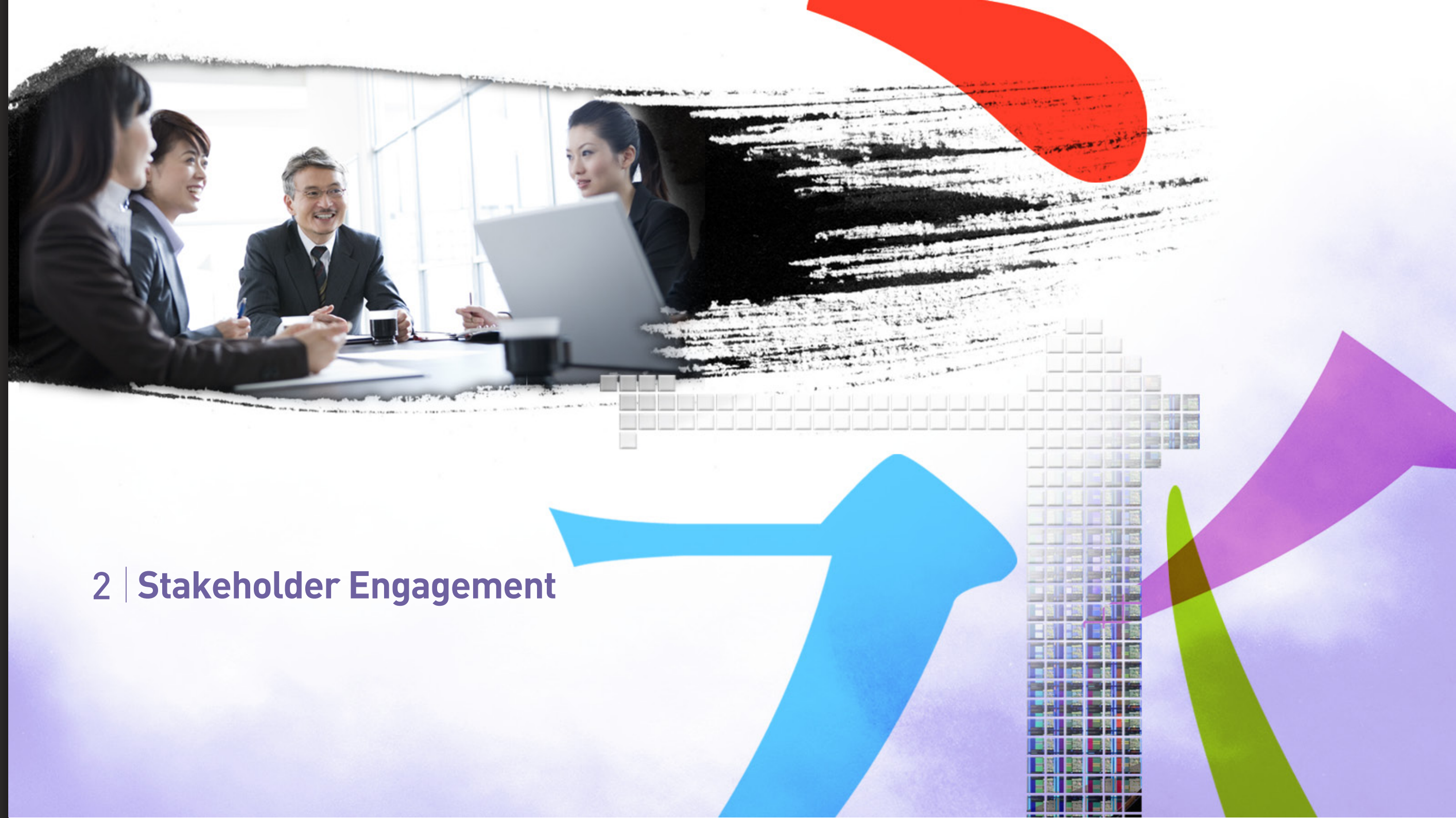


- Table of Contents
- Overview
- 1 Letter from the Chairman
- 2 Stakeholder Engagement
- 3 Corporate Governance
- 4 Economic Dimension
- 5 Environmental Dimension
- 6 Social Dimension
- 7 Appendix



2 | Stakeholder Engagement

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance


4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

In 2011, TSMC formed a CSR committee led by Volunteer Program President Ms. Sophie Chang and Senior Vice President Lora Ho. TSMC's CSR committee includes 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 quarterly CSR meetings, and communicate with stakeholders over the course of their regular duties, compile concerns, and ensure implementation of appropriate initiatives and programs responsive to those interests and concerns. In 2012, we included CSR in the Board of Directors' agenda for the first time. Our annual CSR achievements and projects are regularly reported to the Board of Directors each year to serve as an important reference for decision making.

TSMC pursues sustainable growth and values the expectations of its stakeholders. The Company's long-term dedication and establishment of multiple transparent, effectively, and timely communication channels has won recognition from our external stakeholders. Following a gas explosion in Kaohsiung city on July 31, 2014, relevant executives of TSMC immediately held a meeting to formulate a response. TSMC began by collecting donations from employees through the "TSMC i-Charity" platform, and quickly consolidated internal and external resources to join the reconstruction effort after close communication and collaboration with stakeholders. We were honored with acclaim from society and the thanks of the residents of the disaster area after the completion of our project. For more information, please see the section "Kaohsiung Gas Explosion Reconstruction Project" in Chapter 6.7.2. 

Stakeholders Working with TSMC in the Kaohsiung Gas Explosion Reconstruction Project



Suppliers: To allow residents of the disaster area to resume normal life as soon as possible, TSMC worked with cooperating suppliers to repair homes and storefronts and drew additional resources to the project by accepting donations from 20 member companies of Semiconductor Equipment and Materials International (SEMI) Taiwan, multiplying the impact of our efforts.

Employees: In addition to timely and enthusiastic employee donations through the "TSMC i-Charity" platform, 60 members of the Employee Volunteer Program staffed the "Love, Hope, and Reconstruction" summer camp, leading children from Kaohsiung on a fulfilling and happy three-day visit to Hsinchu and Taipei.

Government: Due to the massive scale of the reconstruction effort, TSMC collaborated with the Kaohsiung City Government to complete the initial "first aid" stage of the project, before handing the project to the government for continued rebuilding.

Communities/Nonprofits: TSMC, residents of the disaster area, and the Kaohsiung San Sin High School of Commerce and Home Economics held a celebration banquet for cooperating suppliers, donor companies, and the 462 residents who received help from TSMC. The banquet marks TSMC's sincere thanks for participating companies and engineers, as well as our blessings for the people of Kaohsiung.

Stakeholder Management Objectives

TSMC applies a "Plan-Do-Check-Act" model to continuously 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.

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

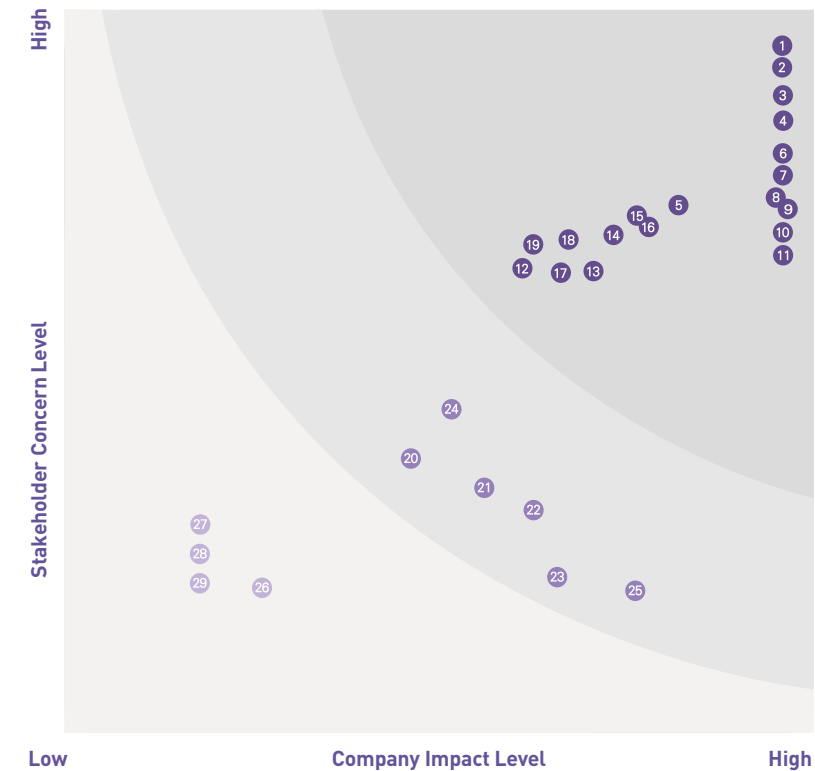
7 Appendix

Stakeholder Management Procedure

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

- Stakeholder Identification: TSMC defines stakeholders as the internal or external persons or organizations which can influence TSMC or be influenced by TSMC. According to this definition, we have identified that TSMC's stakeholders include employees, customers, suppliers, shareholders and investors, government, communities and non-governmental/non-profit organizations.
- Analysis of Stakeholders' Topics of Concern: 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, and also consult the G4 sustainability reporting guidelines. We have identified 29 topics of stakeholder concern, and have analyzed and prioritized them according to their level of concern and potential impact on the Company for inclusion into 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.

Results of Materiality Analysis



- | | |
|---|--|
| 1 Governance | 16 Employee's Physical and Mental Well-being |
| 2 Customer Service and Satisfaction | 17 EICC |
| 3 Water Resource Management | 18 Encouraging a Balanced Life |
| 4 Global Climate Change | 19 Social Participation |
| 5 Pollution Prevention | 20 Green Products |
| 6 Semiconductor Prospect | 21 Human Rights and Labor Law Compliance |
| 7 Code of Ethics and Business Conduct | 22 Labor-Management Relations and Grievance Mechanisms |
| 8 Company's Competitiveness | 23 Freedom of Association and Collective Bargaining |
| 9 Future Growth | 24 Dividend Policy |
| 10 Continuous Increase of Profit | 25 Grievance Mechanisms for Impacts on Society |
| 11 Compliance | 26 Overall (Environmental cost) |
| 12 Right People with Shared Vision and Values | 27 Transport |
| 13 Supply Chain Management | 28 Environmental Grievance Mechanisms |
| 14 Employee Engagement | 29 Biodiversity |
| 15 Occupational Safety and Health | |

■ Identification of Material Aspects and Boundaries

● Material

Issue of Materiality	Boundary G4 Aspect	Within the Organization				Outside of the Organization		
		TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
Governance								
Corporate Governance	Anti-Corruption	●	●	●	●		●	
	Anti-Competitive Behavior	●	●	●	●			
	Labor Legal Compliance	●	●	●	●			
	Environmental Law Compliance	●	●	●	●		●	
	Conflict Minerals	●	●	●	●		●	
Code of Ethics and Business Conduct	Anti-Corruption	●	●	●	●		●	
Compliance	Labor Legal Compliance	●	●	●	●			
	Environmental Law Compliance	●	●	●	●		●	
	Anti-Competitive Behavior	●	●	●	●			

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Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

● Material

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

Issue of Materiality	Boundary	Within the Organization				Outside of the Organization		
	G4 Aspect	TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
Economic								
Semiconductor Prospect	Economic Performance	●	●	●	●			
Company's Competitiveness		●	●	●	●			
Future Growth		●	●	●	●			
Continuous Increase of Profit		●	●	●	●			
Supply Chain Management	Procurement Practices	●					●	
	Supplier Environmental Assessment	●					●	
	Conflict Minerals	●	●	●	●		●	
EICC	Supplier Labor Practice Assessment	●	●	●			●	
	Supplier Human Rights Assessment	●	●	●			●	

(continues on next page)

● Material

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

Issue of Materiality	Boundary G4 Aspect	Within the Organization				Outside of the Organization		
		TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
Environmental								
Pollution Prevention	Materials	●						
	Overall (Environmental cost)	●						
	Effluents and Waste	●	●	●		●		
	Emissions (Air pollutants, GHG)	●	●	●		●		
Global Climate Change	Emissions (Air pollutants, GHG)	●	●	●		●		
	Energy	●	●	●		●		
Water Resource Management	Water	●	●	●		●		

[continues on next page]

● Material

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

Issue of Materiality	Boundary G4 Aspect	Within the Organization				Outside of the Organization		
		TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
Social								
Right People with Shared Vision and Values	Diversity and Equal Opportunity	●	●	●	●			
	Training and Education	●	●	●	●			
	Child Labor	●	●	●	●			
	Forced or Compulsory Labor	●	●	●	●			
	Non-discrimination	●	●	●	●			
Encouraging a Balanced Life	Labor/Management Relations	●	●	●	●			
	Forced or Compulsory Labor	●	●	●	●			
Employee Engagement	Labor/Management Relations	●	●	●	●			
	Freedom of Association and Collective Bargaining	●	●	●	●			

(continues on next page)

● Material

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension







5 Environmental Dimension

6 Social Dimension

7 Appendix

Issue of Materiality	Boundary G4 Aspect	Within the Organization				Outside of the Organization		
		TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
Social								
Employee Engagement	Labor Practices Grievance Mechanisms	●	●	●	●			
	Human Rights Grievance Mechanisms	●	●	●	●			
	Non-discrimination	●	●	●	●			
Employee's Physical and Mental Well-being	Occupational Health and Safety	●	●	●	●			
Occupational Safety and Health	Occupational Health and Safety	●	●	●	●		●	
Customer Service and Satisfaction	Customer Privacy	●	●	●	●	●		
Social Participation	Other	●						●

■ Summary for TSMC Stakeholders Engagement in 2014

Stakeholders	Stakeholders Engaged	Communication Channels	Benefits and Results	Relevant Sections
Employees	<ul style="list-style-type: none"> All employees 	<ul style="list-style-type: none"> Corporate intranet and internal emails Announcements Human resource representatives Regular/Ad-hoc communication meetings Employee voice channels, such as immediate response system/employee opinion box/wellness center/wellness website, etc. 	<ul style="list-style-type: none"> A host of two-way communication channels maintain the unobstructed flow of information between managers and employees, to ensure that employees' opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. Our continuous efforts lie in reinforcing mutual and timely employee communication, based on multiple channels and platforms, which in turn fosters harmonious labor relations and creates a win-win situation for the Company and the employees 	6.3  Employee Engagement
Customers	<ul style="list-style-type: none"> Customer Operation organizations Quality Management team 	<ul style="list-style-type: none"> Annual customer satisfaction survey Customer quarterly business review meeting Customer audits 	<ul style="list-style-type: none"> Through frequent interactions with customers and regularly inviting customers to provide suggestions about TSMC, we are able to thoroughly understand their level of satisfaction and needs. Furthermore, we can make improvements and future planning based on customers' voice 	4.2.1  Customer Service and Satisfaction
Suppliers	<ul style="list-style-type: none"> Raw material suppliers Facility/Equipment suppliers Tool suppliers Electronic parts suppliers 	<ul style="list-style-type: none"> Supplier quarterly business review meeting Supplier questionnaire survey Supplier on-site audit Annual supply chain management forum 	<ul style="list-style-type: none"> We work with suppliers to improve quality, delivery and cost of ownership as well as environmental protection, ESH enhancement, labor rights protection and sustainability management 	4.2.2  Supply Chain Management
Shareholders & Investors	<ul style="list-style-type: none"> Shareholders who directly or indirectly participated in General Shareholders' Meeting Investors and analysts who attend Quarterly Earnings Conferences in person or via telephone or the Internet Investors or analysts who sent questions or feedback via telephone or emails Taiwan Stock Exchange and US SEC 	<ul style="list-style-type: none"> Hold Annual Shareholder Meeting Hold Quarterly Earnings Conference Participate in investor conferences and meetings Answer investors' questions and collect feedback via telephone and emails Issue Annual Reports, Corporate Social Responsibility Reports, 20-F filings to US SEC, material announcements to Taiwan Stock Exchange, and corporate news on the Company's website 	<ul style="list-style-type: none"> Through various events and channels, TSMC communicates operating results and strategies, and answers shareholders' and investors' questions. TSMC also regularly provides their feedback to the Company's management to aid decision making 	4.1.4  Investor Engagement
Government	<ul style="list-style-type: none"> Science Park Administrations Environmental Protection Administration Local Environmental Protection Bureaus Water Resource Agency 	<ul style="list-style-type: none"> Through official correspondence Through meetings (such as communication meetings or public hearings) 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 	<ul style="list-style-type: none"> Provide constructive opinions to government agencies through various communication channels in order to improve the adequacy of laws, and overall quality of the industry regulatory environment 	3.4  Regulatory Compliance 5.  Environmental Dimension

(continues on next page)

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix

Stakeholders	Stakeholders Engaged	Communication Channels	Benefits and Results	Relevant Sections
Government	<ul style="list-style-type: none"> Taipei Fine Arts Museum 	<ul style="list-style-type: none"> Construction funded by TSMC Education & Culture Foundation 	<ul style="list-style-type: none"> Sponsoring Taipei Fine Arts Museum to establish the Children Arts Education Center for children's arts appreciation. In total over 158,000 people have visited the center 	6.6.1 ⊕ TSMC Volunteer Docent Program Promoting Science Education
Community/ Non-profit, Non-governmental Organizations	<ul style="list-style-type: none"> The citizens of Hsinchu, Taichung and Tainan The Commonwealth Magazine Foundation/ The Wu Chien-Shiung Foundation The United Daily and the China Times 	<ul style="list-style-type: none"> Holding Arts Events in Communities Sponsoring Non-profit organizations to hold Education Programs Collaboration in holding literary and arts activities for youth 	<ul style="list-style-type: none"> Over 12 years, the Hsinchu Arts Festival has gained overwhelming appreciation from the community. In total over 270,000 people have participated in the Festival 	6.6.1 ⊕ TSMC Volunteer Docent Program Promoting Science Education
	<ul style="list-style-type: none"> National Museum of Natural Science (Taichung) 13 Elementary schools Hsinchu Veterans Home St. Teresa Children Centre Tainan Jacana Ecology Park Taiwan Fund for Children and Families, Hsinchu Branch Society of Jesus Hsinchu Social Service Center St. Francis Xavier Home for Girls Kuskus tribe of Mudan Township in Pingtung Hua-Shan Social Welfare Foundation Hsinchu Jen-Ai Children's Home Syin-Lu Social Welfare Foundation Genesis Social Welfare Foundation Old Five Old Foundation Hui-Ming Blind School 	<ul style="list-style-type: none"> In collaboration with National Museum of Natural Science, employees serve as volunteer docents on weekends Holding volunteer events with schools, such as book reading event, TSMC graduation award, Christmas evening party, photography course, and school work guidance Volunteers accompany the elderly at Hsinchu Veterans Home and the children at St. Teresa Children Center periodically Sponsoring or donating goods to non-profit organizations or institutions Fab/Division held annual volunteer activities with cooperation units 	<ul style="list-style-type: none"> Through frequent volunteer activities, we better understand the true needs of non-profit organizations, institutions and schools. We can dynamically adjust our service models or end the partnership, and observe TSMC volunteers' public statements and image 	6.6.2 ⊕ TSMC Volunteer Program

TSMC values the views and suggestions of all stakeholders. In addition to contacting shareholders to understand their expectations, we have also established many channels to help them understand our efforts and performance in all aspects of corporate social responsibility. In addition to the multiple communication channels mentioned above, we have also established a "Stakeholder Engagement" section on our corporate website ⊕, as well as a CSR mailbox ⊕ to gather a

broad range of views from the public. The CSR mailbox is managed by dedicated public relations staff, and submissions are sent to relevant departments (Human Resources, Investor Relations, Public Relations, ESH, the TSMC Education & Culture Foundation, and others) according to the nature and range of issues addressed. In 2014, the TSMC CSR mailbox received 61 submissions, including requests for surveys, studies, and visits, suggestions from the public, complaints,

and requests for collaboration. All received timely responses from dedicated personnel.

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.

Table of Contents

Overview

1 Letter from the Chairman

2 Stakeholder Engagement

3 Corporate Governance

4 Economic Dimension

5 Environmental Dimension

6 Social Dimension

7 Appendix