Semiconductors) – 1st Place (sell-side)
	IR Magazine <ul style="list-style-type: none"> • Best corporate governance and disclosure • Best overall IR by a Taiwanese company • Best IRO – Taiwan
	EUROMONEY <ul style="list-style-type: none"> • Asia Best Managed Companies 2013 – IT/software/technology
	FinanceAsia <ul style="list-style-type: none"> • Asia's Best Managed Companies – Hong Kong, Korea and Taiwan • Best Managed Company – Ranked No. 1 in Taiwan • Best Corporate Governance Company – Ranked No. 1 in Taiwan • Best CEO – Ranked No. 1 in Taiwan • Best CFO – Ranked No. 2 in Taiwan • Most Committed to a strong Dividend Policy – Ranked No. 1 in Taiwan • Best Investor Relations – Ranked No. 1 in Taiwan
	Global IR Awards <ul style="list-style-type: none"> • Global Top 50 Gold – Ranked No. 12
	International Law Office <ul style="list-style-type: none"> • Asia-Pacific Counsel Awards 2013 – General Counsel of the Year
	R.O.C. Securities & Futures Institute <ul style="list-style-type: none"> • 10th Information Disclosure of Public Companies Ranking – Ranked A+

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Awards and Recognitions

Environment,
Safety and
Wellness

U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certification

- “Gold” certification in LEED-Existing Building: Operation and Maintenance (LEED-EB O&M) – Fab 14 Phase 1 Office Building, Fab 14 Phase 1/2 Manufacturing Facility
- “Gold” certification in LEED-NB – Fab 12 Phase 6 Manufacturing Facility, Fab 15 Phase 1/2 Manufacturing Facility

Note: Up to the end of 2013, TSMC received 11 U.S. LEED certifications (1 “Platinum” class, 10 “Gold” class)

R.O.C. Ministry of the Interior “Ecology, Energy Saving, Waste Reduction and Health (EEWH)” certification

- Diamond class “Green Building” certification – Fab 12 Phase 6 Manufacturing Facility, Fab 14 Phase 3 Office Building

Note: Up to the end of 2013, TSMC received 1 Taiwan EEWH Diamond class “Intelligent Green Building”, 6 Taiwan EEWH Diamond class “Green Building” certifications.

R.O.C. Ministry of Economic Affairs Industrial Development Bureau

- “Green Factory Label” – Fab 12 Phase 5

ISO 50001 Energy Management System certification

- Fab 12 Phase 6, Fab 15

R.O.C. Environmental Protection Administration

- “Annual Enterprise Environmental Protection Award” – Fab 15
- “Energy Conservation and Carbon Reduction Action Mark” – Fab 6, Fab 8, Fab 12 Phase 6, Advanced Backend Fab 2
- “Excellence in Toxic Substance Management Award” – Fab 14B
- “Enterprise Green Procurement Award” – Headquarter

R.O.C. Ministry of Economic Affairs

- “Excellence in Carbon Reduction Award” – Fab 8, Fab 12 Phase 4/5
- “Water Conservation Award” – Fab 3, Fab 12 Phase 4/5, Fab 15
- “National Sustainable Development Award” – Fab 3

Hsinchu Science Park Administration

- “Low Carbon Enterprise Award” – Fab 12 Phase 6
- “Excellence in Environmental Protection” – Fab 12 Phase 1/2
- “Excellence in Labor Safety and Hygiene Award” – Fab 3 and Fab 12A

Note: Fab 12A includes Fab 12 Phase 1/2/3.

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	Southern Taiwan Science Park Administration <ul style="list-style-type: none"> • “Excellence in Environmental Protection” – Fab 14A
	Hsinchu County Environmental Protection Bureau <ul style="list-style-type: none"> • “Enterprise Green Procurement Award” – Fab 2 and 5 • “Mobile Pollution Sources Control” – Fab 2 and 5
	Hsinchu City Environmental Protection Bureau <ul style="list-style-type: none"> • “Mobile Pollution Sources Control” – Fab 12 Phase 1/2 • “Environmental Education Award” – Fab 12 Phase 1/2
	Ministry of Labor (Former Council of Labor Affairs), Executive Yuan <ul style="list-style-type: none"> • Large Enterprise Award of National TrainQuali Prize (NTQP)
Employees	Health Promotion Administration, Ministry of Health and Welfare <ul style="list-style-type: none"> • Health Management Award • Healthy Weight Management Award • Pioneering Weight Management Award
	GlobalView Magazine <ul style="list-style-type: none"> • First place in CSR Award for Workplace Health