

Talent Attraction and Retention

✓ Achieved ↑ Exceeded — Missed Target

Strategies



Bolster Employee Commitment

- Fulfill core values and business philosophy
- Provide competitive compensation packages



Fulfill Internal Transfer Policy Note4

- Underscore on-the-job training with systematic job rotations



Maintain Healthy Turnover Rate



Strengthen Industry-Academia Cooperation with Semiconductor Program

2030 Goals

Conduct Employee Opinion Survey on Core Values every two years and reinforce core values

- Ensure that over **95%** of employees are fully committed to their work
- Ensure that over **95%** of employees are willing to continue to work for TSMC in the next five years

- Maintain position above **75th** percentile among industry peers in total compensation

- Fill over **50%** of vacancies through internal transfers
- Fill over **75%** of manager positions through internal promotions

- Maintain total turnover rate between **5%–10%**
- Less than **10%** new hire (< 1 year) turnover rate

- Promote diverse industry-academia cooperation with internships, competitions, and the comprehensive Semiconductor Program on device/integration, process/module, and equipment engineering. Welcome **5,000** students from global universities and graduate programs to enroll in aforementioned events

2021 Targets

Reinforce core values based on the 2020 Employee Opinion Survey on Core Values results, conduct the 2021 Employee Engagement Survey to increase employee engagement, and strive towards our commitment to sustainability

- Continue to maintain a position in the **75th** percentile among industry peers in total compensation

- Fill over **50%** of vacancies through internal transfers
- Fill over **75%** of manager positions through internal promotions **NEW**

- Maintain total turnover rate between **5%–10%**
- Strengthen onboarding training and culture integration to ensure **≤ 15%** new hire (< 1 year) turnover rate

- Promote diverse industry-academia cooperation with internships, competitions, and the comprehensive Semiconductor Program on device/integration, process/module, and equipment engineering. Welcome **3,500** students from global universities and graduate programs to enroll in aforementioned events

2020 Achievements

2020 Employee Opinion Survey on Core Values Note1 revealed

- **96%** of employees were fully committed to their work **✓**
Target: 95%
- Over **95%** of employees were willing to continue to work for TSMC in the next five years **✓**
Target: 95%

- According to the Labor Market Research Report, the total compensation of employees in TSMC is above the **75th** percentile **✓**
Target: Above the 75th percentile

- **45.2%** of job vacancies were filled through internal transfers Note2 **—**
Target: > 50%
- **79.3%** of manager positions were filled through internal promotions **NEW**

- Total turnover rate: **5.3%** **✓**
Target: 5% to 10%
- New hire (< 1 year) turnover rate: **15.7%** Note3 **—**
Target: < 13.5%

- Promoted diverse industry-academia cooperation with internships, competitions, and the comprehensive Semiconductor Program on device/integration, process/module, and equipment engineering. Welcomed **2,000** students from global universities and graduate programs to enroll in aforementioned events **✓**
Target: 2,000 students

Note 1: For more details, please refer to 4. Employee Commitment.

Note 2: In 2020, TSMC expanded external recruitment due to growing labor demands and therefore only 45.2% of vacancies were filled through internal transfers, missing the 2020 target of 50%. TSMC will continue to facilitate internal transfers and strive towards the goal of "Over 75% of manager positions shall be filled through internal promotions".

Note 3: For more details, please refer to 2.1 Employee Turnover.

Note 4: Related explanation on Fulfill Internal Transfer Policy has been moved from Talent Attraction and Retention to Talent Development in consideration of the scope and definition of the subject.



In TSMC's strategy of talent attraction and retention, industry-academia cooperation is mainly structured through the Semiconductor Program on device/integration, process/module, and equipment engineering. Beginning in 2021, the Semiconductor Program will be expanded to include information engineering so that students from different departments may also enroll and potentially become semiconductor professionals for the local semiconductor industry. TSMC also intends to attract and retain talents, bolster employee commitment, and support long-term company growth by maintaining our status as a leading employer.

Shared Visions and Values Recruitment Criteria

"Putting the right people with shared visions and values in the right positions" has always been TSMC's guideline for recruiting talents, designing compensation packages, managing employee performance, and developing training programs. We are committed to our declaration of [Diversity and Inclusion](#) at TSMC and all employees at TSMC are treated equally regardless of gender, religion, race, nationality or political affiliation. With shared vision, we work toward a common goal under a common commitment. With shared values, we abide by a common set of values and a unified code of conduct. By putting the right person into the right position, TSMC enables its employees to contribute to the Company where they are most needed and allows employees to develop with the company, thereby generating success for both employees and the Company.

To hire people with shared visions and values, TSMC prioritizes character and capability over professional

skills when assessing candidates. Due to the Company's expansion and business needs in recent years, mobility has become an important criterion as well. To this end, TSMC has developed a number of selection criteria on integrity, resilience, initiative, innovation, decision-making, and other qualities. Candidates shall be evaluated by selection criteria assessment and interviews.

Responding to technological changes and the rise of a new generation of talent, TSMC recognizes that only through proactive measures in talent incubation, recruitment, and retention, can the Company tap into employees' capabilities in R&D, manufacturing, and service to thereby sustain TSMC's long-term competitive advantages in the face of global competition and challenges. Furthermore, considering that TSMC operations are largely based in Taiwan, TSMC is aiming to develop high-quality talents for Taiwan's semiconductor industry. To such ends, TSMC has cooperated with prestigious universities in Taiwan to design the comprehensive Semiconductor Program that will contain theoretical and practical courses. The Program was first launched in National Tsing Hua University and has since spread to National Taiwan University, National Cheng Kung University, National Yang Ming Chiao Tung University, National Taipei University of Technology, and National Taiwan University of Science and Technology in 2020. In 2021, TSMC will be collaborating with world-leading IT companies to expand the Program to include credited information engineering courses that integrate theory and practicum. The goal for 2030 is to have 5,000 students around the world participate in our industry-academia programs.

Note: For more details on TSMC's partnership with universities, please refer to the [Innovation Management](#) section of this report.

Workforce Structure

As of the end of 2020, TSMC has 56,831 employees globally. Among them, 38,456 employees are managers, professionals, and assistants while the remaining 18,375 are technicians. As the semiconductor industry is both knowledge and technology-intensive, over 80% of our managers and professionals hold a Master's degree or higher. Around 90% of TSMC's employees are based in the principal place of business, Taiwan, with the remaining 10% in subsidiaries in Asia (including China, Japan, South Korea, etc.), North America, Europe, etc.

Female Workers

Due to the nature of the semiconductor industry and local social/cultural background, male employees account for more than 60% of employees and 80% of managers, professionals, and assistants at TSMC. Female workers are the pillars of production line technicians, with around 80% of the technicians being women. As TSMC's fabs become increasingly automated, there is a declining need for production line technicians, a group consisting mainly of female employees, which is leading to a gradual drop in the total percentage of female employees at TSMC.

Despite the decline in the percentage of female employees in recent years, under fair selection mechanism, TSMC's female employees enjoyed a similar promotion ratio in 2020 with their male counterparts, at 0.90:1, [female section managers or above](#) are generally promoted more than their male counterparts at a ratio of 1.11:1.

TSMC cares about diversity and inclusion. We are striving towards gender equality and we continue to spotlight issues relating to female workers. Every employee's desire for personal pursuits is respected and we also seek for different solutions. We welcome women to join the TSMC family and we will ensure that female workers are retained for the long-term so they can live up to their full potential and make valuable contributions to TSMC and society.

Female Workers

Unit: %



Note: Junior management positions include first-line managers; top management positions include Vice Presidents and higher, excluding Chairman, board directors, and CEO.



Workforce Structure

Category	Group	Male		Female		Subtotal and Percentage by Group	
		Employees	Group Percentage (%)	Employees	Group Percentage (%)	Employees	Percentage of Total Employees (%)
Position	Managers	5,123	87.5	734	12.5	5,857	10.3
	Professionals	22,449	80.8	5,318	19.2	27,767	48.9
	Assistants	3,870	80.1	962	19.9	4,832	8.5
	Technicians	4,294	23.4	14,081	76.6	18,375	32.3
Location	Taiwan	32,269	63.0	18,950	37.0	51,219	90.1
	Asia	2,308	58.6	1,632	41.4	3,940	6.9
	North America	1,127	69.6	493	30.4	1,620	2.9
	Europe	32	61.5	20	38.5	52	0.1
Age	18~20	24	57.1	18	42.9	42	0.1
	21~30	10,096	67.1	4,960	32.9	15,056	26.5
	31~40	16,315	64.1	9,138	35.9	25,453	44.8
	41~50	7,276	55.3	5,876	44.7	13,152	23.1
	51~60	1,854	64.0	1,043	36.0	2,897	5.1
	60+	171	74.0	60	26.0	231	0.4
Education	Ph.D.	2,257	90.1	247	9.9	2,504	4.4
	Master's	21,368	80.4	5,195	19.6	26,563	46.7
	Bachelor's	8,904	60.9	5,718	39.1	14,622	25.7
	Other Higher Education	1,685	30.2	3,901	69.8	5,586	9.8
	High School	1,522	20.1	6,034	79.9	7,556	13.3
Employment Status	Regular	35,733	62.9	21,092	37.1	56,825	100.0
	Contractor	3	50.0	3	50.0	6	0.0
Total							56,831

Compensation Ratio by Gender

Region/ Subsidiary	Position	Male	Female
Taiwan	Managers	1	0.97
	Professionals	1	0.93
	Assistants	1	0.97
	Technicians	1	1.13
China	Managers	1	0.96
	Professionals	1	0.88
	Assistants	1	0.91
	Technicians	1	1.11
North America, Europe, Japan, and South Korea	Managers	1	0.94
	Professionals	1	0.78
VisEra	Managers	1	0.71
	Professionals	1	0.86
	Assistants	1	1.06
WaferTech	Technicians	1	1.03
	Managers	1	0.75
	Professionals	1	0.83
	Assistants	1	0.91
	Technicians	1	1.00

Note: The total of 56,831 employees only includes regular employees and contractors expected to become regular employees. In addition to the two groups mentioned, TSMC employs 284 contractors, who are not included in the figures listed in the Global Workforce Structure. Contractors include employees with disabilities (269 individuals) and employees for special projects or short term support (15 individuals).

Talent Recruitment

Recruitments at global branches are mainly through local hiring. However, in the principal place of business, Taiwan, we must consider technological development and diversity. Therefore, we target recent graduates and overseas professionals for more professional positions. This contributes to a diverse and inclusive talent pool and also fulfills the Company's long-term development needs.

Campus Recruitment

TSMC's core values, corporate culture, and world-leading business performance has again warranted our placement on top of the 2021 Top 10 Most Admired Companies to Young Generations list by the Cheers magazine. In 2020, to align with the Company's growth, TSMC expanded recruitment and introduced 7,322 new hires in Taiwan and 8,193 new hires around the world. Among them, 79.5% of all new hires are below the age of 30.

Recruitment in Taiwan was through official website, campus recruitment, intern programs, JDP (Joint Development Program), RDSS (Research Development Substitute Services), social media, and more. Our Internship Program is a major annual program in Taiwan which, in recent years, has been expanded to TSMC North America, TSMC (China), and TSMC (Nanjing). In addition to recruiting intern candidates through referrals by professors, campus department offices, and employees, we reach out to potential candidates through social media and face-to-face job fairs on campus.

In 2020, TSMC launched the DNA Program which revolves around the following three targets: Develop, Navigate,

and Advance Offer. The Program offers diverse learning activities and actual project engagement to give interns the opportunity to explore themselves and learn about the semiconductor industry and related technologies as well. TSMC held 18 lectures, course programs, and workshops in 2020, offering interns with a wealth of diverse learning experiences. Outstanding interns were awarded an advance offer to TSMC upon graduation, contributing to success for both students and the Company.

In 2020, the world was largely impacted by the COVID-19 pandemic. Taiwan remained relatively unaffected and so, with disease prevention measures on hand, TSMC continued to host the Summer Internship Program for Taiwan fabs and recruited 347 interns, of which 30% (105 interns) were female students. After the internship, 114 interns received advance offers after evaluation, accounting for 33% of total participants. Among them, 25% were female. The percentage of female students participating in the internship program, receiving advance offers, or joining TSMC are higher than the current percentage of female professionals at TSMC (19.2%). This shows that TSMC continues to strive towards gender equality in the workplace. Unfortunately, due to the pandemic, Intern Programs at TSMC North America, TSMC (China), and TSMC (Nanjing) had to be scaled back. A total of 42 interns were recruited, of which 14.2% (6 interns) were female students.

TSMC's internship program allows students to familiarize themselves with the industry and identify a domain of interest for further progression. Students can then register for semiconductor-related courses when they

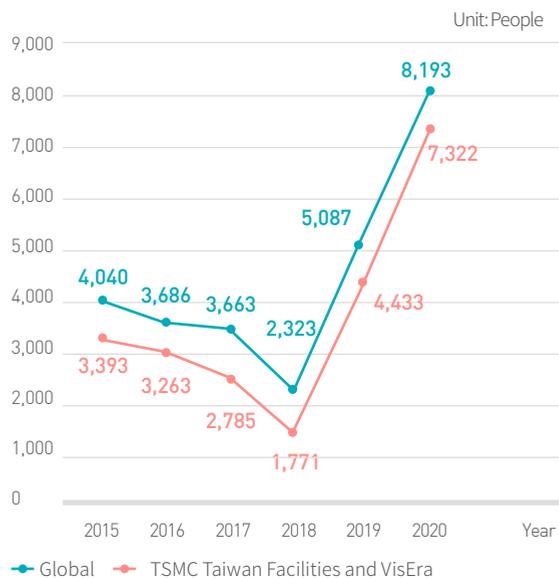
return to school, better adapt to the industry in the future, and reduce the transitional phase required for adapting to the workplace. As of 2020, an average of 40% of the interns from 2018 to 2019 have joined TSMC either through advance offers or regular recruitment, indicating that internship recruitment program is effective in attracting talent for TSMC at an early stage.

Overseas Recruitment

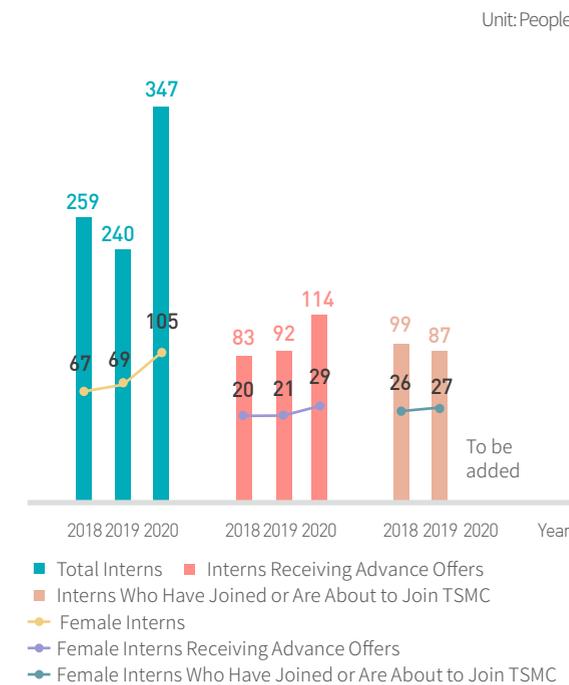
To sustain the Company's diversified talent pool and recruit talent in special fields, TSMC has continued

with the Overseas Talent Recruitment Program in regions with a high density of semiconductor talents. In terms of industry-academia cooperation, TSMC has maintained close contact with MIT, Stanford University, UC Berkeley, and other prestigious universities around the world in recent years to incubate top research talents and ensure early engagement with global talents for future recruitment. TSMC is also consistently recruiting experienced semiconductor professionals in key technological hubs in the U.S., India, Canada, Japan, and other European nations.

New Employees



Interns Receiving Advance Offers or Hired



Note: Data includes Taiwan Facilities.

Hire Disabled Workers in Taiwan

According to Article 38 of the People with Disabilities Rights Protection Act in Taiwan, the number of disabled people with the capability to work shall be no less than 1% of a company's total employees, and when a company employs a person with severe disabilities, that person shall be calculated as two. In addition, companies that do not employ a sufficient amount of people with disabilities shall periodically pay subsidies to the Disabled Employment Funds held by competent authorities for labor affairs at local municipalities and counties (cities) based on the deficient amount. The amount of the subsidies is based on the deficient amount of employed disabled workers multiplied by monthly basic wage.

In line with the government's policies and regulations,

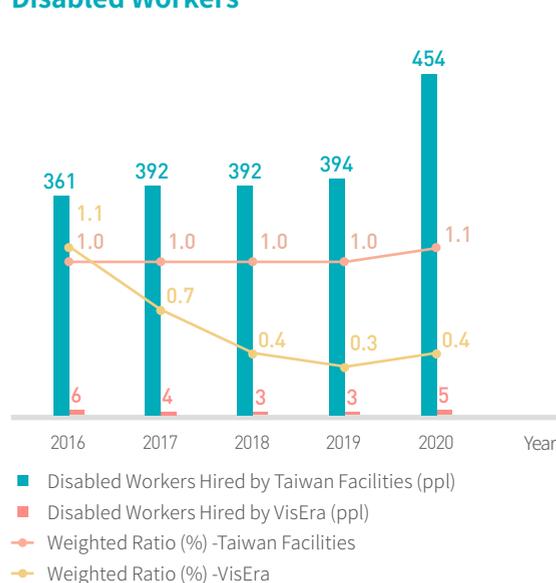
Overseas Hires



TSMC endeavored to provide job opportunities to those with disabilities. In 2020, we also maintained partnership programs with various universities in Taiwan to provide high-quality positions, such as Campus Recruitment Representatives, for disabled university students or graduates.

In 2020 TSMC's fabs in Taiwan complied with regulations and employed a total of 367 new employees with mild or moderate disabilities, and 87 with severe disabilities, with the weighted ratio reaching 1% of total employees. In 2020, VisEra also provided vacancies for disabled candidates. However, due to the nature of available job vacancies, VisEra received a dearth of suitable applicants, leading to its failure to meet the 1% requirement, and has paid subsidies according to legal requirements.

Disabled Workers



Case Study

TSMC Continues to Expand & Offer High-quality Jobs With Comprehensive Disease Prevention Measures

In 2020, COVID-19 impacted global industries. In response to the demand for increased output capacity and technological development, TSMC continued to recruit more employees for our fabs, especially in Taiwan. TSMC started adopting online recruitment and remote interviews beginning in March to offer a more flexible interview approach for candidates. This ensures that we can fulfill the rising demand for talents while also guaranteeing the safety and health of all those involved. TSMC held 4 campus recruitment webinars for senior students in college preparing to graduate in 2020. With the pandemic contained during the second half of 2020, TSMC relaunched some of the campus recruitment events, holding 18 interview sessions at 6 universities throughout September and October. We also introduced a mobile recruitment bus for the

first time to offer students with diverse interview experiences. In 2020, we hired 7,322 new employees at our fabs in Taiwan, which was 1.65 times the number of new hires in 2019.

During the recruitment, TSMC continues to follow principles of "putting right people with shared visions and values in the right positions". We continued to adhere to internal interview standard scales and evaluations to ensure that all new hires maintain a shared vision. At the same time, TSMC provides orientation, training programs, buddy program and more to help newcomers to adapt to work environment and role faster. These practices encourage employees to stay with TSMC to push the envelope of technology together.



TSMC introduces mobile recruitment bus for the first time to offer students with diverse interview experiences.

"When we saw TSMC's recruitment bus on campus, I thought it was pretty cool. I had to take this opportunity and see if I could become a part of TSMC."

—Jia-Pu Li, Graduate Student at the Department of Engineering Science, National Cheng Kung University

Fulfill Internal Transfer Policy

To help employees plan their career paths, TSMC is dedicated to enhancing the transparency of internal job opportunities, thereby encouraging internal transfers, allowing the right people to gravitate toward the right positions, and reducing turnover rates. In 2020, TSMC achieved 100% internal transfer completion rate. However, TSMC expanded external recruitment due to growing labor demands and therefore only 45.2% of vacancies were filled through internal transfers, missing the 50% target for 2020. TSMC does remain committed

to talent development and will promote employees with potential when necessary for organizational growth. 79.3% of manager positions were filled through internal promotions, reaching the annual target. TSMC will continue to strive to fulfill internal transfers and promotions to meet rising demands from organizational growth but also a need for personal career development.

Employee Turnover Rate

To ensure talent mobility and long-term growth, TSMC firmly believes that a healthy employee turnover rate

should be between 5% and 10%, which has thus become the Company's long-term goal. In 2020, TSMC's employee turnover rate was 5.3%, which is in line with what we believe to be a healthy turnover rate.

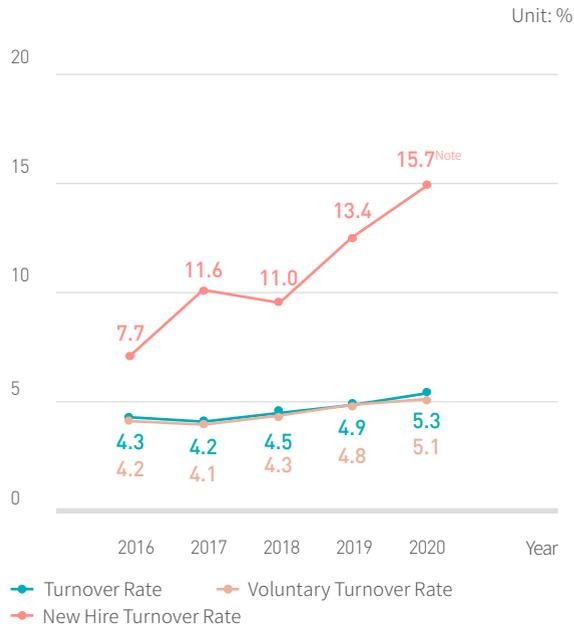
Compensation and Benefits Competitive Compensation Package

TSMC provides competitive compensation packages to attract and retain the best talents, and to reward employee performance and encourage long-term contribution. Our packages include a base salary,

allowance, employee cash bonuses, and profit-sharing schemes. The total compensation of an employee is determined based on individual expertise, job responsibility, performance, commitment to long-term contribution, and the Company's operations and profit.

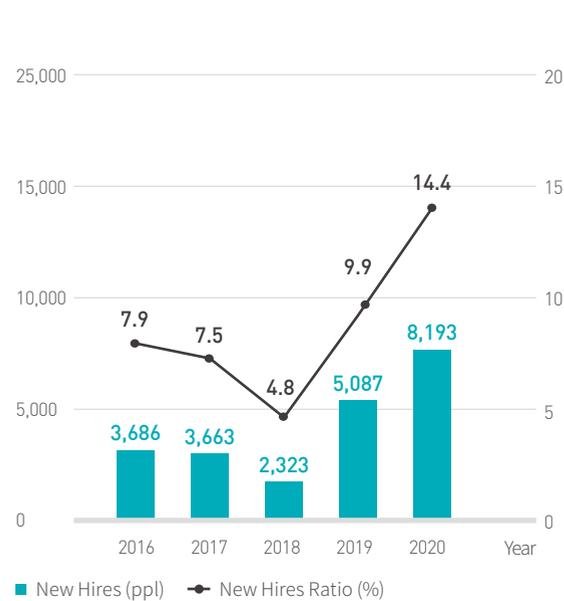
As TSMC continues to grow in revenue and profit, we have increased total compensation and benefits for employees from around NT\$99.7 billion to NT\$140.8 billion between 2016 and 2020, and average compensation and benefits for employees from around NT\$2.12 million to NT\$ 2.48 million during the same period.

Historical Turnover Rates

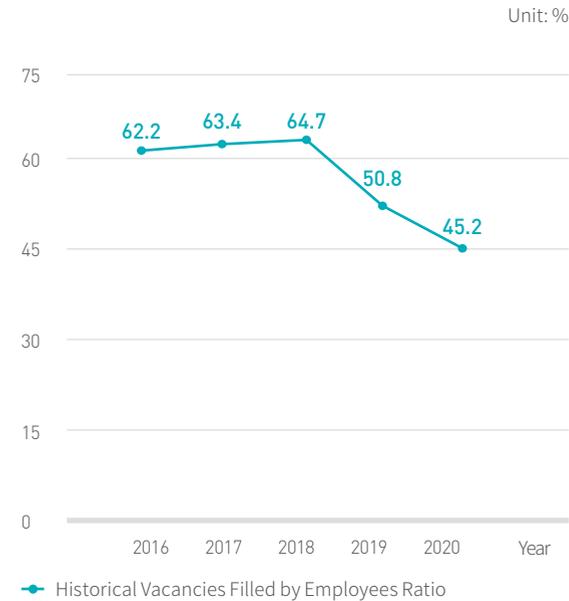


Note: In 2020, TSMC witnessed a large increase in new hires and therefore the new hire turnover rate exceeded the originally anticipated 13.5%.

Historical New Employee Ratio

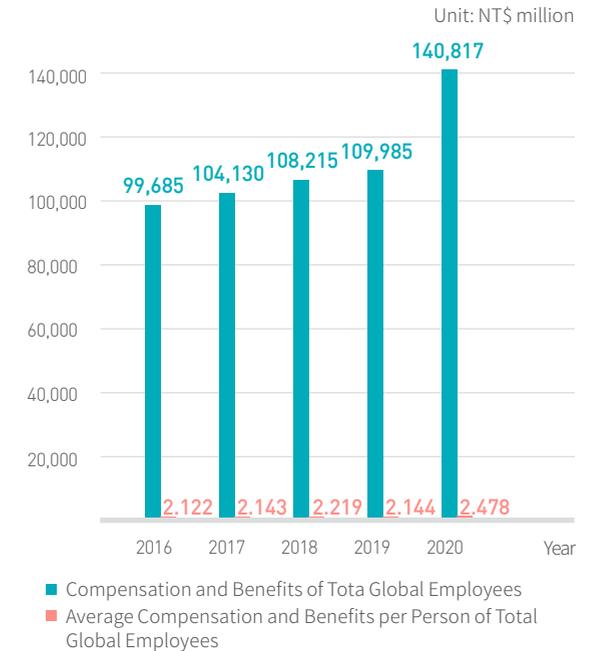


Historical Vacancies Filled by Employees



Note 1: The figures for 2016–2017 cover TSMC's Taiwan fabs, while those for 2018–2020 cover both TSMC's Taiwan fabs and its subsidiaries.
Note 2: Due to a large number of new vacancies and external recruitment expansion projects between 2019 and 2020, the percentage of vacancies filled through internal transfers was significantly lower in 2019 and 2020 than it was between 2016 and 2018.

Compensation and Benefits Expenses





In 2020, TSMC's revenue and profits reached new record highs. The cash bonus and profit-sharing scheme allocated for Taiwan facilities was valued at NT\$69.5 billion. In 2020, the average total compensation for a new TSMC engineer with a master's degree was higher than NT\$1.8 million including 12 months in base salary, 2 months in year-end bonus, cash bonuses and profit-sharing scheme. The average total compensation for direct labor was higher than NT\$1.0 million, meaning the average monthly income is four times the minimum wage in Taiwan.

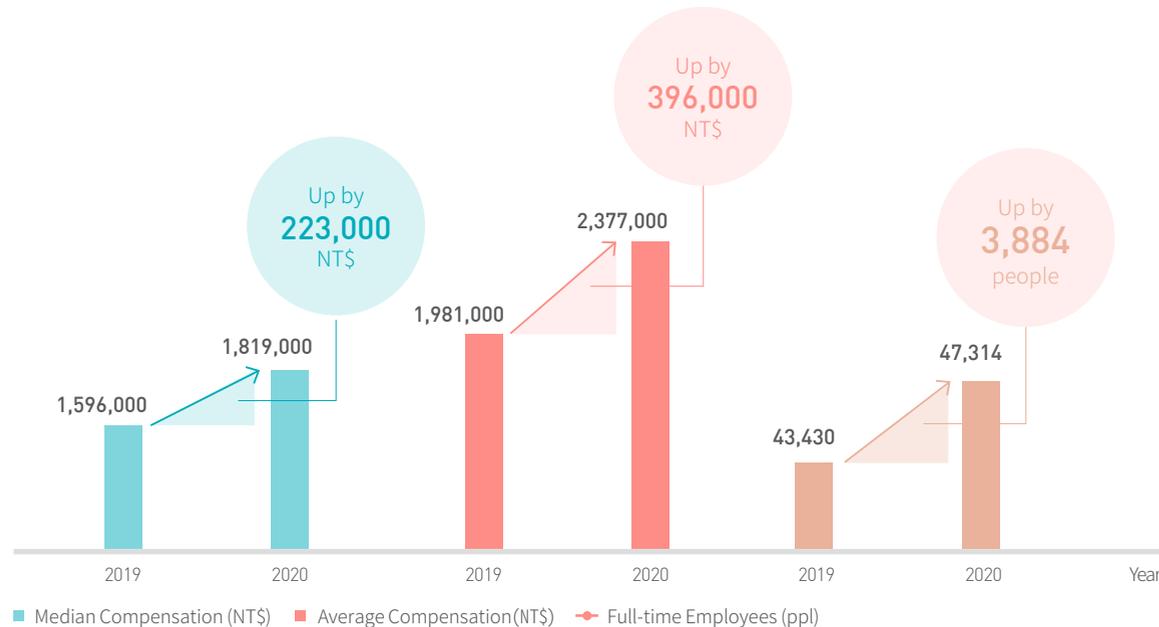
In addition, the Taiwan Stock Exchange requires all listed companies in Taiwan to disclose the number, the average and median compensation of full-time employees in non-executive positions and their respective differences against the previous year (as shown in the table below). The numbers are calculated in accordance with the regulations of the Taiwan Stock Exchange, which excludes executive officers (managers) and employees eligible for exemption. For those not employed with the Company for a full year, the data is prorated. And the profit-sharing amount is at profit-year basis therefore part of the compensation data is projected.

We hope the Company can continue to grow in the future and so TSMC adjusted the salary structure for all formal employees in Taiwan facilities in January of 2021. Some variable pay items were recategorized into the base salary and each employee experienced a 20% increase in base salary, increasing monthly disposable income for entry-level employees. In addition to the salary structure changes, the annual salary adjustment for 2021 commence as planned. TSMC believes that a competitive compensation can help the Company generate operational success and maintain a leadership position above industry peers in TSMC profits and overall compensation packages.

Corporate Officer Shareholding Guidelines

TSMC believes that long-term shareholding by corporate officers can strengthen the link between corporate officers and shareholders. In 2020, TSMC established the Corporate Officer Shareholding Guidelines, requesting the Chairman, CEO, and other corporate officers to hold shares valued at a certain percentage of their annual base salary. Throughout their time at TSMC, corporate officers must maintain a certain value of shares as required by the Company.

Average and Median Compensation



- In order to maintain the competitiveness of our compensation, TSMC appropriately adjusts employees' salaries annually, taking into consideration of the results of global salary surveys, market salary scales, and economic indices in Taiwan and other overseas locations.
- In April 2020, TSMC gave salary raises to all TSMC employees in Taiwan and abroad. The salary increase rate was 3%-5% for employees in Taiwan, 7% - 8% for employees in China, and 3% - 5% for employees in other regions.



- The employee incentive programs take into consideration TSMC's financial and operational performance, future development, and the operational performance of each subsidiaries, with linkage to employee's job responsibilities and performance. The programs are implemented with short-term and long-term incentive schemes according to local industry practices.
- The incentive program of TSMC fabs in Taiwan is implemented over a period of two years. Cash bonuses are paid quarterly to provide timely incentive and profit sharing is paid annually, in the following year, to encourage long-term service and continuous contribution. The incentive programs of overseas regions are either by annual cash bonus or by 1 to 3 years of long-term scheme.
- In 2020, for TSMC employees, total compensation and benefits which includes salary, allowances, cash bonus, profit sharing, pensions, and other benefits, totaled NT\$ 140.8 billion.
- In 2020, the median of global employees' annual compensation (excluding pensions and benefits) was about NT\$1.81 million, and the ratio between the total annual compensation of the CEO and the median employee compensation was about 233:1. Considering the differences in compensation structure across countries, the data of median annual compensation is based on the actual amount paid to fulltime employees with full-year seniority.

Parental Benefits

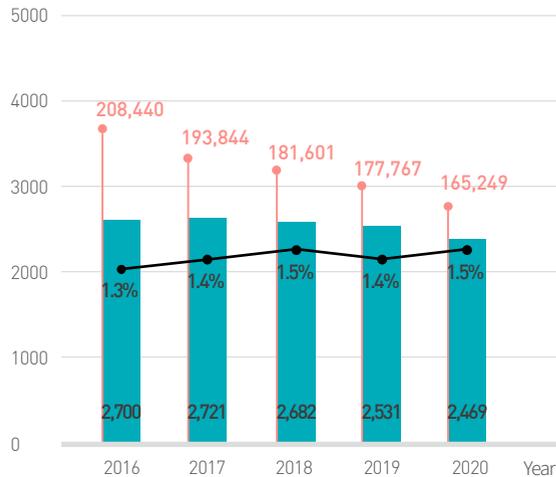
To provide sufficient support in their personal and work lives, TSMC offers employees parental leaves in accordance with local laws and regulations, sets up four kindergartens for fabs in Taiwan, and provides a comprehensive leave management system. Employees have flexibility in making use of their vacation days to take care of their children. Employees who need to take long leaves of absence for military service or severe injuries can also apply for unpaid leaves, and then apply for reinstatement after the expiration of the period, to fulfil both personal and family needs.

In 2020, a total of 557 employees in TSMC's Taiwan facilities and VisEra applied for unpaid parental leaves,

and a total of 497 employees were scheduled to return from unpaid parental leaves, of which 392 employees returned either as scheduled or ahead of schedule, leading to a return rate of 78.9%. The retention rate, on the other hand, was 77.7%, since 306 out of 394 employees who resumed duty in 2019 were still in service by the end of 2020.

In addition, in 2020, the number of TSMC employees aged between 20 and 64 in Taiwan accounted for 0.33% of Taiwan's population of the same age group. Meanwhile, the number of employees' newborns was 2,469, which was 1.5% of the total number of newborns in Taiwan, an example of our outstanding benefits having positive contributions to society.

Newborns in TSMC



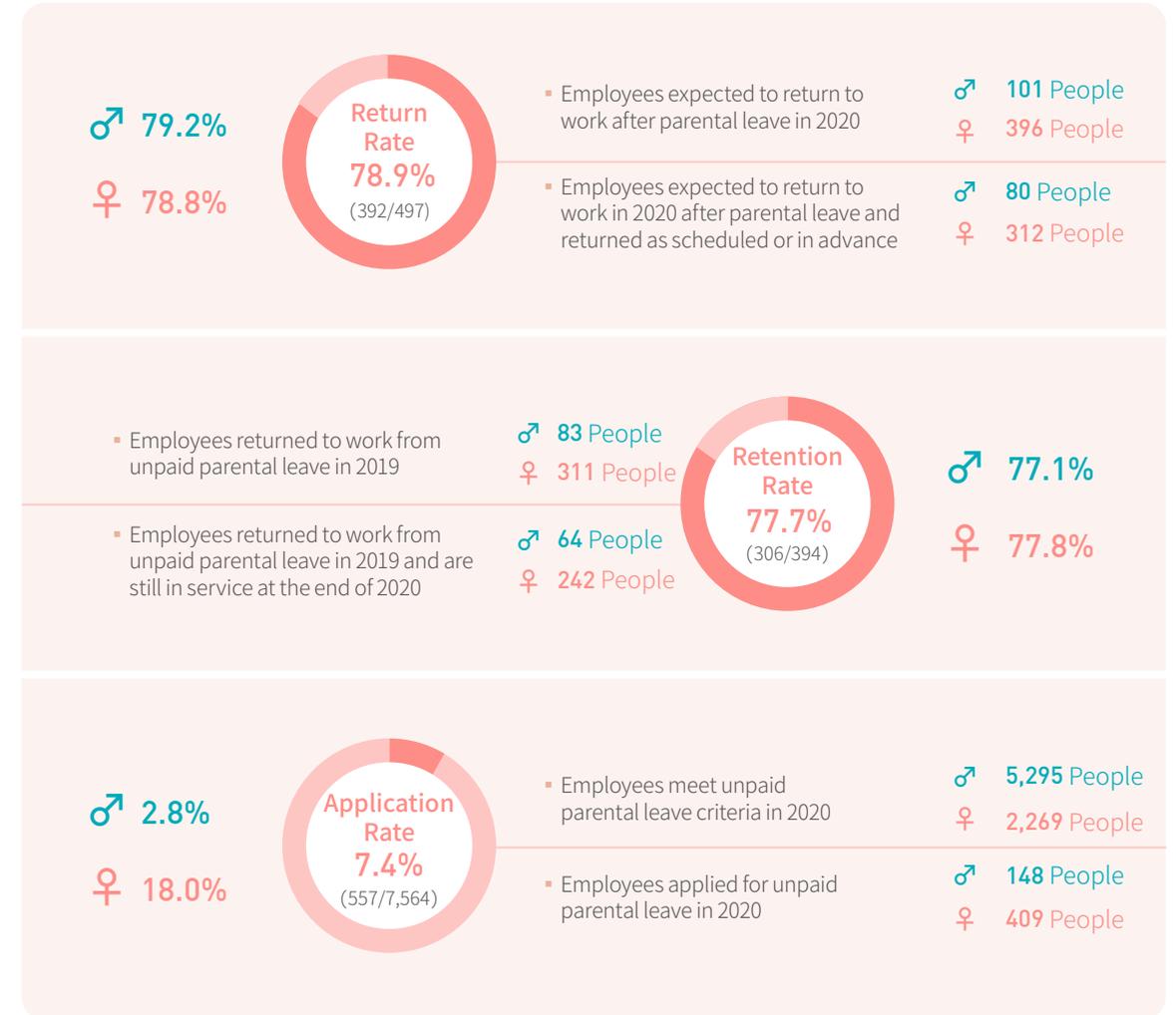
■ Newborns in TSMC ● Newborns in Taiwan
— Newborns in TSMC (%)

Note: Data includes Taiwan Facilities and VisEra



To provide sufficient support in their life and work, TSMC sets up four kindergartens for Taiwan facilities.

Unpaid Parental Leave in TSMC's Taiwan Facilities and VisEra - Applicants, Return Rate, and Retention Rate



Benefits Better Than Statutory Regulations

To encourage employees to strive towards long-term Company development, TSMC offers employees benefits that are better than the statutory requirements and regulations for benefits such as holidays, insurance, pensions, financial assistance for emergencies, subsidies for marriage/ childbirth/ funerals, and discounts in designated shops. Furthermore, all TSMC facilities are equipped with 24-hour health centers, where healthcare management professionals and appointed on-site physicians provide quality services beyond those required by legal statutes. The health centers work with hospitals and Employee Assistance Program services providers to offer comprehensive support for the emotional and physical well-being of our employees^{Note 1}.

TSMC values the well-being of its employees. The company encourages employees to exercise regularly by subsidizing 63 sports clubs, improving exercise facilities, and holding regular sports events to help employees find peers with similar sports interests for balance between work and life. In 2020, TSMC was granted the Exercise Enterprise Certification Award by Sports Administration of the Ministry of Education.

TSMC clubs are highly active^{Note 2}. The clubs not only participate in games hosted by Hsinchu Science Park, Central Taiwan Science Park, and Southern Taiwan Science Park Note 3 but also engage with other clubs in the community. For example, the Ballroom Dancing Club of Hsinchu Science Park was invited to participate in the end-of-year dance

Note 1: For more details, please refer to the Occupational Safety and Health section of this report.
 Note 2: WaferTech is based in the state of Washington in the U.S. To comply with local Covid-19 regulations, WaferTech did not convene any sport-related club activities in 2020.
 Note 3: Including the Hsinchu Science Park Competition, Central Taiwan Science Park Games, and Southern Taiwan Science Park Friendlies.

performance by Industrial Technology Research Institute while the Softball Club at Southern Taiwan Science Park hosts tee ball games during the weekends to teach local children about softball and fulfill their social responsibility.

Solid Pension System

TSMC's employee pension system includes the Defined Benefit Plan under the Taiwan Labor Standards Act, the Defined Contribution Plan under the Taiwan Labor Pension Act, as well as the regulations of labor laws in overseas regions. In addition to statutory contributions, we commission professional accountants and consultants annually to conduct precise calculations of our Company's pension fund, so as to assure sufficient funding for employee pension payments in the future.

Pension Allocation and Preparation



Rewarding Excellence

TSMC recognizes and encourages employee performance through performance management, profit-sharing bonus system, development system, and promotion system. For outstanding technical talents, TSMC provides a dual career ladder system as an appropriate evaluation and recognition approach. To recognize outstanding scientists and engineers who have made prominent contributions to the Company's success with their personal expertise, TSMC has formulated the TSMC Academy Guidelines; to encourage a culture of continued growth and innovation, TSMC held the TQE (Total Quality Excellence& Innovation) Conference and TQE Awards; to praise the outstanding performance and contribution of internal instructors towards learning efficiency and teaching, TSMC offers the Excellent Instructor Award; the TSMC Excellent Labor Award recognizes

entry-level workers with outstanding performances; and lastly, our Service Award is awarded in recognition and appreciation of senior employees and their long-term commitment and dedication. In 2020, with the CSR vision of bettering society in mind, TSMC held the first TSMC CSR AWARD to encourage employees to propose innovative ESG ideas and incentivize sustainability programs.

In addition, TSMC encourages employees to compete for distinguished talent awards offered outside of the company. In 2020, a number of TSMC employees received national awards, including the Model Labor Award of various science parks, Outstanding Engineer Award, Excellent Young Engineer Award, Taiwan Continuous Improvement Award, and National Manager Excellence Award.

TSMC Practices	Pension Status in 2020
<ul style="list-style-type: none"> TSMC provides a defined benefits plan based on an employee's length of service and average monthly salary for the six-month period prior to retirement under the Labor Standards Act The money was administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name into a designated account with the Bank of Taiwan 	<ul style="list-style-type: none"> TSMC and VisEra contributed an amount equal to 2% of salaries paid each month The fair value of TSMC's planned assets in Taiwan was NT\$5,066,203,000 at the end of 2020. In accordance with the above provisions, the amount of recognized expenses of TSMC in 2020 was NT\$ 204,915,000. The amount of accrued pension liabilities to be contributed in accordance with the law was NT\$ 11,914,074,000 at the end of 2020 VisEra's pension reserve amount, at the end of 2020, was NT\$2,160,799
<ul style="list-style-type: none"> In accordance with employee retirement guidelines set forth in the Labor Pension Act in Taiwan, TSMC contributes to employees' personal accounts in Bureau of Labor Insurance TSMC's overseas subsidiaries also make monthly contributions to the pension management department at a certain percentage of the employee's base salary 	<ul style="list-style-type: none"> TSMC in Taiwan made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. The total amount of pension in 2020, including contributions from overseas subsidiaries, was NT\$2,809,484,000

Case Study

Excellent Instructor Award

Talent is a critical component to TSMC's success and internal instructors are important drivers for fostering talents within the Company. The Excellent Instructor Award has been awarded to internal instructors for teaching excellence for 15 years now. We also hope that the award can encourage other outstanding colleagues to join the ranks of our instructors and share their experiences for more efficient teachings. A total of 63 instructors received awards from Dr. C.C. Wei, CEO of TSMC, at the 2020 awards ceremony. We also invited external presentation coaches to share some tips on teaching and the key to becoming a better instructor.



2020 TSMC Excellent Instructor Award

Employee Commitment

TSMC's four core values of integrity, commitment, innovation, and customer trust were defined since Founder Dr. Morris Chang established the company. Today, incumbent chairman Mark Liu and chief executive officer C.C. Wei carry on the legacy by requiring all employees to serve with the four core values of TSMC in mind. Through interactive websites, microfilms, employee-made films, conferences, lectures, and internal journalism, TSMC's leadership continuously engages with managers and employees to communicate the Company's vision, core values, and business philosophy as part of efforts to consolidate corporate culture, and deepen mutual commitment between the Company and its employees.

To monitor employees' commitment to TSMC's core values and to the Company, TSMC conducts biennial surveys on how employees perceive the company's core values. The survey scope in 2020 included TSMC's Taiwan facilities, TSMC (China), TSMC (Nanjing), WaferTech^{Note}, TSMC North America, TSMC Canada, TSMC Europe B.V, TSMC Japan, and TSMC Korea. The survey covered 97.9% of employees from TSMC & subsidiaries. For the 2020 survey, the valid response rate was 86% with a total of 52,464 surveys issued and 44,904 valid responses.

The 2020 Employee Opinion Survey on Company Core Values contained the same four sections on integrity, commitment, innovation, and customer trust as the 2018

survey did. Each section contained five questions. In 2020, the Employee Opinion Survey on Company Core Values scores were tallied through positive responses in which the total ratio of "strongly agrees" and "agrees" from a five-point scale will be tallied and presented as survey results.

In two of the questions in the "Commitment" section, the 2020 survey results showed that 96% of employees were fully committed to their work and making the Company better while 95% of employees were willing to continue

to work for TSMC and grow with the Company in the next five years. The aforementioned questions are "8. I am willing to commit fully in my work to make TSMC an even more successful company." and "10. For the next 5 years, I am willing to contribute my talents to TSMC and grow together with the Company." Survey results for the "Commitment" section reached the 95% target previously set.

Note: In 2020, WaferTech was included in the survey scope for the first time. VisEra was not included in the survey due to its different industrial background

