



Human Rights

Strategies



Enforce TSMC Human Rights Policy, Responsible Business Alliance Code of Conduct, and United Nations Guiding Principles on Business and Human Rights

▼ Achieved ▲ Exceeded — Missed Target

2030 Goals

- Establish communication and reporting channels for all employees globally and establish a comprehensive system for management and analysis

2021 Targets

- Maintain **100%** e-voting at labor-management meetings in all Taiwan facilities

2020 Achievements

- All of TSMC's Taiwan facilities adopted an e-voting system for the election of new labor representatives and list e-voting systems as the only voting method for all future elections of the same kind ▼

Target: All of TSMC's Taiwan facilities shall adopt an e-voting system for the election of new labor representatives and list e-voting systems as the only voting method for all future elections of the same kind

- No material regulatory violations (penalty: > **NT\$1 million**)

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Target: No material regulatory violations

- Strengthen employee understanding of TSMC Human Rights Policies and ensure it is applied into the workplace through full employee engagement in online courses NEW

- > **95%** employees complete trainings
- 100%** passing rate in post-class

Human Rights Policy

TSMC believes that respecting human rights and creating a respectful workplace is critical to TSMC and our suppliers. To ensure comprehensive human rights actions, TSMC formulated the [Human Rights Policy](#) in 2020.

Human Rights Governance

Human Rights Policy is the highest guiding principle for planning, execution, review, and action for all human rights governance in TSMC. Across all global sites and facilities, operational supervisors shall work with senior executives in HR, Information Technology and Materials Management & Risk Management, and Legal organization and take charge of human rights topics.

- The highest HR executive will be responsible for managing/ coordinating and reporting

major human rights topics in TSMC to management.

- The Human Rights Operation Center of HR organizations will be responsible for human rights topics that have daily relevance to employees. Regulations should be formulated and implemented in accordance with Measures for Human Resources Management System and the Internal Control Procedures for Human Resource Management System to ensure that the Company meets Responsible Business Alliance (RBA) or higher standards.
- The IT Supply Chain Management Section of the Information Technology and Materials Management & Risk Management organization will be responsible for all human rights topics related to suppliers. All regulations shall be formulated and implemented

in compliance with the TSMC's [Supplier Code of Conduct](#) to ensure proper supplier management.

Human Rights Protection Training

In 2020, TSMC provided employees with a total of 93,822 hours of human rights protection training. In total, 55,031 employees (107,057 training attendances) completed the training program, accounting for 96.8% of TSMC's total employees. Going forward, TSMC will continue to focus on human rights protection and offer training programs to raise human rights awareness among employees to minimize risks.

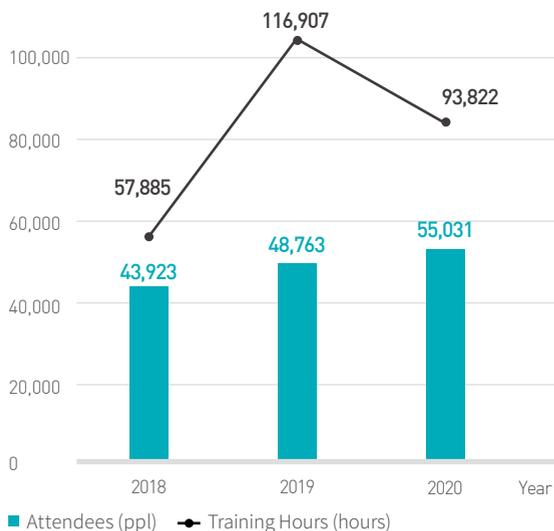
Human Rights Risk Management

As a full member of the Responsible Business Alliance (RBA), TSMC will conduct due diligence in compliance

with the RBA Code of Conduct to ensure that TSMC either meets or exceeds the standard. Using RBA's self-assessment questionnaire (SAQ), TSMC conducts annual assessments to identify internal operations bearing the highest social, environmental, and moral hazards.

Between 2016 and 2018, TSMC commissioned a third-party institute trained in social and environmental audit to conduct RBA's Validated Assessment Program (VAP) on all fabs in addition to TSMC's annual SAQ assessment. Of the 16 fabs assessed, 14 fabs received full marks ^{Note}. Responding to customer demand, TSMC conducted VAP audits on Fab 12b in 2020. The complete audit report will be made available to customers on RBA-Online in 2021.

Human Rights Protection Training



Risk Management

| | Taiwan Facilities | | | | | | | | | | | | | | Subsidiaries | | | | | |
|-----|-------------------------|------|------|------|------|------|--------|--------|--------|--------|--------|--------|-----------------------|-----------------------|-----------------------|-----------------------|--------|--------------|----------------|------------|
| | Corporate Head-quarters | Fab2 | Fab3 | Fab5 | Fab6 | Fab8 | Fab12A | Fab12B | Fab14A | Fab14B | Fab15A | Fab15B | Advanced Backend Fab1 | Advanced Backend Fab2 | Advanced Backend Fab3 | Advanced Backend Fab5 | VisEra | TSMC (China) | TSMC (Nanjing) | Wafer-Tech |
| SAQ | 95.6 | 92.2 | 92.2 | 92.2 | 92.2 | 91.8 | 92.6 | 92.6 | 91.9 | 92.6 | 93.5 | 92.9 | 93.9 | 93.2 | 95.2 | 90.9 | 90.3 | 93.2 | 91.3 | 89.3 |
| VAP | - | - | - | - | - | - | - | 200 | - | - | - | - | - | - | - | - | - | - | - | - |
| VAP | - | - | 200 | 200 | 200 | - | 200 | - | 200 | 200 | - | - | - | - | - | - | - | - | 196.5 | - |
| VAP | - | 200 | 200 | 200 | 200 | 200 | 193.3 | 200 | 182.4 | 200 | 200 | 200 | 200 | 200 | 200 | - | - | 200 | - | 200 |
| VAP | - | - | - | ✓ | ✓ | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | - | - | ✓ | - | - | - | - | - |

SAQ Assessment Scores(2020) ● Low risk (≥ 85) ● Medium risk (≥ 65 & <85) ● High risk (<65)
 ■ VAP Assessment Scores (2020) ■ VAP Assessment Scores (2019) ■ VAP Assessment Scores (2016-2018) ■ VAP Assessment Scores (2021)

Note : Full marks = 200



Human Rights Policy Concerns and Practices in 2020

| | Safe, Healthy, and Harassment-free Workplace | Non-discrimination & Equal Employment Opportunity | Prohibit Forced Labor and Child Labor | Working Time | Responsible Mineral Sourcing | Assist Employees with Maintaining Work Life Balance and Physical/Mental Health |
|---------------------|---|--|---|---|---|---|
| Targets and Actions | <ul style="list-style-type: none"> Formulate OSH Management Procedures and establish Employee Health Management Program Meeting and Occupational Disease Investigation Committee Formulate Sexual Harassment Prevention Policies and establish the Sexual Harassment Investigation Committee | <ul style="list-style-type: none"> Establish TSMC Recruitment Interview Internal Control Procedures and declare principles of non-discrimination and offer the Recruitment & Selection training courses and suggestions/reminders to the hiring supervisors | <ul style="list-style-type: none"> Comply with the regulations on freely chosen employment in the RBA Code of Conduct Establish Recruitment & Hiring Measures to declare that TSMC does not employ forced labor and employees under the age of 18. The Company will also detail employee rights, duties, and benefits in the Offer Letter to maintain fair and transparent employment relations | <ul style="list-style-type: none"> Formulate Management Measures for Working Hours Procedure and build an Attendance Record System and Overtime System | <ul style="list-style-type: none"> TSMC requires suppliers to comply with its conflict-free minerals sourcing policy and sign a statement on conflict-free minerals for products containing tantalum, tin, gold, and tungsten | <ul style="list-style-type: none"> Provide a variety of activities and clubs to enrich the concept of work-life balance Provide child care facilities and education counseling/services to assist employees |
| Risk Assessment | <ul style="list-style-type: none"> Investigate whether there are any occupational diseases from chemical exposure Increase voluntary participation rate for non-statutory employee health plans Case inquiry by the Sexual Harassment Investigation Committee and Ombudsman | <ul style="list-style-type: none"> Eliminate discrimination in the workplace in compliance with Internal Control Procedures starting from recruitment | <ul style="list-style-type: none"> Inquire candidate regarding willingness-to-work during interviews Candidates must provide proof of identification for review | <ul style="list-style-type: none"> Understand employee work hours through reporting channels, facility-level communication meetings, and management systems Employees must agree to overtime requests and TSMC shall provide overtime pay or compensatory leave | <ul style="list-style-type: none"> Establish a due diligence framework in compliance with the Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High-Risk Areas by the OECD | <ul style="list-style-type: none"> Examine participation rates Increase the quota on Company-owned childcare facilities |
| Target Group | <ul style="list-style-type: none"> All employees | <ul style="list-style-type: none"> New hires Indigenous peoples, women, migrant workers, contract employees, disabled workers, etc. | <ul style="list-style-type: none"> New hires | <ul style="list-style-type: none"> All employees | <ul style="list-style-type: none"> All suppliers | <ul style="list-style-type: none"> All employees Employees in need |
| High-risk Employees | <ul style="list-style-type: none"> 1,739 employees under special health management (For more details, please refer to the Occupational Safety and Health section of this report) 2 incidents verified by the Sexual Harassment Investigation Committee | <ul style="list-style-type: none"> 0 | <ul style="list-style-type: none"> 0 | <ul style="list-style-type: none"> 2,738 employees received cerebrovascular and cardiovascular diseases prevention management (for more details, please refer to the Occupational Safety and Health section of this report) | <ul style="list-style-type: none"> 0 | <ul style="list-style-type: none"> 0 |
| Mitigation Measures | <ul style="list-style-type: none"> Quarterly meetings on occupational health management are held by senior executives to manage and control the five major safety hazards of occupational diseases across departments Launched Psychological Safety Program Offered classes on anti-harassment and anti-bullying | <ul style="list-style-type: none"> A total of 730 managers completed the Recruitment & Selection training course in 2020 | <ul style="list-style-type: none"> Complied with legal regulations for recruitment and hiring; prohibited child labor and forced labor | <ul style="list-style-type: none"> Managed and analyzed employee timesheets and provided early warnings to facility supervisors on work hour management Overall employee compensation is higher than the minimum wage and industry peers | <ul style="list-style-type: none"> Suppliers of products containing tantalum, tin, gold, and tungsten must collaborate with more than one compliant smelter | <ul style="list-style-type: none"> Collaborated with members of the TSMC Employee Welfare Committee and activity organizers to promote activities and encourage participation Optimized pay structure and offer an additional 7 days of paid leave to attract and retain outstanding kindergarten teachers Strengthened STEAM education at the TSMC kindergarten |
| Remedies | <ul style="list-style-type: none"> Immediate transfer from original post Provide ample medical support Provide compensatory leave and subsidies according to laws and regulations Make necessary position or work station changes depending on the situation. For severe cases, the offender will be punished according to the TSMC Employee Reward and Punishment Measures | <ul style="list-style-type: none"> Violations to the non-discrimination principle by management shall be punished according to internal policies on rewards and punishment Recruitment Division shall reinstate candidates into the interview process | <ul style="list-style-type: none"> Risk prevention through regular VAP and SAQ mechanisms from the RBA Code of Conduct If there is any evidence of forced labor, supervisors will be required to make the necessary improvements and restate the rights to which employees are entitled | <ul style="list-style-type: none"> If there is any evidence of overtime work, supervisors will be required to make the necessary improvements and restate the rights to which employees are entitled | <ul style="list-style-type: none"> Suppliers will be asked to terminate sourcing if there is evidence of sourcing from non-compliant mines | <ul style="list-style-type: none"> Conduct questionnaires to make improvements in the future Move up the date to draw lots for the use of child care facilities. This will allow those who did not draw a slot to have adequate time to find other child care facilities Offer competitive compensation and benefits to kindergarten teachers |
| Reporting Channels | <ul style="list-style-type: none"> Occupational Disease Investigation Committee & Employee Voice Channels | <ul style="list-style-type: none"> Irregular Business Conduct Reporting | <ul style="list-style-type: none"> Irregular Business Conduct Reporting | <ul style="list-style-type: none"> Employee Voice Channels | <ul style="list-style-type: none"> Reporting Channels for Supply Chain Employees | <ul style="list-style-type: none"> Employee Voice Channels |



Employee Engagement

TSMC values employee opinions/interests and therefore offers several communication channels. The highest-level executives of the HR organization are responsible for many of the channels, ensuring that matters are handled in an efficient and confidential manner as we continue to strive towards an open and transparent environment for employees/managers and colleagues to communicate. Furthermore, TSMC respects employees' right to take part in collective bargaining and peaceful rallies. In accordance with [legal requirements](#) in Taiwan, the Company regularly holds labor-management meetings to brief employees on Company operations and invite employees to engage in discussions on labor conditions and benefits. To facilitate labor-management communication, after the labor representative's four-year term was up in 2018, fabs in the Central Taiwan Science Park adopted an e-voting system for the election of new labor representatives. The e-voting system was expanded in 2019 to Longtan facilities and in 2020 to Hsinchu and Tainan facilities to encourage more employee voting. As of December 31st, 2020, all labor representative elections in Taiwan facilities have been conducted through e-voting.

In 2020, TSMC's internal communication channels handled a total of 4,343 cases of employee opinions and complaints, including 4 through the Sexual Harassment Investigation Committee, 171 through the Ombudsman System, 906 through the Employee Opinion Box, 3,192 through the Fab Caring Circle, and 70 cases through the Irregular Business Conduct Reporting System. All reported cases have been processed and addressed by competent organizations.

Cases reported through the Sexual Harassment Investigation Committee, the Ombudsman System

and Irregular Business Conduct Reporting System were investigated and reviewed by designated committee members. Cases reported through the Employee Opinion Box were handled by responsible persons, who would then communicate with employees about the solutions and outcome. Employees can access all internal communication channels via the internal employee portal.

In 2020, there were 2 verified cases of sexual harassment as confirmed by the Sexual Harassment Investigation Committee. The perpetrating employees received severe

punishments and one was dismissed from the Company. As both cases involved social software abuse, TSMC has reinforced the social software section in the 2020 sexual harassment prevention courses to raise awareness among employees.

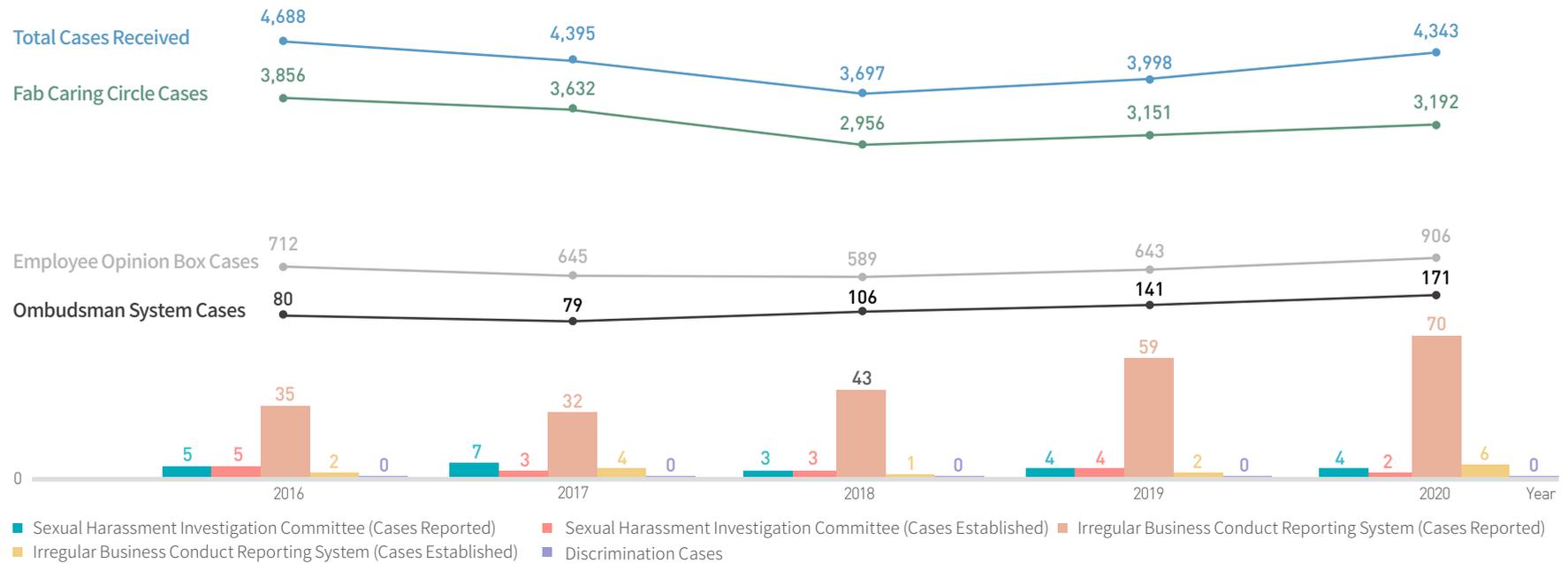
There were 6 violations to business ethics and all involved employees have been punished in compliance with Company regulations. The importance of business ethics continues to be advocated in related courses. In 2020, the annual business ethics and regulatory compliance training

completion rate was 99.72%, with 50,482 employees having received trainings. Management training completion rate was 100%, with 5,425 managers having received trainings.

With these effective internal communication channels, the relationship between the management level and employees has been harmonious over the years. TSMC has always respected employee rights to form a labor union, but so far none have been formed.

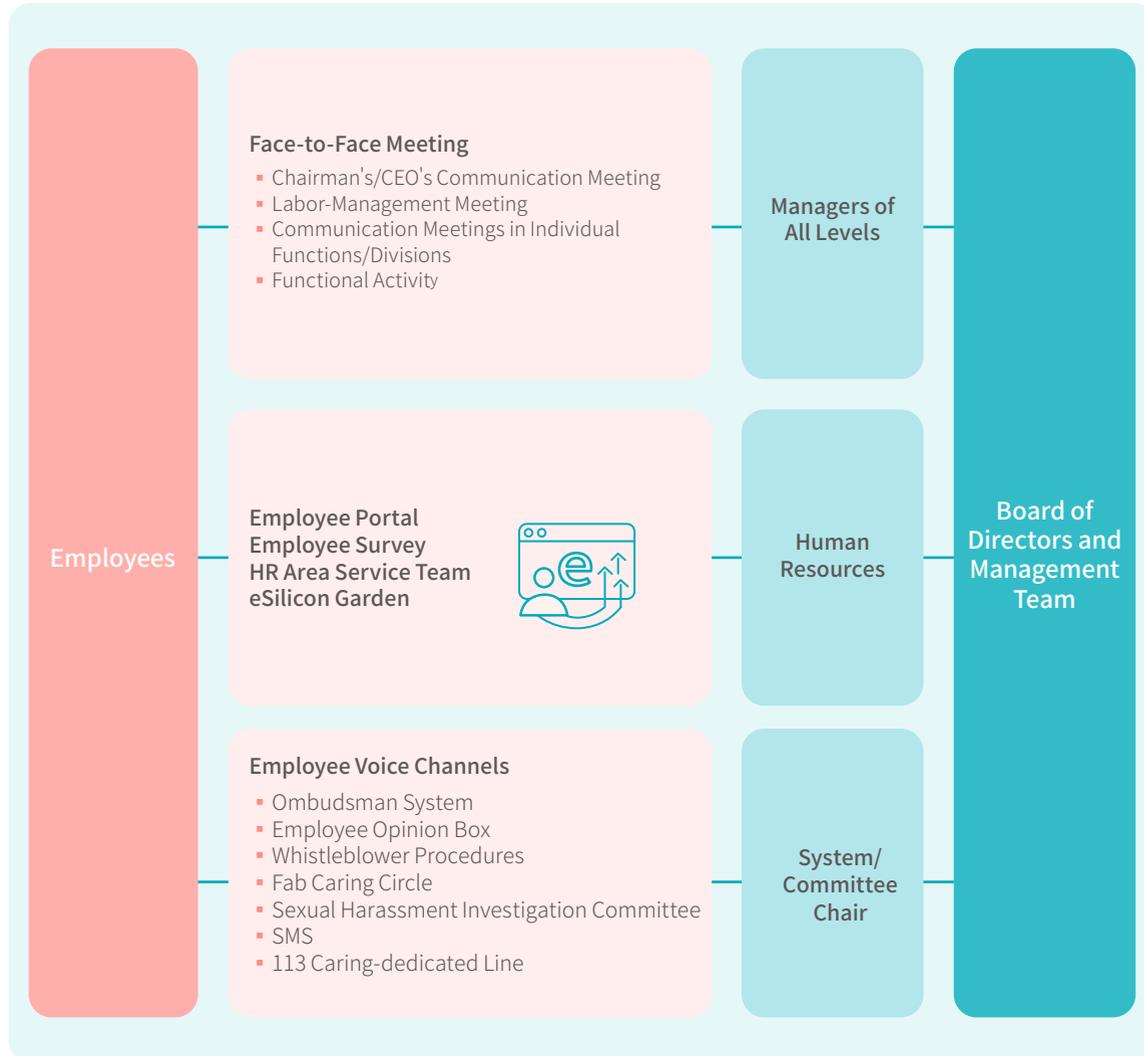
Cases Reported Through Internal Communication Channels

Unit: Case



Note: The figures for Ombudsman System, Sexual Harassment Investigation Committee, Irregular Business Conduct Reporting System, and Employee Opinion Box cover all TSMC facilities, while the figure for Fab Caring Circle covers only TSMC's Taiwan facilities.

Internal Communications Structure



Employee Voice Channels



Note: Cases reported via 113 Caring Hotline and SMS are handled by designated people and directed to other voice channels.