

**TSMC 2015 Corporate
Social Responsibility Report**

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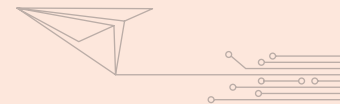
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TSMC's Core Values

Integrity

Integrity is our most basic and most important core value. We tell the truth. We believe that the record of our accomplishments is the best proof of our merit. Hence, we do not brag. We do not make commitments lightly. Once we make a commitment, we devote ourselves completely to meeting that commitment. We compete to our fullest within the law, but we do not slander our competitors and we respect the intellectual property rights of others. With vendors, we maintain an objective, consistent, and impartial attitude. We do not tolerate any form of corrupt behavior or politicking. When selecting new employees, we place emphasis on the candidates' qualifications and character, not connections or access.

Commitment

TSMC is committed to the welfare of customers, suppliers, employees, shareholders, and society. These stakeholders all contribute to TSMC's success, and TSMC is dedicated to serving their best interests. In return, TSMC hopes all these stakeholders will make a mutual commitment to the Company.

Innovation

Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

Customer Trust

At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.

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Corporate Social Responsibility Policy

Since its establishment, TSMC has not only strived for the highest achievements in its core business of dedicated IC foundry services but has also actively developed positive relationships with all stakeholders including employees, shareholders, customers, suppliers, and society to fulfill its responsibility as a corporate citizen and pursue a sustainable future.

Vision

- To Uplift Society

Mission

- Acting with Integrity
- Strengthening Environmental Protection
- Caring for the Disadvantaged

Guiding Principles

Acting with Integrity: TSMC believes in acting ethically, following the law, and balancing the interests of all stakeholders. The Company endeavors to use the experience of developing a sustainable business to drive the industry and supply chain into a positive cycle and to act together with them as an uplifting force in society.

Strengthening Environmental Protection: TSMC strives to achieve environmental sustainability and continues to promote green fabs, green manufacturing, and green supply chains. The Company seeks the most efficient use of energy and resources and is committed to reducing waste and preventing pollution. TSMC is eager to share its environmental experience and expertise and aims to collaborate with government, academia, and all of society to address the challenges of climate change.

Caring for the Disadvantaged: TSMC believes in equality, justice, and a safe and prosperous society. The Company combines its resources with employee volunteer service to commit money, material and labor to the two main areas of "education" and "living." TSMC hopes to provide underprivileged students in rural regions with diverse learning opportunities and to offer disadvantaged groups necessary aid and emergency relief for the common good of society.



Morris Chang
Chairman

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1 Overview

TSMC believes a company's corporate social responsibility is to uplift society. In addition to actively strengthening competitiveness in its core business of dedicated IC foundry, TSMC also continuously takes action in the economic, environmental, and social dimensions of corporate responsibility. By publishing its corporate social responsibility report, TSMC transparently discloses the company's financial and nonfinancial performance and attends to the rights of our all stakeholders including employees, shareholders, customers, suppliers, and society to serve as a positive force in society.



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Letter from the CSR Committee Chairperson

TSMC has always believed that a sustainable enterprise must not only excel in its core business and pursue the highest revenues, profits, and shareholder returns, it must also fulfill its responsibilities to the environment and society, and serve as an uplifting force in society.

In 2015, TSMC established its Corporate Social Responsibility Policy, aiming to build on a foundation of sustainable operations and carry out our three missions of “Acting with Integrity”, “Strengthening Environmental Protection”, and

“Caring for the Disadvantaged” in our daily operations. We gain understanding of the key issues of concern for our stakeholders through organizations in our company responsible for these issues, and have disclosed the results of our actions in the economic, social, and environmental dimensions over the past year in this report.

Economic Dimension: In 2015, TSMC continued to set milestones in revenues and profit despite a volatile global economy with our competitive advantage in technology and manufacturing. This enabled us to issue the Company’s highest cash dividend on record, and achieved our financial target of at least 20% return on equity across the semiconductor cycle.

As the world’s largest dedicated IC foundry, TSMC hopes to leverage its hard-won leadership position in the industry and move our supply chain towards sustainable operations. Therefore, in the space of nine months, we were quickly accepted as a full member of the Electronic Industry Citizenship

Coalition (EICC) and at the same time completed the “TSMC Supplier Code of Conduct”, making labor and environmental standards a part of our audits and requiring suppliers to follow the EICC Code of Conduct.

Environmental Dimension: In addition to achieving our targets in energy saving, water conservation, waste reduction, and other environmental goals in 2015, we purchased 100 million kWh of green power, becoming the largest buyer in Taiwan and supporting renewable energy with direct action. TSMC’s Taiwan fabs have also completed carbon and water footprint inventories and disclosures, and have obtained third-party accreditation for ISO 14067 and ISO 14046.

Furthermore, to meet the challenge of global climate change, we established our cross-functional carbon management platform in February 2016 based on the three major directions of regulatory compliance, carbon emission reduction, and carbon credit management, aiming to lower risks brought by global climate change. At the same time, we have integrated our energy conservation targets into our purchasing guidelines, requiring suppliers to adopt power-saving and waste-reducing designs, and support raw materials suppliers’ efforts to establish greenhouse gas control and reduction capabilities, working together with them to build a green, low-carbon semiconductor supply chain.

Social Dimension: Our focus is on employee rights and social participation. Employees are TSMC’s greatest asset, and we pay close attention to their physical and mental health as well as their work environment. Each fab must pass the Taiwan TOSHMS and the OHSAS 180001 occupational health and safety standards. In 2015, we added 3,800 additional job opportunities, and retained talent with



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competitive compensation, diverse training courses, vacation time above regulatory requirements, and an array of work-life balance measures.

We take the initiative to care for employees, and our employees are happy to give back to society after work, creating a positive cycle to make society better. In 2015, TSMC volunteers totaled 6,951 people, increasing 116.5% from the previous year. Our colleagues use their holiday time to participate in charitable activities including reading to schoolchildren, serving as museum docents, working for environmental conservation, reducing power consumption, caring for the underprivileged, and serving the elderly, totaling 48,917 hours of service. Some 9,600 people donated to the “TSMC i-Charity” platform, and total philanthropic contributions by employees came to NT\$37,182,317 in 2015, funding projects for 65 schools and non-profit organizations. The TSMC Education and Culture Foundation, which has a lengthy track record of supporting the arts and humanities, expanded its scope in 2015 to help close the education gap between rural and urban communities.

Progress Towards a Sustainable Future

Corporate Social Responsibility encompasses the three dimensions of economy, society, and the environment. In this period of volatility for the global economy and environment, fulfilling corporate social responsibility not only supports the fundamentals of our operations and reduces or eliminates risk, it also builds sustainable value for TSMC and its stakeholders. In 2015, TSMC’s sustainable management once again received recognition from the Dow Jones Sustainability Indices, and was named the “Semiconductors and Semiconductor Equipment Industry Group Leader” for a third consecutive year, receiving the highest score in the group for the environmental and social dimensions.

With our vision to “uplift society”, TSMC pledges itself to not only become an indispensable influence in the semiconductor industry, but also to serve as a force for sustainability that pushes society forward, to become a corporate citizen with a positive influence on society, and to build a better future for the next generation.

Lora Ho
Senior Vice President and
Chairperson of the Corporate Social
Responsibility Committee

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CSR Matrix

The “CSR Matrix” set by Chairman Dr. Morris Chang clearly defines the scope of TSMC’s corporate social responsibility. Based on the vision of “Uplift Society”, TSMC aims to set an example in the seven areas of Morality, Business Ethics, Economy, Rule of Law, Sustainability, Work/Life Balance and Happiness, and Philanthropy. We achieve by taking action in: Integrity, Legal Compliance, Anti-Corruption, Anti-Bribery, and Anti-Cronyism, Environmental Protection, Climate Control, and Energy Conservation, Corporate Governance, Providing Well-paying Jobs, Good Shareholder Relations, Employee Work-Life Balance, Encouraging Innovation, Providing a Good Work Environment, and engaging with the public through the TSMC Volunteer Program and the TSMC Education and Culture Foundation.

TSMC \ Society	Morality	Business Ethics	Economy	Rule of Law	Sustainability	Work/Life Balance Happiness	Philanthropy
Integrity	●	●					
Law Compliance				●			
Anti-Corruption Anti-Bribery Anti-Cronyism	●	●		●			
Environmental Protection Climate Control Energy Conservation				●	●		
Corporate Governance		●	●	●			
Provide Well-paying Jobs			●			●	
Good Shareholder Return			●				
Employees’ Work-life Balance						●	
Encourage Innovation		●	●				
Good Work Environment						●	
Volunteer Program					●	●	●
Education and Culture Foundation							●

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About This Report

TSMC started publishing its Environmental, Safety & Health Report in 2000, systematically outlining its management, goals and achievement in environment, safety and health. Since 2007 we have annually published our CSR report according to globally well-adopted guidelines by Global Reporting Initiative and established a corporate responsibility website to disclose our continuing efforts in sustainable goals and achievement from the economic, environmental and social dimensions. This CSR disclosure serves as a tool not only to evaluate our sustainability in daily operation but also to demonstrate the values and performance we bring to the society.

• Report Scope and Profile

Our 2015 CSR Report demonstrates our performance in the full 2015 calendar year for the most relevant CSR topics to our stakeholders and our business. It mainly covers the topics identified with "materiality", while we also report some special topics to describe other activities in 2015. Regarding the report boundaries, this report contains CSR-related data and activities of all TSMC fabs located in Taiwan, our overseas subsidiaries including TSMC China, WaferTech in the United States, and other subsidiaries' information with materiality. There is no significant change from previous reporting periods in the scope and boundaries (please refer to "Stakeholder Engagement" for our identification of materiality and our boundary of each material topic).

TSMC's three missions in corporate social responsibility are "Acting with Integrity", "Strengthening Environmental Protection", and "Caring for the Disadvantaged". These serve as our touchstone for fulfilling our corporate social responsibilities and in systematically integrating them in our company's daily operations.

The financial statements adopt 2013 Taiwan-IFRSs version and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and Financial figures in this report are based on consolidated financial information and are in NT dollars unless otherwise specified. Environmental performance is expressed in commonly accepted benchmarks.

• Editing and Approval

CSR Committee members acting as an interdepartmental editorial team for the CSR Report provide goals, performance indexes/ guidelines, achievements in 2015 and future focuses of each organization's CSR initiatives. Corporate Communication Division in charge of overall planning, data compiling, data layout, editing prepares the report draft and sends it to Chief Financial Officer who leads CSR Committee for approval.

• Professional Guidelines and Principles

The 2015 report is based on the Global Reporting Initiative (GRI) G4 framework and AA 1000 Accountability Principle. Some reference tables are provided in the appendix. This report is published in May, 2016 in both English and Chinese and is available on TSMC's corporate website.

• Report Assurance

For internal assurance, the information and data of this report initially reviewed and verified by the relevant managers or vice presidents of each organization were finally approved by CFO who leads CSR Committee. For external verification, DNV GL Business Assurance reviewed this report against the DNV GL VeriSustain Protocol and the GRI G4 guideline. It also verified that this report is in accordance with the comprehensive option of the G4 guidelines. Financial data and Greenhouse Gases (GHG) emission/reduction data are based on a verified financial report and GHG Inventory report. DNV GL's Report Assurance Statement can be found in the annex of this report.

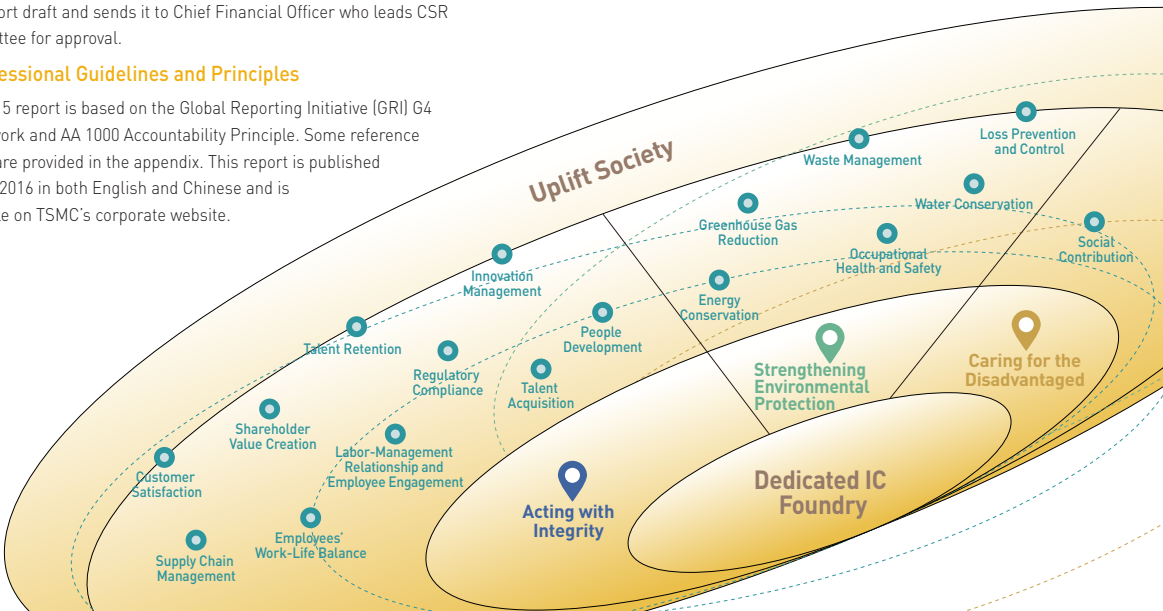


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The Summary of TSMC CSR Goals and Achievements on CSR-related Topics

CSR-related Topics	Goals	Performance Indices or Guidelines	2015 Achievements	Future Focuses
Regulatory Compliance	<p>Continuously promote employee awareness of compliance</p> <ul style="list-style-type: none"> •Short Term: Continue to provide training programs to raise employees' awareness on major compliance areas •Medium Term: Update existing policies to align with best practices, and develop new policies and/or reinforce implementation measures as warranted •Long Term: Develop systematic control regimes for sustainable compliance, including developing stakeholder expertise and automated control systems, to achieve continuous improvement in implementation effectiveness 	<p>Maintain a good record of regulatory compliance and prevent noncompliance</p>	<ul style="list-style-type: none"> •Provided various live and online regulatory compliance training courses with special focuses on anti-corruption, fair competition, code of ethics , personal data protection, and export control. Approximately 25,000 employees (including those of our subsidiaries) received training on TSMC's code of ethics and anti-corruption rules in 2015 •Adopted the EICC Code of Conduct, which covers many areas of regulatory compliance, and began an aggressive audit program of approximately 60 supplier audits in 2015 for our supply chain •Improved our Conflict Minerals due diligence and reporting under SEC Form SD 	<ul style="list-style-type: none"> •Continue the momentum achieved in 2015 and provide this same group of employees with additional training on the interaction between employees and business partners, among others, to comply with TSMC's ethical standards in 2016 •Continue to enhance and align compliance policies and programs for TSMC subsidiaries •Continue to increase automation of the Export Control Management System
Shareholder Value Creation	Achieve profitable growth	<p>Financial objectives:</p> <ul style="list-style-type: none"> •Average ROE across cycle greater or equal to 20% •Operating income compounded annual growth rate from 2014 to 2019 between 5% and 10% 	<ul style="list-style-type: none"> •2015 ROE reached 27.0%; operating income increased 8.2% •Dividend-adjusted share price increased 4.6% during 2015 and market capitalization reached a record US\$113 billion 	<ul style="list-style-type: none"> •Continue to invest in technology and capacity to drive future growth and expand market segment share, while maintaining or improving structural profitability and return on investments •Continue to enhance corporate governance and maintain good relationship with investors
Innovation Management	Maintain TSMC's leadership of advanced technology	<ul style="list-style-type: none"> •TSMC continues to extend Moore's Law to develop advanced technology with higher performance and lower energy consumption •Revenue contribution from leading edge technologies 	<ul style="list-style-type: none"> •Completed transfer to manufacturing of industry leading 16FF+ technology, the first integrated technology platform to make use of 3D FinFET transistors •Revenue contribution from leading edge technologies (28nm and beyond) increased from 42% in 2014 to 48% in 2015 	<ul style="list-style-type: none"> •10nm 3rd generation FinFET CMOS platform technology for SoC •7nm 4th generation FinFET CMOS platform technology for SoC •EUV and multiple e-beam to extend Moore's Law •Expand revenue contribution from leading edge technologies each year over the next five years
	Maintain TSMC's leadership in a broad spectrum of technologies	<p>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</p>	<ul style="list-style-type: none"> •Successfully qualified InFO PoP advanced packaging technology, low cost solution for mobile customers •The third generation of 0.18μm BCD technology adopted TSMC proprietary device structure which boosts world leading performance higher. With this technology, mobile power management ICs can supply the increasing power demand of mobile devices with higher performance and lower power consumption •The first and the only company to offer both 100V and 650V GaN foundry service in 6 inch Fab 	<ul style="list-style-type: none"> •Cost-effective solutions with better form factor and performance for SIP •Extend specialty SoC technology to next advanced node by each segment (including new NVM, MEMS, RF, analog)



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Customer Satisfaction	Improve customer satisfaction index over previous year	Customer satisfaction rating	<ul style="list-style-type: none"> In 2015, overall Satisfaction score (evaluated by major customers) in the Annual Customer Satisfaction Survey rose for a third consecutive year and increased 1.9% from the previous year TSMC also increased the frequency of QBR by 12% in order to have more intensive communication with customers. The Customer Services score in our Quarterly Business Review increased for a third straight year in 2015 and grew 1.7% from the previous year 	Set a number of improvement targets based on 2015 ACSS and 2015 customer QBR feedback and plan to increase key customer satisfaction indices by more than 1% in 2016
Supply Chain Management	EICC Compliance	Comply with the EICC Code of Conduct	<ul style="list-style-type: none"> Completed 107 SAQs (Self Assessment Questionnaire) for 24 major suppliers and all were rated as low risk Established the TSMC Supplier Code of Conduct As of 12/31/2015, all smelters sourcing to our suppliers for our products have been certified under the CSFP as conflict-free Encouraged local suppliers to establish waste reduction programs 	<ul style="list-style-type: none"> Over 100 audits of local material suppliers and on-site service providers in 2016 to ensure code compliance Local suppliers pledged to reduce the unit waste production by 24% against the 2014 baseline by 2018
	Supply risk reduction	Maintain a minimum risk level for critical materials	<ul style="list-style-type: none"> Reached annual goal for supply risk reduction Free of supply disruption 	Continuously reduce supply risk for advanced nodes
	Localization	Increase purchasing amount and ratio from local suppliers	Increased local supply ratio of raw material from 40% to 42% in 2015	Decentralize manufacturing sites from high-risk areas and increase local source purchasing continuously
Greenhouse Gas Reduction	Reduce unit wafer Greenhouse Gas (GHG) emission <ul style="list-style-type: none"> Reduce unit wafer GHG emission to 18% below the year 2010 level by 2020 Reduce unit wafer PFC emission to 60% below the year 2010 level by 2020 	Tons of CO ₂ equivalent/8-inch wafer equivalent-mask layer	<ul style="list-style-type: none"> Unit wafer GHG emission in 2015 were 8.9% less than 2010 Unit wafer PFC emission in 2015 were 46.7% less than 2010, 11.1% less than 2014 	<ul style="list-style-type: none"> Establish corporate carbon management platform to promote carbon reduction programs Adoption of best practices recognized by the World Semiconductor Council Evaluate Nitrous Oxide greenhouse gas emission reduction
	Reduce total Greenhouse Gas (GHG) emission <ul style="list-style-type: none"> Reduce total PFC emission 20% below the year 2010 level by 2020 	Tons of CO ₂ equivalent	PFC emission in 2015 were 1.6% less than 2014	<ul style="list-style-type: none"> Evaluate use of low global warming potential coolants in process equipment



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CSR-related Topics	Goals	Performance Indices or Guidelines	2015 Achievements	Future Focuses
Energy Conservation	Reduce unit wafer power usage <ul style="list-style-type: none"> • Reduce unit wafer power usage to 2% below the year 2010 level by 2015 • Reduce unit wafer power usage to 12% below the year 2010 level by 2020 	KWh/8-inch wafer equivalent-mask layer	Unit wafer power usage in 2015 was 6.6% less than 2010, achieved 2015 goal	<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 • Collaborate with process equipment vendors and material suppliers to reduce energy consumption in production
		NTD/kWh	Added Value of unit power usage is 1.13 times of nationwide average and 1.72 times industrial average	
Water Conservation	Reduce unit wafer water usage <ul style="list-style-type: none"> • Reduce unit wafer water usage to 2% below the year 2010 level by 2015 • Reduce unit wafer water usage to 30% below the year 2010 level by 2020 	Liter/8-inch wafer equivalent-mask layer	Unit wafer water usage in 2015 was 29% less than 2010, 3.7% less than 2014	<ul style="list-style-type: none"> • Continuous promotion of process optimization to reduce water usage • Continuous development and installation of water recycling system • Support governmental policy to adopt the use of municipal recovery water • Evaluate wastewater recovery plant construction
		NTD/Ton	Added Value of unit water usage is 18.59 times of nationwide average and 5.01 times industrial average	
Waste Management	Increase waste recycling rate <ul style="list-style-type: none"> • Achieve 95% and above waste recycling rate by 2015 • Maintain 95% and above waste recycling rate by 2020 	Waste Recycling Rate (%)	<ul style="list-style-type: none"> • Achieved a waste recycling rate of more than 95% in 2015, which was the 7th consecutive year greater than 90% • Achieved a waste landfill rate of 0.17%, which is the 6th consecutive year less than 1% 	<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
Talent Acquisition	Expand talent to support business growth	<ul style="list-style-type: none"> • Quantity and quality of new hires • Hiring readiness to support business support 	In 2015, the net increase in TSMC's employees was 1,681 people, successfully fulfilling our business needs in time. It also provided job opportunities for society	<ul style="list-style-type: none"> • Continuously attract talent in Taiwan and around the world • Continuously strengthen connections with schools and communities
Talent Retention	Retain high-quality employees	<ul style="list-style-type: none"> • Compensation competitiveness • Turnover rate 	<ul style="list-style-type: none"> • TSMC's total compensation exceeds the average compensation among industries • In 2015, the turnover rate for all employees was 5.0%, while the average annual turnover rates for the past five years all fell within a healthy range of 5% to 10% • Provided leave programs surpassing domestic labor regulations for long-term retention planning. For example, the Ministry of Labor reduced the number of national holidays from 19 to 12 in the 2015 "Enforcement Rules of the Labor Standards Act". TSMC maintained 19 national holidays per year 	Continuously support retaining the right people and developing their potential, and realize the mutual commitment between the Company and employees



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People Development	Develop talents with systematic, planned and disciplined approaches to support business growth	<ul style="list-style-type: none"> Implementation of Individual Development Plan Diversity of training and development content/approaches Training investment and employee involvement 	<ul style="list-style-type: none"> Every employee has tailor-made Individual Development Plan TSMC enable employees' growth systematically by 3 core dimensions of courses and at least 9 training and development approaches In 2015, we spent NT\$85,540,407 on the learning and development of our employees. We provided 770,548 hours of training and the number of attendees totaled 527,553; on average, an employees attended over 17 hours of training in 2015 	<ul style="list-style-type: none"> Continuously attract talent in Taiwan and around the world Continuously strengthen the connections with schools and communities
Labor-Management Relationship and Employee Engagement	<ul style="list-style-type: none"> Maintain the comprehensiveness and smooth circulation of employee communication channels Reinforce employees' engagement 	<ul style="list-style-type: none"> The results of each function's Employee Pulse Survey The harmony of Labor-Management Relationship (the effectiveness of communication channels, labor associations and the responsiveness of labor appeals) Turnover rate 	<ul style="list-style-type: none"> In 2015, each functions conducted several Employee Pulse Surveys to gauge "the sense of work achievement", "organizational commitment" and "positive working environment". Based on the survey results, action plans are tailor-made for employees needs As of the end of 2015, there have been no losses resulting from labor disputes In 2015, the turnover rate for all employees was 5.0%, while the average annual turnover rates for the past five years all fell within a healthy range of 5% to 10% 	<ul style="list-style-type: none"> Continuously reinforce the Company's core values Maintain unobstructed communication channels Maintain an open management environment and foster a encouraging workplace
Employees' Work-Life Balance	<ul style="list-style-type: none"> Short-term: Maximize our employees' productivity and promote a balanced life Mid-term: Continuously reinforce management and working effectiveness 	<ul style="list-style-type: none"> Working-hour management system Comprehensiveness of life experience activities 	<ul style="list-style-type: none"> Set up working-hour management regulations and develop IT system to support working hour systems. In 2015, weekly working hours were maintained within a reasonable range with the same high-quality work performance In order to enrich employees' life experiences, in 2015, we held 4 concerts, 22 corporate-wide speeches, 38 plays for children, and 150 movie screenings. In 2015, 22,393 employees participated in 73 clubs, translating to a 31% year-on-year growth. More than 2,000 works of art were displayed among fabs 	Continuously enhance management and working effectiveness, encourage employees to sustain work-life balance, personal development and families
Occupational Health and Safety	<ul style="list-style-type: none"> Protect workers safety & health Reduce workers occupational injuries & illness freq. rate & severity rate Enhance safety health management program 	<ul style="list-style-type: none"> Major incidents Workers occupational injuries & illness frequency rate and severity rate Number of safety health management program 	<ul style="list-style-type: none"> No major incidents (Includes illness & diseases) Employee disabling injury frequency rate was 40% below domestic semiconductor industry average and 60% below domestic electronics industry average Number of safety health program increased more than 5% 	<ul style="list-style-type: none"> Zero accident and proactively preventive occupational diseases Become a world-class benchmark for safety and health Continue driving safety & health management program and share best practices with external parties
Loss Prevention and Control	Reduce incident property loss (includes natural disease)	<ul style="list-style-type: none"> Number of fire incidents Amount of losses from fire 	<ul style="list-style-type: none"> Zero fire incidents Zero losses from fire 	<ul style="list-style-type: none"> Zero fire incident and become a benchmark for best practices in the semiconductor industry Reduce property losses from earthquakes



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CSR-related Topics	Goals	Performance Indices or Guidelines	2015 Achievements	Future Focuses
Social Contribution	Expand volunteer program influence	<ul style="list-style-type: none"> • Volunteer numbers • Voluntary service hour 	<ul style="list-style-type: none"> • Integrate all Fabs into diverse CSR activities. A total of 15 Fabs have joined "Fab/Division Volunteer Programs" and provided over 20,000 hours of volunteer services • The number of volunteers increased by 116.5 percent from 3,211 members in 2014 to 6,951 members in 2015 • In 2015, the volunteer service hour have been concluded over 48,000 hours 	Increase number of volunteers to 10,000 in 2016
	Narrow the gap in educational resources between rural and urban areas	The number of the participants in education programs	<ul style="list-style-type: none"> • 94,000 students in total 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 since 2003 • Since 2004, TSMC has sponsored the Hope Reading Program, initiated by the Commonwealth Educational Foundation, to donate over 230,000 books to the schools of remote townships. • In 2015 the Foundation held a charity concert for Taiyan Music School. All profits were donated to continue to cultivate these aboriginal students' music talents • The Foundation sponsord "Rising Sun Program" of NTHU and "Sun Flower Program" providing underprivileged students a chance to enter top-notch universities with lower grade limits and scholarships 	The Foundation will invest more resources and projects to resolve the difference between rural and urban areas of our communities
	Inspire young peoples' interest in Art and Science	The number of art program participants	<ul style="list-style-type: none"> • Over 363,000 people have vited the TFAM-TSMC Children Arts Center since 2014 • 637 teams participated in the TSMC Cup since 2013 • Over 3,000 people partipated in TSMC Youth Calligraphpy and Carving Competiion since 2009. In addition to competion, the Foundaiton also organized calligraphy workshops in camuses for promoting appeciation • 6,613 works have been submitted to the in TSMC Youth Literature Award since 2004. Further more, the Foundation funded special pages in the United Daily News to encourage the past winners to publish their new works 	The Foundation will continue hold art and humanity projects with easy and fun approaches to attract the young generation to appreciate arts and humanities
	Integrate resources, support people in need and have positive impact on society in social contribution	<ul style="list-style-type: none"> • Participant count for compassion projects • The amount of contributions received 	As of 2015, over NT\$18 million of contributions were received from over 9,000 participating employees through "TSMC i-Charity" platform	<ul style="list-style-type: none"> • Continue to encourage employees to propose projects, share results, and suggest new ideas for doing good • Continously foster social participation in each dimensions



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2015 CSR Awards and Recognitions

TSMC actively participated in various CSR-related awards to share experience and gain external feedback. Through this participation, we have a better understanding of external concerns that allows us to review internal performance for continuous improvement. TSMC has been honored with many awards over the years, and the awards and recognitions we received in 2015 are as follows:



Dow Jones Sustainability World Indices (DJSI)

- DJSI Semiconductors and Semiconductor Equipment "Industry Group Leader" for the 3rd consecutive year
- RobecoSAM Sustainability Award "Gold Class"
- RobecoSAM Sustainability Award "Industry Leader"
- Membership in the Dow Jones Sustainability World Indices for a 15th consecutive year

MSCI Global Sustainability Index Series

- Selected as MSCI Global Sustainability Index component

CommonWealth Magazine

- Excellence in Corporate Social Responsibility Award – Large cap – 1st Place

Globalviews Magazine

- Corporate Social Responsibility Award:
-Technology and Traditional Industry Group – Model Award
-Public Welfare Promoting – Model Award

FORTUNE

- Selected as one of The World's Most Admired Companies

Barron's

- Selected as Top 100 World's Most Respected Companies

Taiwan Institute of Sustainable Energy

- Taiwan Corporate Sustainability Awards:
-Taiwan Top 50 Corporate Responsibility Report Awards – Electronics Industry – Gold Class
-Sustainable Water Management Award



IR Magazine

- Grand prix for best overall investor relations (Large cap)
- Best in Sector – Technology
- Best IR by a Taiwanese company

Taiwan Stock Exchange

- Ranked in top 5% in First Corporate Governance Evaluation of Listed Companies

Institutional Investor Magazine

- Best CEO (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia
- Best CFO (Technology/Semiconductors) – 2nd Place (buy-side) – All-Asia
- Best CFO (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia
- Best Investor Relations (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia
- Best Investor Relations –

- (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia
- Best Investor Relations Professional (Technology/Semiconductors) – 1st Place (buy-side) – All-Asia
- Best Investor Relations Professional (Technology/Semiconductors) – 1st Place (sell-side) – All-Asia
- Asia's Best Analyst and Investor Days

FinanceAsia

- Asia's Best Companies 2015 – Taiwan
- Best Managed Public Company – Ranked No. 2 in Taiwan
- Most Committed to a Strong Dividend Policy – Ranked No. 2 in Taiwan
- Best Corporate Governance – Ranked No. 3 in Taiwan
- Best CEO – Ranked No. 1 in Taiwan
- Best CFO – Ranked No. 2 in Taiwan

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

- Ranked No. 1 in Survey of Top 20 Innovative Companies in Taiwan

IEEE Spectrum Magazine

- Ranked No. 1 in "Patent Power Scorecard for Semiconductor Manufacturing" Sector

ROC Securities & Futures Institute

- 12th Information Disclosure of Public Companies Ranking – Ranked A++

China Credit Information Service

- Ranked No. 1 in Profitability for Taiwan Companies

Financial Times

- Selected as member of FT Global 500

FORTUNE

- Selected as member of Fortune Global 500



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

- "Gold" class certification – Fab 14 Phase 5 and Phase 6 Manufacturing Facilities

Note: Up to the end of 2015, TSMC received 18 U.S. LEED certifications (2 "Platinum" class, and 16 "Gold" class certifications)

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

- "Diamond" class certification – Fab 15 Phase 1/2 Manufacturing Facility, Fab 15 Phase 3/4 Manufacturing Facility and Fab 15 Phase 1 Office Building

Note: Up to the end of 2015, TSMC received 10 Taiwan EEWH "Diamond" class Green Building certifications

R.O.C. Environmental Protection Administration

- "Annual Enterprise Environmental Protection Award" – Fab 6
- "Energy Conservation and Carbon Reduction Action Mark" – Fab 8, Fab 12A, Fab 14B
- "Enterprise Green Procurement Award" – Fab 2 and 5, Fab 12A
- "National Environmental Education Award" – Fab 2 and 5, Advanced Backend Fab

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

- "Green Factory Label" – Fab 15

ISO 50001 Energy Management System Certification

- Fab 14A, Fab 14B

R.O.C. Ministry of Economic Affairs

- "Excellence in Carbon Reduction Award" – Fab 2 and 5, Fab 14A
- "Water Conservation Award" – Fab 3, Fab 12B

R.O.C. Ministry of Labor

- "Excellence in Labor Safety and Hygiene Award" – Fab 2

Hsinchu Science Park Administration

- "Water Conservation Award" – Fab 12B
- "Excellence in Labor Safety and Hygiene Award" – Fab 12A

Central Taiwan Science Park Administration

- "Excellence in Labor Safety and Hygiene Award" – Fab 15

Southern Taiwan Science Park Administration

- "Excellence in Environmental Protection" – Fab 14B

Hsinchu County Environmental Protection Bureau

- "Enterprise Environmental Protection Evaluation" – Fab 2 and 5, Fab 3, Fab 12A, Fab 12B
- "Enterprise Green Procurement Award" – Fab 2 and 5

Environmental Protection Bureau of Hsinchu City

- "Enterprise Environmental Protection Evaluation" – Fab 8, Fab 12A
- "Enterprise Green Procurement Award" – Fab 12A

Environmental Protection Bureau of Tainan City

- "Environmental Education Award" – Fab 6



Health Promotion Administration, Ministry of Health and Welfare

- "Excellence in Health Award"

Department of Health, Tainan City Government

- "Excellence Healthy Workplace Award"

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2 / Stakeholder Engagement



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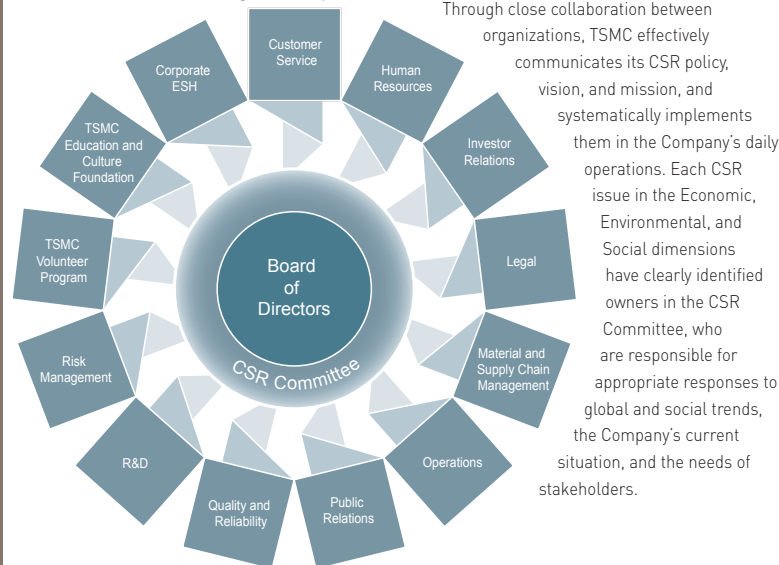
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TSMC emphasizes the rights of its stakeholders, and integrates the efforts, new developments, and future directions of the Company's corporate social responsibilities through the CSR Committee led by the CFO. The CSR Committee is comprised of committee members from each functional organization related to CSR including Legal, Customer Service, Materials Management, Quality and Reliability, Research and Development, Risk Management, Finance, Investor Relations, Operations, Human Resources, the TSMC Foundation, the TSMC Volunteer Program, Public Relations and Environment, Health, and Safety. These functions are responsible for issues of interest to employees, shareholders, customers, suppliers, governments, society, and other stakeholders. These functions set working plans and budgets to systematically and effectively fulfill the Company's CSR vision and missions. Beginning in 2012, CSR was added as a regular agenda item for the Board of Directors, and the CFO reports annually to the Board the results of the prior year's CSR activities and the upcoming year's action plans.

TSMC CSR Management System



CSR Committee Members and their Roles

Committee Members	Responsibilities	Stakeholders
Legal	Corporate Governance, Code of Conduct, Legal Compliance, Intellectual Property, Protection of Confidential Information	Government Society ^{Note} Employees
Customer Service	Customers Service and Satisfaction, Customer Trust, Customer Confidentiality, EICC	Customers
Materials Management	Materials and Supply Chain Risk Management, Supplier Management, Conflict Minerals, EICC	Suppliers
Quality and Reliability	Product Quality and Reliability, Product Recall Mechanism	Customers
Research and Development	Innovation Management, Green Products	Employees Customers
Risk Management	Risk Management, Crisis Management, Emergency Response and Action Plan	Customers Government Society Investors
Finance	Financial Disclosure, Dividend Policy, Tax Strategy	Government Investors
Investor Relations	Resolving Issues of Stakeholder Concern, Establishing Trusting Long-term Relationships, Effective Two-way Communication, Annual Report Production	Investors
Operations	Operational Eco-efficiency, Pollution Prevention, Water Resource Risk Management, Green Manufacturing	Customers Investors
Environment, Health, and Safety	Environmental Policy and Management System, Climate Change Mitigation and Adaption, Pollution Prevention, Energy Consumption Efficiency, Carbon Emissions and Carbon Rights Management, Product Environmental Responsibility, Response Mechanism for Environmental Issues, Environmental Spending, Green Supply Chain, Policy and Management Systems for Occupational Health and Safety, Workplace Health and Safety, Occupational Disease Prevention and Health Promotion, Communication of ESH Regulations	Employees Government Society Suppliers
Human Resources	Talent Recruitment and Retention, Employee Health and Safety, Training and Development, Compensation and Benefits, Freedom of Association and Collective Bargaining, Labor Relations and Whistleblower Procedures, Labor Rights Violations and Reporting Procedures, Management of Working Hours, Child Labor	Employees
TSMC Education and Culture Foundation, TSMC Volunteer Program	Corporate Citizenship, Philanthropy, Community Relations	Society
Public Relations	Stakeholder Engagement, Mechanism for Reflecting Issues of Social Concern, Media Relations, CSR Report Production	Society

Note: Society includes community, non-profit organizations, non-governmental organizations and the public.



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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.

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, shareholders and investors, customers, suppliers, government, and society.

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. In 2015, we have identified 25 topics of stakeholder concern, and have analyzed and prioritized them according to their level of concern and potential impact on the Company. Boundaries of these key topics have also been identified and included into key annual projects. Lastly, we classified the most material issues of concern following review and discussion by our CSR committee, then identified three major focuses for the Company's sustainable

development. In descending order of priority, they are: "Upholding High Standards of Business Ethics", "Reduction of Environmental Impact", and "Continuation of Profitable Growth".

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.

Materiality Analysis

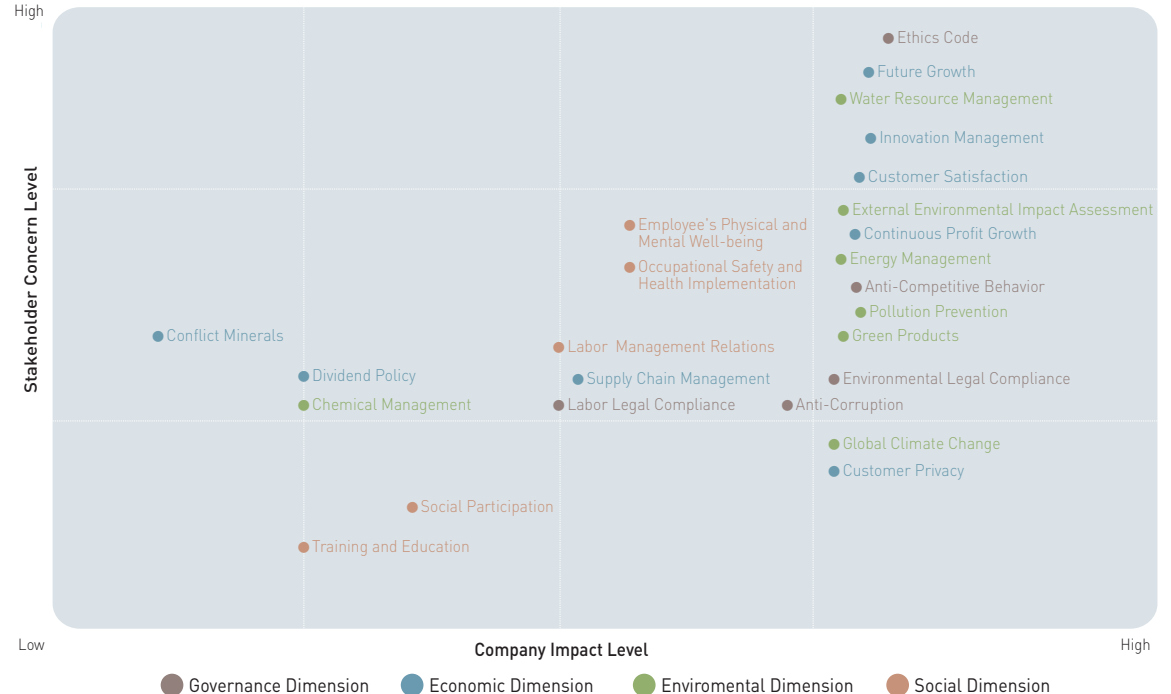




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Three Major Focuses for Sustainable Development

"Upholding High Standards of Business Ethics", "Reduction of Environmental Impact", and "Continuation of Profitable Growth" are the three key focuses of the Company's sustainable development strategy. Their core values and impact on the Company's daily operations are stated as follows:

Upholding High Standards of Business Ethics

- Corresponding Issues: Ethics Code + /Customer Satisfaction + / Customer Privacy +

Integrity is TSMC's most important core value, and the keystone of our success for both past and future growth. Since we obey the law, oppose corruption, do not bribe, do not engage in cronyism, insist on transparency and business ethics, value corporate governance, and carry on positive competition, we earn customers' trust and this is why TSMC can distinguish itself from the competition.

TSMC insists on high standards of business ethics. At TSMC, customers come first. Their success is our success, and we value their ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term. In order to support customer success, TSMC commits resources to become the trusted technology and capacity provider of the global logic IC industry for years to come. At the same time, serving as "everyone's foundry" has been a key part of our core strategy. We treat every customer fairly, offer the best service quality and fully carry out our Proprietary Information Protection (PIP) policy to protect customers' privacy and seek the best customer satisfaction. TSMC's efforts have earned customer trust, allowing TSMC to gain share in the semiconductor foundry market for six consecutive years. TSMC aims to increase market segment share each year over the next five years.

Reduction of Environmental Impact

- Corresponding Issues: Water Resource Management + /External Environmental Impact Assessment + /Energy Management + / Pollution Prevention + /Green Products + /Environmental Legal Compliance + /Climate Change + /Supply Chain Management + / Chemical Management +

As the world's largest foundry company, TSMC recognizes that it is a corporation's undeniable responsibility to enable industry and the environment to flourish together. With mounting challenges from climate change, environmental sustainability has become a critical part of the Company's business strategy, and we continue to promote green fabs, green manufacturing and a green supply chain. TSMC pursues the highest consumption efficiency of energy, water, and other resources through innovative power-saving measures, and actively engages in waste reduction and pollution prevention to reduce energy and resource consumption as well as waste from unit production to minimize impact on the environment. Meanwhile, TSMC continues to migrate into new process technologies to facilitate the design and manufacture of customers' green products and reduce chip power consumption. We hope to lower environmental impact while at the same time enabling a faster and more convenient mobile lifestyle.

Continuation of Profitable Growth

- Corresponding Issues: Future Growth + /Innovation Management + / Customer Satisfaction + /Continuous Profit Growth +

TSMC believes that sustainable profit growth is key to corporate sustainability and creating greater economic value for our stakeholders, including shareholders, is a fulfillment of our corporate social responsibility. TSMC has set clear strategic financial objectives (average ROE across cycle greater or equal to 20%; operating income compounded annual growth rate from 2014 to 2019 greater or equal

to between 5% and 10%). With excellent operating efficiency and a trinity of strengths that include Technology Leadership, Manufacturing Excellence, and Customer Trust, TSMC can sustain profit growth and create long-term value.

Established in 1987, TSMC pioneered the foundry business model. For years, TSMC's growth has outperformed the overall semiconductor industry. We recognize that innovation is key to sustaining corporate growth, so we continue to invest in R&D for next-generation technologies and capacity to offer customers more advanced processes and the right capacity. TSMC maintains its leadership with excellent capability for innovation, achieving record revenue and profits with higher contribution from advanced technologies. We hope our excellent business performance can continue offering good returns to shareholders while promoting social and economic development.

Note: please see the "corresponding issues" in relevant chapters of the report for detailed content of the management and objectives of these sustainability development focuses.



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Identification of Key Topics for Stakeholders and Boundaries

Report Boundaries: ● Material Topics ● Other Topics

Topics of concern for stakeholders	Boundry/G4 Aspect	Within the organization				Outside of the organization		
		TSMC	Subsidiaries					
			TSMC China	WaferTech	Other Subsidiaries	Customer	Supplier	Community
Governance Dimension								
Compliance +	Ethics Code	●	●	●	●		●	
	Anti-Competitive Behavior	●	●	●	●			
	Anti-Corruption	●	●	●	●		●	
	Environmental Legal Compliance	●	●	●			●	
	Labor Legal Compliance	●	●	●	●		●	
Economic Dimension								
Future Growth +	Economic Performance ^{Note}	●	●	●	●			
Innovation Management +	Economic Performance	●				●	●	●
Customer Service and Satisfaction +	Customer Satisfaction	●	●	●	●	●		
	Customer Privacy	●	●	●	●	●		
Continuous Increase of Profit +	Economic Performance	●	●	●	●			
Supply Chain Management +	Supplier Environmental Assessment	●					●	
	Procurement Practices	●					●	
Dividend Policy +	Economic Performance	●						
EICC +	Supplier Labor Practice Assessment	●	●	●			●	
	Supplier Human Rights Assessment	●	●	●			●	
	Conflict Minerals	●	●	●	●		●	
Environmental Dimension								
Water Resource Management +	Water	●	●	●				
Environmental Impact Assessment +	Compliance	●						
Energy Management +	Energy	●	●	●				



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Topics of concern for stakeholders	Boundry/G4 Aspect	Within the organization				Outside of the organization		
		TSMC	Subsidiaries					
			TSMC China	WaferTech	Other Subsidiaries	Customer	Supplier	Community
Pollution Prevention +	Effluents and Waste	●	●	●				
	Air pollutants Emissions	●	●	●				
Green Products +	Product and service	●	●	●				
Global Climate Change +	GHG Emissions	●	●	●				
Chemical Management +	Compliance	●	●	●				
External Environmental Impact Assessment +	Compliance	●						
Social Dimension								
Employee's Physical and Mental Well-being +	Occupational Health and Safety	●						
Occupational Safety and Health Implementation +	Occupational Health and Safety	●	●	●				
Encouraging a Balanced Life +	Labor Management Relations	●	●	●	●			
Employee Engagement +	Labor Management Relations	●	●	●	●			
	Freedom of Association and Collective Bargaining	●	●	●	●			
	Labor Practices Grievance Mechanisms	●	●	●	●			
	Human Rights Grievance Mechanisms	●	●	●	●			
	Non-discrimination	●	●	●	●			
Right People with Shared Vision and Values +	Training and Education	●	●	●	●			
	Diversity and Equal Opportunity	●	●	●	●			
	Child Labor	●	●	●	●			
	Forced or Compulsory Labor	●	●	●	●			
	Equal Remuneration for Women and Men	●	●	●	●			
	Non-discrimination	●	●	●	●			
Social Participation +	Other	●						●

Note: The Company acquired OmniVision Technologies, Inc.'s 49.1% ownership in VisEra Holding and 100% ownership in Taiwan OmniVision Investment Holding Co. ("OVT Taiwan") on November 20, 2015. As a result, the Company has included VisEra Holding, OVT Taiwan and VisEra Tech, held directly by VisEra Holding, into consolidated financials beginning in November 20, 2015. OVT Taiwan, which was acquired by TSMC, was renamed Chi Cherg in December 2015.



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Stakeholders and Communication Channels in 2015

Stakeholders	Communication Channels
Shareholders & Investors	<ul style="list-style-type: none"> • Hold Annual Shareholder Meeting • Hold Quarterly Earnings Conference • Participate in investor conferences and meetings • Issue Annual Reports, Corporate Responsibility Reports, 20-F filings to US SEC, material announcements to Taiwan Stock Exchange, and corporate news on Company's website • Answer investors' questions and collect feedback via telephone and emails
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.
Customers	<ul style="list-style-type: none"> • Annual customer satisfaction survey • Customer quarterly business review meeting • Customer audits
Suppliers	<ul style="list-style-type: none"> • Supplier quarterly business review meeting • Supplier questionnaire survey • Supplier on-site audit • Annual supply chain management forum
Government	<ul style="list-style-type: none"> • Official correspondence • 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
Society	<ul style="list-style-type: none"> • Hold arts events at the communities • Sponsor Non-profit organizations to fulfill the educational projects • Endow professorships and scholarships at the universities • Support non-profit organizations and institutions via monetary and in-kind donation, as well as providing necessary manpower for good cause • Regular visits to National Museum of Science, Hsinchu Veterans Home, St. Teresa Children Center, Hsinchu Gaofeng Botanical Garden, Jacana Ecology Education Park, and other remote schools to provide volunteer services • Hold annual volunteer activities in collaboration with TSMC Fabs and Divisions

TSMC values the views and suggestions of all stakeholders. 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 set up in 2011, is managed by dedicated public relations staff, and submissions are sent to relevant departments according to the nature and range of issues addressed. In 2015, the TSMC CSR mailbox received 349 submissions, more than five times higher than that of the previous year. These submissions include requests for surveys, studies, and visits, inquiries about daily operations, recruiting and CSR-related experience sharing, suggestions from the public, complaints, requests for endorsement, donation and collaboration and event invitations. All received timely responses from dedicated personnel.

Furthermore, TSMC launched its first Facebook fan page⁺ in April 2016 in Taiwan, a newly established two-way communication channel to introduce a variety of CSR activities provided by the TSMC Education and Culture Foundation, TSMC Volunteer Program and 17 Fab/Division volunteer initiatives on a weekly basis. This enabled further understanding of the Company's social contribution towards society.

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.

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Corporate Governance



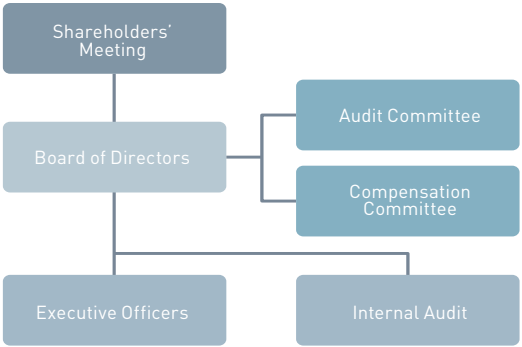
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TSMC advocates and acts upon the principles of operational transparency and respect for shareholder rights. We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, the TSMC Board delegates various responsibilities and authority to two Board Committees, Audit Committee and Compensation Committee. Each Committee has a written charter approved by the Board. Each Committee's chairperson regularly reports to the Board on the activities and actions of the relevant committee. The Audit Committee and Compensation Committee consist solely of independent directors.

TSMC Corporate Governance at a Glance

- 5 of our 8 Board members are independent directors
- One of the members of the Board Directors is female
- Audit Committee and Compensation Committee are made up of independent directors
- Committee Charters are publicly disclosed on TSMC's website
- Audit Committee self-assessment process is in place

3.1 Governance Structure



3.1.1 Board of Directors

Board Structure

As the highest governance body, TSMC's Board of Directors consists of eight^{Note} distinguished members with a great breadth of experience as world-class business leaders or scholars. We rely on them for their diverse knowledge, personal perspectives, and solid business judgment. TSMC's 13th Board of Directors was elected at TSMC's Annual Shareholders' Meeting on June 9, 2015. Five of the eight members are independent directors: former British Telecommunications Chief Executive Officer, Sir Peter Bonfield; Co-Founder, Chairman Emeritus of the Acer Group, Mr. Stan Shih; former Texas Instruments Inc. Chairman of the Board, Mr. Thomas J. Engibous; Chairman of National Performing Arts Center and advisor to the Taiwan Executive Yuan, Ms. Kok-Choo Chen; and former Chairman of Applied Materials, Inc., Mr. Michael R. Splinter. One of the members of the Board Directors is female. The number of Independent Directors is more than 50% of the total number of Directors.

We do have one major shareholder on our Board, i.e. the National Development Fund, Executive Yuan, R.O.C., which is also one of our largest shareholders. It has served as our director since our founding. As a corporate entity, the National Development Fund, Executive Yuan, R.O.C. is required to appoint a representative to act on its behalf.

The Chairman and Vice Chairman of the Board of Directors are not executive officers of the Company. The Board approved the appointment of two members of our senior management team to jointly serve as the President and Co-Chief Executive Officer of TSMC. These two Co-CEOs report to and perform such duties as designated by the Chairman of the Board.

Note: For further information on the composition and nature of our Board such as the number of each director's other significant positions and commitments

and the nature thereof, please see our most recent Form 20-F filed with the U.S. SEC at below link. +

Board Responsibilities

Under the leadership of Chairman Morris Chang, TSMC's Board of Directors takes a serious and forthright approach to its duties and is a dedicated, competent and independent Board.

In the spirit of Chairman Chang's approach to corporate governance, a board of directors' primary duty is to supervise. The Board should supervise the Company's: compliance with relevant laws and regulations; financial transparency; timely disclosure of material information, and maintaining of the highest integrity within the Company.

TSMC's Board of Directors strives to perform these responsibilities through the Audit Committee and the Compensation Committee, the hiring of a financial expert for the Audit Committee, and coordination with the Internal Audit department.

The second duty of the Board of Directors is to provide guidance to the management team of the Company. Quarterly, TSMC's management reports to the Board on a variety of subjects. The management also reviews the Company's business strategies with the Board, and updates TSMC's Board on the progress of those strategies, obtaining Board guidance as appropriate.

The third duty of the Board of Directors is to evaluate the management's performance and to dismiss officers of the Company when necessary. TSMC's management has maintained a healthy and functional communication with the Board of Directors, has been devoted in executing guidance of the Board, and is dedicated in running the business operations, all to achieve the best interests for TSMC shareholders.



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We opened a new chapter in corporate social responsibility and formally added Corporate Responsibility Report to the agenda of the Board of Directors in 2012. To focus TSMC's CSR efforts, Chairman Dr. Morris Chang and the management team, after extensive discussions held in 2015, declared "Uplifting Society" as the Company vision and identified three primary missions: "Acting with Integrity", "Strengthening Environmental Protection", and "Caring for the Disadvantaged". The responsibility of implementing economic, environmental and social tasks is delegated to our team of experienced management. Every year the Board of Directors receives regular reports on the results of our CSR initiatives and future plans. We believe that this is an important step towards firmly establishing TSMC as a sustainable, evergreen company well into the future.

Election of Directors

As the highest governance body of our company, our directors hold a tenure of three years. Directors shall be elected pursuant to the candidates nomination system as specified in Article 192-1 of the R.O.C. "Company Law". Our Board members are nominated through a highly selective process that considers not only their respective professional technical competence but also their respective reputation for ethical behavior and leadership. The independence of each independent director candidate is also considered and assessed under relevant law such as the Taiwan "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies". Under R.O.C. law, in which TSMC was incorporated, any shareholders holding one percent or more of our total outstanding common shares may nominate their own candidate to stand for election as a Board member. This democratic mechanism allows our shareholders to become involved in the selection and nomination process of Board candidates. The final slate of candidates are put to the shareholders for voting at the relevant annual shareholders' meeting.

Directors' and Executive Officers' Compensation

According to our Articles of Incorporation, not more than 0.3% of our annual profits (defined under local law) after recovering any losses incurred in prior years, if any, may be distributed as compensation to our directors. In addition, directors who also serve as executive officers of the Company are not entitled to receive any director compensation. For information of executive officers' compensation, please refer to Chapter 6.1 "Right People with Shared Vision and Values" of this report. +

For more details of compensation, please refer to TSMC's 2015 Annual Report. +

Avoiding Conflicts of Interests

The avoidance of conflicts of interests is governed by several corporate processes. First, any director or executive officer who, for him/herself or on behalf of another, wishes to engage in any business activity that overlaps with TSMC's business must obtain the prior approval of our shareholders' meeting or Board of Directors respectively in accordance with relevant laws. Second, each board member and executive officer must complete an annual declaration on related party transactions which is reviewed by our Audit Committee. Third, we are subject to strenuous reporting requirements on reporting any related party transactions under both R.O.C. and U.S. security rules.

3.1.2 Audit Committee

TSMC's Board of Directors established the Audit Committee in 2002. The Audit Committee assists the Board in fulfilling its oversight of the quality and integrity of the accounting, auditing, reporting, and financial control practices of the Company.

The Audit Committee is responsible to review the following major matters:

- Financial reports;
- Auditing and accounting policies and procedures;
- Internal control systems;
- Material asset or derivatives transactions;
- Material lending funds, endorsements or guarantees;
- Offering or issuance of any equity-type securities;
- Legal compliance;
- Related-party transactions and potential conflicts of interests involving executive officers and directors;
- Ombudsman reports;
- Potential fraud investigation reports;
- Corporate risk management;
- Hiring or dismissal of an attesting CPA, or the compensation given thereto; and
- Appointment or discharge of financial, accounting, or internal auditing officers, etc.

Under R.O.C. law, the membership of the Audit Committee shall consist of all independent Directors. TSMC's Audit Committee satisfies this statutory requirement. The Committee also engaged a financial expert consultant in accordance with the rules of the U.S. Securities and Exchange Commission. The Audit Committee annually conducts self-evaluation to assess the Committee's performance and identify areas for further attention.

TSMC's Audit Committee is empowered by its Charter to conduct any study or investigation it deems appropriate to fulfill its responsibilities. It has direct access to TSMC's internal auditors, the Company's independent auditors, and all employees of the Company. The Committee is authorized to retain and oversee special legal, accounting, or other consultants as it deems appropriate to fulfill its mandate. The Audit Committee Charter is available on TSMC's corporate website. +



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3.1.3 Compensation Committee

TSMC's Board of Directors established the Compensation Committee in 2003. The Compensation Committee assists the Board in discharging its responsibilities related to TSMC's compensation and benefits policies, plans and programs, and in the evaluation and compensation of TSMC's directors of the Board and executives.

The members of the Compensation Committee are appointed by the Board as required by R.O.C. law. According to TSMC's Compensation Committee Charter, the Committee shall consist of no fewer than three independent directors of the Board. Currently, the Compensation Committee is comprised of all five independent directors; the Chairman of the Board, Dr. Morris Chang, is invited by the Committee to attend all meetings and is excused from the Committee's discussion of his own compensation.

TSMC's Compensation Committee is authorized by its Charter to retain an independent consultant to assist in the evaluation of CEO, or executive officer compensation. The Compensation Committee Charter is available on TSMC's corporate website. +

3.1.4 Corporate Social Responsibility Committee

Our experienced management team as guided by our independent board members help guide TSMC in implementing its corporate social responsibilities. The implementation of our corporate social responsibilities also rests on our CSR Committee. The CSR Committee has been appointed by the Chairman of the Board and its primary responsibility is to monitor and address major economic, environmental and social topics. The CSR Committee reports directly to the Chairman of our Board. The Committee annually reports to the Board on the status of its implementation of various CSR reforms and performance benchmarks. The CSR Committee is jointly led by our Chief Financial Officer and the President of the Volunteer Association (who is not

an executive officer of TSMC). It holds quarterly meeting in order to discuss and review CSR implementation status and developments. Having the President of the Volunteer Association brings a fresher and socially balanced perspective into the workings of our CSR Committee.

3.2 Code of Ethics and Business Conduct

3.2.1 Ethics at TSMC

Code of Conduct: Integrity is the most important core value of TSMC's culture. TSMC is committed to acting ethically in all aspects of our business; constantly and vigilantly promoting integrity, honesty, fairness, accuracy, and transparency in all that we say and do. At the heart of our corporate governance culture is TSMC's Code of Ethics and Business Conduct (the "Code") that applies to TSMC and its subsidiaries. The Code requires that each employee bears a heavy personal responsibility to preserve and to protect TSMC's ethical values and reputation and to comply with various applicable laws and regulations.

Major Ethics Code Obligations

- Do not advance personal interests at the expense of, or in conflict with the Company;
- Refrain from corruption, unfair competition, fraud, and waste or abuse of corporate assets;
- Avoid any efforts improperly to influence the decisions of anyone, including government officials, agencies, and courts, as well as our customers, suppliers, and vendors.
- Do not undertake any practices detrimental to TSMC, the environment and to society;
- Procure all of our raw materials from socially responsible sources;
- Protect proprietary information of TSMC and our customers; and
- Abide by both the letter and spirit of all applicable laws, rules and regulations.



Intellectual Property Protection: In order to build and sustain an environment of innovation, technology leadership, and sustainable profitable growth, the Code requires that we promote business relationships founded upon an unwavering respect for the intellectual property rights, proprietary information and trade secrets of TSMC, our customers, and others.

Public Disclosures: TSMC's officers, especially our CEO, CFO, and General Counsel, with oversight from our Board, are responsible for the full, fair, accurate, timely, and understandable financial accounting



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and financial disclosure in reports and documents filed by the Company with securities authorities and in all TSMC public communications and disclosures. TSMC has a variety of measures in place to ensure compliance with these disclosure obligations.

Any modification to the Code requires the approval of our Audit Committee to ensure our ethics compliance program is independently reviewed against corporate best practices.

3.2.2 Code Implementation

High Standard Ethical Culture: Our ethics program is implemented in four ways by all of our employees, officers and Board members. First, TSMC's management sets the "tone from the top" by acting in accordance with the Code so that they may be an example to all stakeholders. Second, working-level managers are responsible for ensuring their staff's understanding of and compliance with applicable rules and regulations. Third, we encourage an environment of open communications in discussing any questions related to the Code. Any stakeholder may consult his or her direct supervisors, Human Resources or Legal to obtain timely advice. Lastly, TSMC requires all employees to stay vigilant and report any noncompliance by anyone to their supervisors, the function head of Human Resources, the responsible corporate Vice President that oversees the Ombudsmen system, or to the Chairman of the Company's Audit Committee directly and, if desired, anonymously.

Self-Assessment of All Departments and Employees: Self-assessment of all departments and employees is an important part of our ethics compliance program. All departments and subsidiaries of TSMC are required to conduct Control Self-Assessment (CSA) tests annually

to review employees' awareness of the Code. The CSA results are reviewed to track the results of our compliance program. In addition, all employees must disclose any matters that cause, or may cause, actual or potential conflict of interest. In addition to such proactive disclosure requirement, employees with certain job responsibilities and senior officers must annually declare any relationships that may constitute a conflict of interest, which is then reviewed by executive management.

Internal Auditing: The Internal Auditor of TSMC plays a critical role in ensuring the Company's compliance with the Code and relevant rules and regulations. To ensure that our financial, managerial, and operating information is accurate, reliable, and timely and that our employee's actions are in compliance with applicable policies, standards, procedures, laws and regulations, our Internal Auditor conducts audits of various control points within the Company in accordance with its annual audit plan approved by the Board of Directors and subsequently reports its audit findings and remedial issues to the Board and management on a regular basis.

Training and Promotion: To promote awareness to our employees of their responsibilities under the Code, we publish our Code and related policies and documents on our intranet and, provide training courses, posters, and internal news articles. For incoming employees, we provide an introductory training course on the Code which is available to all employees online, as well as advanced courses delving into more specific individual topics such as anti-corruption, PIP, export control and insider trading.

In addition to our internal compliance efforts, we expect and assist our customers, suppliers, business partners, and any other entities with whom we deal (such as consultant or third party agents who act

for or on behalf of TSMC) to recognize and understand TSMC's ethical standards to fulfill our responsibilities as a corporate citizen. For instance, we require all of our suppliers, vendors and contractors to declare in writing that they will not engage in any fraud or any unethical conduct when dealing with us, our officers, or employees. In 2015, TSMC became a full member of the Electronic Industry Citizenship Coalition (EICC) which is the largest industry coalition dedicated to electronics supply chain sustainability. In addition to adopting the EICC Code of Conduct at all of its facilities, TSMC applied the EICC's standards to enhance our audit program of our suppliers and relevant business partners. We also provide training and communicate our ethical culture to our business partners through regular live seminars to prevent any unethical conduct and detect any sign of Code violations. We exchange views on appropriate business conduct and TSMC's ethical standards with our customers as part of customer audit programs and other occasions.

3.2.3 Reporting Channels and Whistleblower Protection

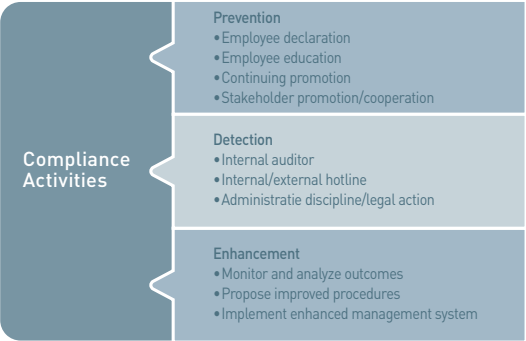
To ensure that our conduct meets the highest legal and ethical standards, TSMC provides multiple channels for reporting business conduct concerns. First of all, we have implemented the "Complaint Policy and Procedures for Certain Accounting and Legal Matters" and "Procedures for Ombudsman System" that allow employees or any whistleblowers with relevant evidence to report any financial, legal, or ethical irregularities. To foster an open culture of ethics compliance, we encourage our employees and the third parties we do business with to report any suspected wrongdoing by TSMC or by any parties with whom we do business.

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TSMC treats any complaint and the investigation thereof in a confidential and sensitive manner, and strictly prohibits any form of retaliation against any individual who in good faith reports or helps with the investigation of any complaint.

3.2.4 Code Violation Disciplinary Action

We do not tolerate any violation of the Code and treat every possible violation incident seriously. Any violator of the Code (or relevant regulations) will be severely disciplined to the full extent of our policies and the law, including immediate dismissal, termination of business relationship, and judicial prosecution as appropriate.



3.3 Regulatory Compliance

TSMC's robust compliance efforts are comprised of legislation monitoring, developing and implementation of effective compliance policies and programs, training, and maintaining an open reporting environment.

3.3.1 Legislative Monitoring

TSMC operates in many countries. To comply with governing legislation, applicable laws, regulations and regulatory expectations, we closely monitor domestic and foreign government policies and regulatory developments that could materially impact TSMC's business and financial operations. Our Legal organization periodically updates our relevant internal departments, management and the Audit Committee of applicable regulatory changes so that internal teams ensure compliance with new regulatory requirements in a timely manner. We are a proactive advocate for local legislative and regulatory reform. For example, we achieved remarkable results in strengthening trade secret protection in Taiwan, and generally our comments and recommendations on legal reforms to the government have been accepted constructively. TSMC is increasingly dedicated to identifying potential regulatory issues and will continue to be involved in advocating public policy changes that foster a positive and fair business environment.

3.3.2 Policy and Compliance Program Development and Implementation

Under the framework of the Code, TSMC has established policies, guidelines and procedures in different compliance areas, including: Anti-corruption, Anti-harassment/discrimination, Employment Regulations, Antitrust (unfair competition), Environment, Export Control, Financial Reporting, Internal Controls, Insider Trading, Intellectual Property, Proprietary Information Protection ("PIP"), Privacy, Record Retention and Disposal, as well as procuring raw materials from socially responsible sources ("Conflict-free Minerals"). It is our belief that these policies are crucial in strengthening overall compliance with the Code and compliance programs. TSMC, its employees and its subsidiaries and affiliates are expected to fully understand and comply with all laws and regulations that govern our businesses and make ethical decisions in every circumstance.

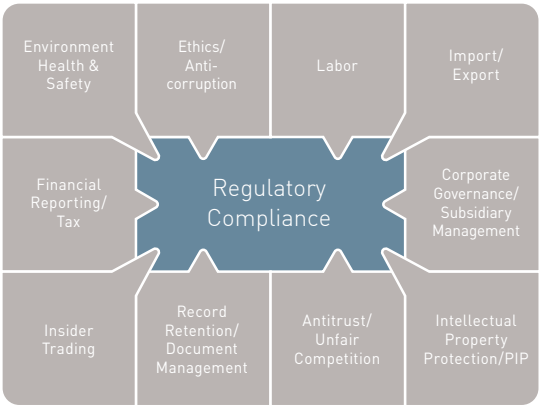




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3.3.3 Compliance Awareness Training

Training is a major component of our regulatory compliance program, conducted throughout the year to refresh TSMC's employees' commitment to ethical conduct, and to get updated information on laws and regulations related to their daily operations. Highlights of our training include:

- Posters at our facilities, and news articles, compliance guidelines and tips which our employees can access through our intranet;
- Live seminars focusing on specific topics such as Anti-Corruption (this was the highlight of our compliance training activities for 2015, as described in Section 3.3.1 below), PIP, Intellectual Property, Personal Data Protection, Conflict Minerals Compliance and Export Control Management. Training is made mandatory for those employees whose jobs are especially relevant to a particular topic to ensure sufficient awareness of relevant laws and internal policies;
- On-line learning programs updated frequently to provide most up-to-date information and timely and flexible access for employees to understand the law and key compliance issues, covering topics of Antitrust, Anti-harassment, Insider Trading, Export Control Management, PIP, and Privacy Protection among others;
- External training, in Taiwan and abroad, for TSMC's legal team to receive current developments of new laws and regulations, and for its lawyers to comply with applicable continuing legal education requirements. External experts are also invited to give in-house lectures on key issues.

3.3.4 Reporting Channel

As mentioned above, TSMC provides an open reporting channel for employees and external parties such as our customer, vendors and subcontractors through its Ombudsman. Below is a summary of the Number of Reported Incidents:

	FY 2014	FY 2015
Incidents submitted to the Ombudsman System ^{Note}	39	60
Incidents submitted to the Audit Committee Whistleblower System	-	-
Incidents reported to the "hotline" which were treated as plausible	22	16
Sexual Harassment Investigation Committee which were found after investigations	4	7
	4	7

Note: There were no incidents related to ethics, finance or accounting matters in 2014 or 2015.

3.3.5 Major Accomplishments

In 2015, TSMC achieved several major accomplishments in regulatory compliance:

Public Promotion Activities: In addition to rigorously fulfilling our obligations on regulatory compliance matters, TSMC exercised its civic duties as a responsible corporate citizen by advising the local government on law and policy reform, including urging the Government to amend certain outdated laws and regulations, which we believe were inconsistent with global practice, to improve Taiwan's investment environment and economic development. For example, since Taiwan

legislature's acceptance of TSMC's advice to impose criminal liability for trade secret misappropriation in 2012, TSMC continues to be an advocate of trade secret protection, and hosted multiple events to raise the event participants' awareness of this topic that is critical to innovation and fair competition.

Internal Training: Throughout 2015, TSMC offered a wide range of training courses on various compliance topics, including 12 on-line training courses, and 37 topics covered via live seminars. These courses were all developed and conducted by compliance experts and legal professionals.

Anti-Corruption Program Enhancement: To provide more specific behavioral guidance to our employees, TSMC implemented new Anti-corruption Rules based on the anti-corruption provisions in the Code, and initiated a series of awareness activities to ensure our employees' compliance with the requirements. Being the most interactive way of communication, the Legal organization provided a series of face-to-face training sessions to over 6,000 employees from different internal organizations. Employees who could not join the in-person training participated through the on-line training program. Overall, around 25,000 employees (including those of our subsidiaries) received the training and gained a deeper understanding on this critical topic. Looking ahead into 2016, it is our objective to continuously provide compliance training that includes the topic of anti-corruption, among others, to this same group of the employees. We also plan to conduct face-to-face communications with our manager-level employees to promote awareness of and ensure compliance with TSMC's business conduct standards when interacting with third parties.



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Conflict-Free Supply Chain: As a recognized global leader in the electronics industry supply chain, we acknowledge our corporate social responsibility to strive to procure conflict free minerals in an effort to recognize humanitarian and ethical social principles that protect the dignity of all persons and have implemented a series of compliance safeguards. In 2015, TSMC has been making continued progress to ensure a conflict-free supply chain. Its conflict-free minerals compliance has also been highly ranked by independent third party rating agencies. Please refer to “Sourcing Conflict-free Materials” of section 4.2.2.3 of this CSR report for more information. ➕

Export Compliance: In order to prevent any unauthorized export of controlled items by TSMC or any of its subsidiaries, a formal policy and export management system (EMS) existed for a number of years is continuously maintained to ensure compliance with all applicable regulations covering the export of information, technologies, products, materials and equipment. TSMC’s EMS allows TSMC to streamline its complicated SHTC (Strategic High-Tech Commodities) export process and creates efficiency for both TSMC and its customers. TSMC’s EMS was certified in September 2012 by the Bureau of Foreign Trade, the Taiwan regulator, as a qualified ICP (Internal Control Program) exporter. Because of its successful implementation, TSMC has also frequently earned recognition as “best in class” and was asked to share our experience on EMS implementation to third parties that included a variety of domestic and foreign organizations and industrial peers.

Privacy: TSMC on behalf of itself and its subsidiaries adopted a privacy and personal data protection policy to meet global standards for handling personal data in compliance with relevant legislations respecting personal privacy in the workplace. A variety of promotion events were provided throughout 2015, including live, in-person seminars and online training programs, as well as the publication

of educational materials such as a set of FAQs on TSMC intranet for employees’ easy access. All Human Resources staff received proper training as well. Flyers and eBanners posted throughout our facilities and through our intranet also successfully raised employees’ awareness on this topic. Through our dedication, we are fostering a culture whereby an individual’s personal data and privacy are protected and handled in line with global standards.

3.3.6 Others

Regulatory Compliance Result: In 2015, the Company complied with the Taiwan Company Law, Securities Trading Act, and relevant environmental laws and regulations. TSMC will file an administrative lawsuit with the High Administrative Court to dispute a minor NT\$40,000 fine issued by the labor authority for the alleged underpayment of employees’ overtime because of an inconsistency between the claimed overtime and actual hours worked by the employee in question. TSMC believes there is no basis for the fine.

Political Contributions: Because TSMC is over 50 percent owned by foreign investors, TSMC is prohibited from making political contributions under Taiwan law, and TSMC has fully complied with this law. TSMC has consistently remained politically neutral, but encourages all of its employees to fulfill their duties as citizens.

3.4 Proprietary Information Protection

We understand the critical value of proprietary information and how crucial it is to safeguard it in order to protect our company’s competitive advantages. Therefore, we established a Proprietary Information Protection (PIP) Program, which governs how proprietary information (including trade secrets, intellectual property, etc.) will be protected to preserve the best interests of our company, our shareholders, our employees, our customers, and our suppliers. In addition, we strive to

protect customer’s confidential information in order to gain customer’s trust. In 2015, we have successfully passed all security audits from our customers. In 2016, we also plan to pass the ISO 15408 site certification to provide further protection to our customers. In the future, we strive to pass all security audits from our customers every year as our objective in order to continuously enhance our customer’s trust.

We have adopted a variety of approaches to ensure our proprietary information is adequately and effectively protected as described below.

- Security and surveillance systems are used to continuously monitor and control access of personnel and vehicles in and out of our company’s premises. More importantly, these systems help to prevent prohibited items from being used to smuggle any proprietary information out of the premises.
- PIP-related messages are promoted to all employees on a regular basis; we also gather feedback, offer online training courses, and conduct internal compliance checks.
- Severe PIP violations reported will be treated seriously and handled appropriately. Severe violators can face termination of employment and even legal actions.
- We regard our suppliers as our partners, and thus provide security training and management to help them fit into our security management policy. Each individual supplier must sign a nondisclosure agreement, take PIP and work safety trainings and pass relevant exams before receiving a working badge. We also hosted a security symposium for suppliers to share successful experiences and review improvement plans. This symposium successfully helped our suppliers to follow our PIP regulations.
- We conduct internal PIP compliance checks and external security checks on our suppliers to identify high risk areas and provide suggestions for improvements.



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All in all, the scope of PIP program can be summarized as follows:

- Establishment of PIP guidelines, policies and management procedures
- Implementation of physical security measures and controls for PIP
- Leveraging IT security capabilities to deploy PIP solutions
- Providing PIP training
- Promoting and rewarding PIP best practices and relevant innovations
- Conducting internal compliance checks
- Dealing with PIP violation incidents

3.5 Risk Management

Our Board of Directors plays a key role in helping the Company identify and manage economic risks. Our Risk Management organization periodically briefs our Audit Committee on the ever-changing risk environment facing TSMC, the focus of our enterprise risk management, and risk assessment and mitigation efforts. Our Audit Committee's Chairperson also briefs the Board on such discussion and actions.

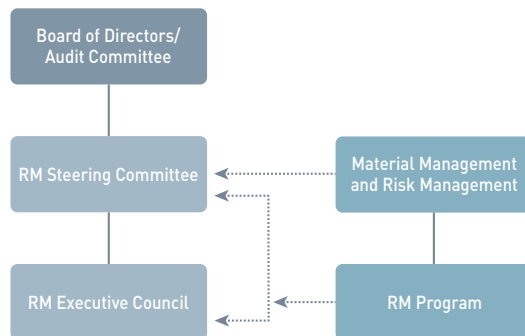
TSMC and its subsidiaries are committed to proactively and cost effectively integrating and managing strategic, operational, financial and hazardous risks together with potential consequences to operations and revenue. TSMC operates an Enterprise Risk Management (ERM) program based on both its corporate vision and its long-term sustainability, as well as on its responsibility to both industry and society. ERM seeks to provide the appropriate management of risks by TSMC on behalf of all stakeholders. A Risk MAP that considers likelihood and impact severity is applied for identifying and prioritizing corporate risks. Various risk treatment strategies are also adopted in response to identified corporate risks. The Company's risk management includes the management of "strategic risks," "operational risks,"

"financial risks," "hazardous risks," "risks associated with climate change and non-compliance with environmental and climate related laws and regulations, and other international laws, regulations and accords," etc.

To reduce supply chain risks, TSMC created a cross-functional taskforce comprised of members from fab operations, material management, risk management and quality system management to work with suppliers to develop business continuity plans, and enhance supply chain resilience capability to effectively manage the risks faced by its suppliers. As a result of those efforts, there was no interruption in TSMC's supply lines in 2015.

As TSMC continued to expand production capacity with advanced technology in 2015, seismic protection engineering design, risk treatment practices and green factory projects were initiated and implemented, beginning in the design phase for all new fabs.

The Risk Management organization chart is as follows:



• RM Steering Committee

Consists of functional heads (with Internal Audit head sitting as an observer)

Reports to Audit Committee

Reviews risk control progress

Identifies and approves the prioritized risk lists

•RM Executive Council

Consists of representatives from each function

Identifies and assesses risks

Implements risk control program and ensures effectiveness

Improves transparency and how risks are managed

• RM Program

Coordinates the RM Working Committee activities

Facilitates functional risk management activities

Initiates cross function communication for risk mitigation

Consolidates ERM reports into the RM Steering Committee

For details on the Risk Management, please refer to "6.3 Risk Management" of TSMC's 2015 Annual Report [+](#) or "Item 3. Key Information — Risk Factors" of TSMC's 2015 Form 20-F. [+](#)

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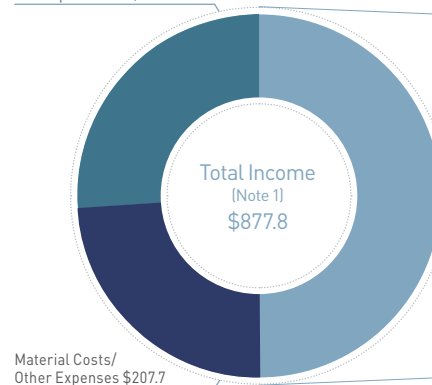
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Despite a challenging business environment for the semiconductor industry worldwide, 2015 was a record-breaking year for TSMC. Not only did revenue and profits reach new record levels, but TSMC satisfied customers' demand by successfully introducing and ramping up our industry-leading 16-nanometer FinFET process at new record speed. TSMC also made substantial progress on many of the topics concerning stakeholders as we achieved key milestones in developing new advanced technologies, such as 10-nanometer, 5-nanometer, and system-level-packaging; continued to improve our performance in annual customer satisfaction survey; performed a total of 60 audits to ensure suppliers' compliance with a multitude of standards, including those on labor, ethics, environment, health, and safety; continued to increase local sourcing ratio and help created a substantial number of employment opportunities in Taiwan; paid new record level taxes to governments and remained the highest tax-paying corporation in Taiwan for the third consecutive year; hired a record number of employees with record compensation; delivered record stock prices for shareholders, and proposed a new record level of cash dividend to be approved in 2016 Annual Shareholders' Meeting. Indeed, TSMC once again delivered strong profitable growth in 2015, which continued to solidify the foundation for corporate sustainability.

Thanks to its strong operating performance, TSMC generated total income of NT\$877.8 billion in 2015 (see definition in Note 2 below). After subtracting the costs of procured and consumed goods and services, depreciation, amortization, and impairments, economic value of NT\$445.0 billion was created in 2015. Among the economic value, 35% was distributed to shareholders, 20% to employees, 10% to governments, and 1% to lenders. The remaining 34% was reserved within the Company to enable greater economic value creation in the future.

Depreciation, Amortization
and Impairments \$225.1

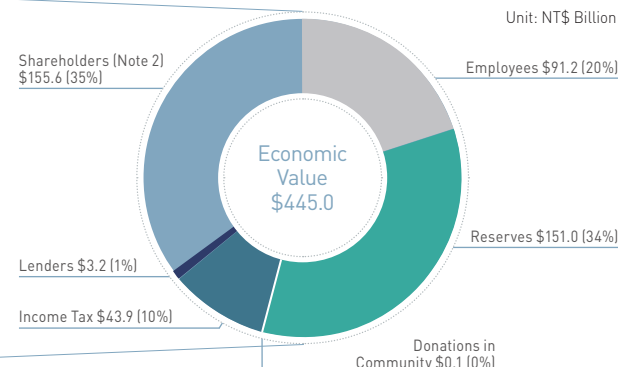


Note 1: Total income includes net revenue, realized [unrealized] gross profit on sales to associates, other operating income and expenses, net [except impairment] and non-operating income and expenses [except finance costs].

Note 2: Pending for shareholders' approval.

In order to sustain the strong economic value creation, TSMC identified its top material issues in economic dimensions as: (1) to continue profitable growth; (2) to achieve best-in-class customer service and customer satisfaction; and (3) to actively engage in supply chain sustainability management.

TSMC's profitable growth is driven by its technology leadership, manufacturing excellence, and trust from customers. Through increasing investments in research and development and capacity for leading edge technologies, TSMC aims to increase market segment share each year and expand revenue contribution percentage from leading edge technologies each year over the next five years. As of today, TSMC has gained share in the semiconductor foundry market for the six consecutive years to reach 55% in 2015. At the same time, revenue contribution from leading edge technologies (28-nanometer and beyond) increased from 42% in 2014 to 48% in 2015. TSMC further



aims to maintain or improve structural profitability through world-class operating efficiency as well as solid forecast and planning capabilities enabled by close collaborations with customers, so that the foresaid economic value can be captured by the Company.

After becoming a full member of the Electronic Industry Citizenship Coalition (EICC) in September 2015, all aspects of TSMC's business are now aligned with the EICC Code of Conduct. TSMC has further put together a plan to execute VAP (Validated Audit Process) audits, under the EICC standard for effective, shareable audits carried out by independent, third-party auditors specially trained in social and environmental auditing and the VAP audit protocol, for all its fabs over a two year period starting 2016. We believe these actions will further strengthen TSMC's execution of CSR efforts, as well as enhance our stakeholders' confidence on TSMC.



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Looking forward, TSMC believes its investments in technology innovations and highly efficient manufacturing capacity, its emphasis on customers' satisfaction and supply chain management will continue to satisfy market demand with better, greener, and more cost-effective semiconductors, and, in return, render even greater economic value for all its stakeholders for many years to come.

4.1 Company Profile

4.1.1 An Introduction to TSMC

Established in 1987 and headquartered in Hsinchu, Taiwan, TSMC pioneered the foundry business model by focusing solely on manufacturing customers' designs. The Company does not design, manufacture or market semiconductor products under its own brand name, ensuring that it does not compete directly with its customers. Today, TSMC is the world's largest pure-play in the semiconductor foundry business, manufacturing 8,941 different products using 228 different technologies for 470 different customers in 2015.

With such a large and diverse global customer base, TSMC-manufactured semiconductors are used in a wide variety of applications covering various segments of the computer, communications, consumer, industrial and standard semiconductor markets. Such strong diversification helps smooth fluctuations in market demand, which leads to higher levels of capacity utilization and profitability.

Annual capacity of the manufacturing facilities managed by TSMC and its subsidiaries reached above 9 million 12-inch equivalent wafers in 2015. These facilities include three 12-inch wafer GIGAFAB® facilities, four 8-inch wafer fabs, and one 6-inch wafer fab in Taiwan, as well as two 8-inch wafer fabs at wholly owned subsidiaries: WaferTech in the United States and TSMC China Company Limited. In December 2015, TSMC submitted an application to the Investment Commission of Taiwan's Ministry of Economic Affairs (MoEA) to build a wholly-owned 12-inch wafer manufacturing facility and to start a design service

center in Nanjing, China. The purpose is to enhance our access to business opportunities in China market. Pending approval from the MoEA, the investment project will commence in 2016 with production targeted in second half of 2018.

TSMC provides customer service through its account management and engineering services offices in North America, Europe, Japan, China, South Korea and India. The Company employed more than 45,000 people worldwide at the end of 2015.

TSMC's subsidiaries TSMC Solid State Lighting Ltd. and TSMC Solar Ltd. had been formed to engage in the research, development, design, manufacturing and sale of solid state lighting devices and related products and systems, and solar-related technologies and products, respectively. In January 2015, TSMC's board of directors approved the sale of TSMC Solid State Lighting to Epistar. Upon the closing of the sale, TSMC completely exited the LED industry. In August 2015, TSMC announced that TSMC Solar would cease manufacturing operations by end of that month, as we believed that our solar business was no longer economically sustainable. All outstanding warranties to existing customers will be honored, and all Taiwan employees were extended employment offers at TSMC.

The Company is listed on the Taiwan Stock Exchange (TWSE) under ticker number 2330, and its American Depositary Shares (ADSs) trade on the New York Stock Exchange (NYSE) under the symbol TSM.

Membership in Industry Associations

As a semiconductor industry leader, TSMC actively participates in trade and industry associations. TSMC executives have been nominated to and held senior positions in associations including the Taiwan Semiconductor Industry Association, the Association of Industries in Science Parks, the Chinese National Association of Industry and Commerce, the Taiwan Electrical and Electronic Manufacturers' Association, the Taiwan Business Council for Sustainable Development, the Chinese National Federation of Industries and the Center for Corporate Sustainability,

holding positions such as Executive Board Director or supervisor. In addition, many TSMC employees also serve in industry associations as chairman or vice chairman in various committees, aiming to develop Taiwan's semiconductor industry and raise its international visibility through inter-industry cooperation, and offers recommendations to government as well as share our experience in sustainable business.

4.1.2 Market/Business Summary TSMC Achievements

In 2015, TSMC maintained its leading position in the total foundry segment of the global semiconductor industry, with an estimated market share of 55%. TSMC achieved this result despite intense competition from both established players and relatively new entrants to the business.

Leadership in advanced process technologies is a key factor in TSMC's strong market position. In 2015, 48% of TSMC's wafer revenue came from manufacturing processes with geometries of 28nm and below.

Market Overview

TSMC estimates that the worldwide semiconductor market in 2015 was US\$354 billion in revenue, representing zero year-over-year growth, a sharp plunge from the 10% YoY growth recorded in 2014. In the foundry sub-segment of the semiconductor industry, total revenues were US\$44 billion in 2015, representing 4% YoY growth.

Industry Outlook, Opportunities and Threats

Industry Demand and Supply Outlook

The decline in the foundry segment growth to 4% in 2015 from 14% in 2014 was driven mainly by a market slowdown and a prolonged inventory correction.

TSMC forecasts the total semiconductor market to grow 1% in 2016. Over the longer term, driven by increasing semiconductor content in electronic devices, continuing market share gains by fabless companies, and expanding in-house Application-Specific Integrated Circuits (ASIC)



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from system companies, the Company expects foundry segment revenue growth to be much stronger than the 3% compound annual growth rate projected for the total semiconductor industry from 2015 through 2020.

As an upstream supplier in the semiconductor supply chain, the foundry segment is tightly correlated with the market health of the three Cs, communications, computer, consumer, and the emerging IoT.

•Communications

The communications sector, particularly the Smartphone segment, posted a 10% growth in unit shipments for 2015. Although the growth is slowing down, continuing transition to 4G/LTE and LTE-Advanced will bring mid- to high-single digit growth to the Smartphone market in 2016. Smartphones with increasing performance, lower power usage and more intelligent features will continue to propel buying interests. The increasing popularity of low-end smartphones in emerging countries will also drive the growth of the sector.

Low-power IC is an essential requirement among handset manufacturers. The SoC design for more optimized cost, power and form factor (device footprint), plus the appetite for higher performance to run complex software and higher resolution video will continue to accelerate the migration to advanced process technologies, in which TSMC is already the leader.

•Computer

After a 1% decline in 2014, the computer sector's unit shipments dropped 8% YoY in 2015. The decline was driven by prolonged replacement cycle, inventory correction, the end of Windows XP migration, and the new Windows 10 free upgrade.

The personal computer market is expected to decline by mid-single digit percentage in 2016. Increasing variety (e.g. Convertible, Ultrabook and Chromebook), the business adoption of Windows 10, and steady consumer upgrades to aging PCs, however, are expected to help buoy PC demand.

Requirements of lower power, higher performance and the integration of key computer components such as CPU, GPU, Chipset, etc., should drive demand for product redesign towards leading process technologies.

•Consumer

The consumer sector's unit shipments declined 6% in 2015. While new-generation TV game consoles and set-top boxes still showed positive growth, the rest of the sector – TVs, MP3 players, digital cameras and hand-held game consoles – continued to decline due to economy softness and foreign exchange issues, as well as functional cannibalization by smartphones.

Although consumer electronics will continue to decline in 2016, 4K (UHD) TVs and 4K (UHD) set-top boxes should achieve high growth within the sector. TSMC will be able to capitalize on these trends with advanced technology offerings.

•IoT

The Internet of Things (IoT) is taking shape as the "next big thing," since more and more devices are being connected to the Internet. The IoT will have 10X greater installed unit potential than the smartphone will have in 2025. Applications and products benefiting from IoT related technologies include smart wearables, home robots, smart meters, self-driving cars, and so on. These applications and products will require much longer battery life, diversified sensors and low-power wireless connections, which will challenge technology development in new ways. TSMC's ultra-low-power logic and RF solutions and diversified sensing technologies will help customers lead the way for this future growth.

Supply Chain

The electronics industry consists of a long and complex supply chain, the elements of which are highly dependent and correlated with each other. At the upstream IC manufacturing level, it is important for IC vendors to have sufficient and flexible supply to support the dynamic market situation. The foundry vendors are playing an important role to ensure the health of the supply chain. As a leader in the foundry

segment, TSMC provides leading technologies and large-scale capacity to complement the innovations created along the downstream chain.

4.1.3 Innovation Management

Innovation is the wellspring of TSMC's growth, and is a part of all aspects of our business, from strategic planning, marketing and management, to technology and manufacturing. At TSMC, innovation means more than new ideas, it means putting ideas into practice.

4.1.3.1 Innovation at TSMC

In 2015, TSMC continued to invest in R&D with total R&D expenditure amounting to 8% of revenue, a level that equals or exceeds the R&D investment of many other high technology leaders.

TSMC has built an innovative working atmosphere to encourage employees to make their innovation ideas come true. The awards from around the world that TSMC has received demonstrate the outstanding performance of our talents.

Awards over the Years

- 5 IEEE Fellows (Work for TSMC)
- Ranked No. 1 in Semiconductor Manufacturing by IEEE Spectrum Patent Power 2015 Scorecard
- 1 IEEE Medal of Honor
- 1 IEEE Andrew S. Grove Award
- 1 IEEE Cleo Brunetti Award
- 1 IEEE Robert N. Noyce Medal
- 1 IEEE Corporate Innovation Award
- 1 "Stars of Asia" from Business Week
- 1 Robert N. Noyce Award from the SIA
- 1 Akira Inoue Award from SEMI
- 1 Nikkei Asia Prize for Regional Growth
- 1 Outstanding Scientific and Technological Worker Award from the Executive Yuan of the Republic of China
- 1 First-ever Outstanding Nano-Tech Award from the Ministry of Economic Affairs of the Republic of China
- 20 National Industrial/Enterprise Innovations Awards, the Taiwan government's most prestigious award for innovation achievement



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4.1.3.2 Technology Leadership

TSMC recognizes that the technology challenge of continuing to extend Moore's Law, the doubling of semiconductor computing power every two years, is becoming increasingly complex. The efforts of the R&D organization are focused on enabling the Company to continuously offer its customers first-to-market, leading-edge technologies and design solutions that contribute to their product success in today's challenging market environment. In 2015 the R&D organization met these challenges by completing transfer to manufacturing of the industry leading 16FF+ technology, the first integrated technology platform to make use of 3D FinFET transistors. The R&D organization continues to fuel the pipeline of technological innovation needed to maintain leadership. TSMC's 10nm technology development is on track to begin customer product tape-outs in the first quarter of 2016. TSMC 7nm technology is now in the full development stage, while the 5nm node is under definition and subject to intensive advanced development efforts.

In addition to CMOS logic, TSMC conducts research and development on a wide range of other semiconductor technologies that provide the functionality our customers require for mobile SoC and other applications. Highlights achieved in 2015 include: CoWoS® technology enhancement to include areas exceeding 1000mm² in size; full qualification of the 3D InFO technology qualification and transfer to manufacturing; TSV packaging ramp up to high volume : development of 0.13µm BCD technology for manufacture on 12" wafers; addition of RF capability for the 55nm e-Flash technology aimed at IoT applications; qualification for manufacture of a 650V GaN HEMT; and qualification of the 55nm high voltage process for display drivers.

TSMC maintains a network of important external R&D partnerships and alliances with world-class research institutions, such as IMEC, the respected European R&D consortium, where TSMC is a core partner.

TSMC also provides funding for nanotechnology research at leading universities worldwide to promote innovation and the advancement of nano-electronic technology. TSMC has established four joint research centers within Taiwan to include National Taiwan University, National Chao Tung University, National Tsing Hua University and National Cheng Kung University. The goal of these centers is to develop greater understanding of the devices and materials used in the manufacture of advanced Si technologies.

Technology Leadership and Innovations

Advanced Technology:

- First foundry to provide 65nm and 40nm production capacity
- First foundry to offer volume production of 28nm with TSMC's first-to-market 28nm high-k/metal gate (HKMG) technology portfolio
- World's first 28nm High-k/Metal Gate triple gate oxide technology (28HPT) which provides 10% faster speed compared to the 28HPM technology while keeping the same leakage power
- TSMC's 20-SoC technology possesses the highest gate density of any 20-/22-nanometer
- Completing transfer to manufacturing of the industry leading 16FF+ technology, the first integrated technology platform to make use of 3D FinFET transistors

Spectrum of Technology:

- Successfully qualified InFO_PoP advanced packaging technology, low cost solution for mobile customers
- The third generation of 0.18µm BCD technology adopted TSMC proprietary device structure which boosts world leading performance higher. With this technology, mobile power management ICs can supply the increasing power demand of mobile devices with higher performance in lower power consumption
- The first and the only company can offer both 100V and 650V GaN foundry service in 6-inch Fab

4.1.3.3 Open Innovation Platform® (OIP)

Innovation has long been both an exciting and challenging proposition. Competition among semiconductor companies is becoming more active and intense in the face of increasing customer consolidation, and the commoditization of technology at more mature, conventional levels. Companies must find ways to continue innovating in order to prosper further. Companies innovating openly from the "outside in" as well as from the "inside out" accelerate innovation through active collaborations with external partners. This active collaboration of TSMC with external partners is known as "Open Innovation". TSMC has adopted this path to innovate via the Open Innovation Platform® (OIP) initiative. OIP is a key part of TSMC's Grand Alliance.

The TSMC OIP initiative is a comprehensive design technology infrastructure that encompasses all critical IC implementation areas to reduce design barriers and improve first-time silicon success. OIP promotes the speedy implementation of innovation amongst the semiconductor design community and its ecosystem partners with TSMC's IP, design implementation and DFM capabilities, process technology and backend services.

A key element of OIP is a set of ecosystem interfaces and collaborative components initiated and supported by TSMC that more efficiently empowers innovation throughout the supply chain and, in turn, drives the creation and sharing of newly created revenue and profits. TSMC's Active Accuracy Assurance (AAA) initiative is critical to OIP, providing the accuracy and quality required by the ecosystem interfaces and collaborative components.

TSMC's Open Innovation model brings together the innovative thinking of customers and partners under the common goal of shortening design time, minimizing time-to-volume and speeding time-to-market and, ultimately, time-to-revenue. The model features:



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- The foundry segment's earliest and most comprehensive EDA certification program delivering timely design tool enhancement required by new process technologies; and
- The foundry segment's largest, most comprehensive and robust silicon-proven intellectual properties (IPs) and library portfolio; and
- Comprehensive design ecosystem alliance programs covering market-leading EDA, library, IPs, and design service partners.

TSMC's OIP Alliance consists of 23 electronic design automation (EDA) partners, 43 IP partners, and 25 design service partners. TSMC and its partners proactively work together, and engage much earlier and deeper than before in order to address mounting design challenges at advanced technology nodes. Through this early and intensive collaboration effort, TSMC OIP is able to deliver the needed design infrastructure with timely enhancement of EDA tools, early availability of critical IPs and quality design services when customers need them. This is critical to success in order for customers to take full advantage of the process technologies once they reach production-ready maturity.

In September 2015, TSMC hosted an OIP Ecosystem Forum at the Santa Clara Convention Center in California, with keynote addresses from TSMC executives as well as OIP ecosystem partners. The forum was well attended by both customers and ecosystem partners and demonstrated the value of collaboration through OIP to nurture innovations.

TSMC's OIP Partner Management Portal facilitates communication with our ecosystem partners for efficient business productivity. This portal is designed with an intuitive interface and can be linked directly from TSMC-Online.

4.1.3.4 TSMC University Collaboration Programs

TSMC University Research Centers in Taiwan

TSMC has significantly expanded its interaction with universities in Taiwan with the establishment of four research centers located at the nation's most prestigious universities. The mission of these centers is twofold: to increase the number of highly qualified students who are suitable for employment in semiconductor industry, and to inspire university professors to initiate research programs that focus on the frontiers of semiconductor device, process and materials technology; semiconductor manufacturing and engineering science; and specialty technologies for electronic applications. Following the establishment of two research centers at National Taiwan University and National Chiao Tung University in 2013, two additional centers were set up at National Cheng Kung University and National Tsing Hua University in 2014. These centers are funded jointly by governmental agencies together with a commitment from TSMC of several hundred million Taiwan dollars and in-kind university shuttles. In 2015, several hundred high caliber students across Electronics, Physics, Materials Engineering, Chemistry, Chemical Engineering and Mechanical Engineering disciplines joined the research centers.

A Vehicle to Make Ideas Come True - TSMC University Shuttle Program

The TSMC University Shuttle Program was established to provide professors at leading research universities worldwide with access to the advanced silicon process technologies needed to research and develop innovative circuit design concepts. This program links motivated professors and graduate students with enthusiastic managers at TSMC with the goals of promoting excellence in the development of advanced silicon design technologies, and the nurturing of new generations of engineering talent in the semiconductor field.

The program provides access to TSMC silicon process technologies for digital, analog/mixed-signal circuits, RF designs and micro-electromechanical system designs. Participants in the TSMC University Shuttle Program include major university research groups in worldwide.

TSMC and the University Shuttle Program participants achieve "win-win" collaboration through the program which allows graduate students to implement exciting designs and achieve silicon proof points for innovations in various end applications.

4.1.3.5 Future R&D Plans

To maintain and strengthen TSMC's technology leadership, the Company plans to continue investing heavily in technology R&D. In addition to 10nm and 7nm CMOS nodes in the pipeline, the Company's reinforced exploratory research and development work is on plan to establish a solid foundation to feed into technology platforms beyond 7nm node. The company's exploratory work focuses on new transistors and technologies, such as 3D structures, strained-layer CMOS, high mobility materials and novel 3D IC devices. These studies emphasize on innovation and are guided by deep understanding of fundamental physics of nanometer CMOS transistors and technologies. The company also continues to collaborate with external research bodies from academia and industrial consortia alike with the goal of extending Moore's Law and paving road to future cost-effective technologies and manufacturing solutions for its customers.

With a highly competent and dedicated R&D team and its unwavering commitment to innovation, TSMC is confident in its ability to deliver the best and most cost-effective SoC technologies to its customers and to drive future business growth and profitability for years to come.



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TSMC R&D Future Major Project Summary

Project Name	Description	Risk Production (Estimated Target Schedule)
10nm logic platform technology and applications	3 rd generation FinFET CMOS platform technology for SoC	2016
7nm logic platform technology and applications	4 th generation FinFET CMOS platform technology for SoC	2017
3D IC	Cost-effective solution with better form factor and performance for SIP	2016 ~ 2017
Next-generation lithography	EUV and multiple e-beam to extend Moore's Law	2016 ~ 2019
Long-term research	Specialty SoC technology (including new NVM, MEMS, RF, analog) and transistors for 5nm node and beyond	2015 ~ 2019
The above plans accounted for roughly 70% of the total R&D budget in 2016. The total R&D budget is currently estimated to be around 8% of 2016 revenue.		

4.1.4 Investor Engagement

TSMC's business strategies and financial policies aim to create and distribute greater economic value to its stakeholders, including shareholders. We align ourselves with international standards that demonstrate our position and reputation as a sustainability champion. In 2015, TSMC was recognized by the Dow Jones Sustainability Indices (DJSI) as the Semiconductors and Semiconductor Equipment Industry Group Leader for a third consecutive year, once again affirming the company's commitment to sustainability and corporate social

responsibility. TSMC achieved the highest overall score out of its industry group peers, and also led the group in 10 out of 21 categories including operational eco-efficiency, product stewardship, supply chain management, human capital development, and talent attraction and retention.

TSMC Leads Semiconductors and Semiconductor Equipment Industry Group at Dow Jones Sustainability Indices (DJSI)

Total Score: 2015 Semiconductors and Semiconductor Equipment Industry Group			
		TSMC	Average
Total Score		89	52
Dimensional Score: 2015			
	Weighting	TSMC	Average
Economic	40%	84	56
Environmental	35%	96	51
Social	25%	89	46

In order to serve investors and the investment communities, TSMC has established a highly effective communication system to disseminate information. Each quarter, our Co-CEOs and CFO jointly hold an earnings conference, which combines face-to-face interactions with an audio conference call, to report and discuss company performance with investors. The live video of the earnings conference is also webcast via TSMC's website, which can be accessed by investors around the world. Replays and transcripts of these conferences are then made available on the company website for investors' reference. Each year, our Investor Relations team holds hundreds of investor and analyst meetings and conference calls, and actively participates in broker-sponsored investor

conferences and non-deal roadshows, extending our reach throughout Asia, Europe and North America. In 2015, more than 270 such meetings and conference calls were held with more than 320 institutional investors worldwide. In addition, E-mail updates covering all business activities and key events are regularly sent to thousands of members of the investment community. Information regarding TSMC's business fundamentals, dividend history, General Shareholders' Meeting materials, summaries of analysts' recommendations, credit ratings, and important filings with regulatory authorities are posted on TSMC's corporate website in a timely manner. All these efforts are focused on serving worldwide investors with accurate, timely, and transparent information and financial data regarding TSMC business strategy, operations and performance.

Committed to increase shareholder value, TSMC has set clear strategic financial objectives. These strategic financial objectives include: (1) Average ROE across cycle greater or equal to 20%; (2) Operating income compounded annual growth rate from 2014 to 2019 between 5% and 10%. These financial objectives can help investors better understand TSMC's long-term investment value, while its financial track record give investors high confidence in TSMC's capability to achieve these financial objectives. For example, during the past 10 years, TSMC's averaged ROE was 24% and CAGR for operating income was 13%, both of which met our long-term financial objectives. Supported by solid financial performance, TSMC's share performance including cash dividends increased 4.6% during 2015, marking 6 consecutive years of annual growth despite the troubled macroeconomic conditions in 2015. Since the Company went public in 1994, TSMC's market capitalization has grown steadily. As of December 31, 2015, TSMC's market capitalization reached above NT\$3.7 trillion or US\$113 billion.



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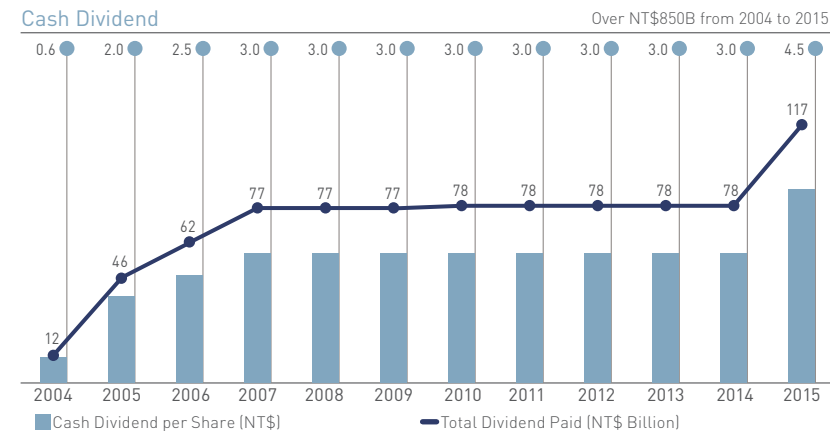
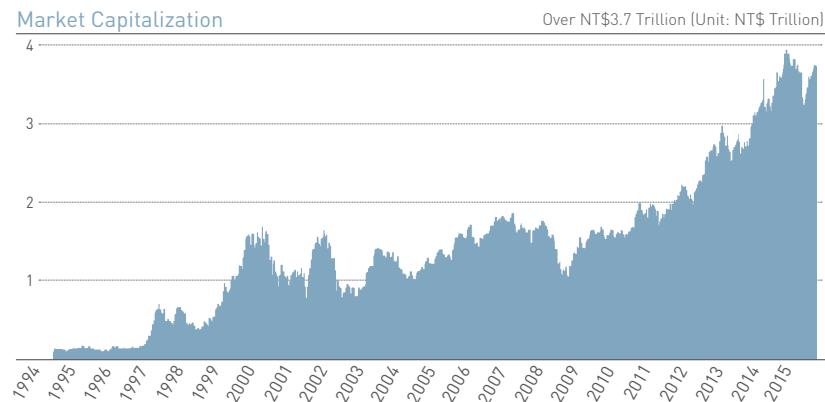
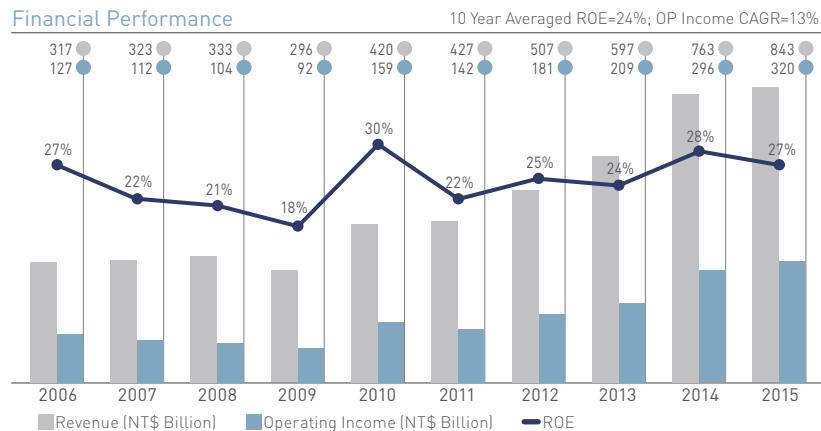
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Since becoming a publicly listed company in 1994, TSMC has consistently delivered value to shareholders through cash dividends and share price appreciation, maintaining a strong balance sheet, and keeping one of the highest credit ratings among global semiconductor companies and Taiwan companies (Standard & Poor's (S&P) Ratings: A+; Moody's Ratings: A1; Taiwan Ratings: twAAA). Starting from 2004, TSMC has distributed cash dividends to our shareholders each year. TSMC commits to its dividend policy that TSMC will maintain a stable and sustainable dividend policy, and will consider raising dividend per share when the free cash flow is sufficient to cover the previous level of dividend payment and any debt repayment. As free cash flow significantly improved in 2014 and 2015, TSMC increased cash dividend per share paid in 2015 by 50% to NT\$4.5 per share. From 2004 to 2015, TSMC has paid out more than NT\$850billion, or US\$27 billion, in cash dividends.

Annual investors' surveys conducted by media have recognized the transparency of TSMC's disclosure policies, corporate governance commitment, and equitable treatment of shareholders. Furthermore, in 2015, TSMC continued to receive various awards from globally noted institutions such as Institutional Investor and IR Magazine. For more information on awards and recognition in 2015, please refer to "2015 Awards and Recognitions" on page 14. +

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4.1.5 Financial Highlights

Dividend Policy

TSMC does not pay dividends when there are no profits or retained earnings. TSMC has distributed cash dividends every year to its shareholders since 2004. TSMC intends to maintain a stable and sustainable dividend policy, and will consider raising dividends when the free cash flow is sufficient to cover the previous level of dividend payment and any debt repayment. On February 2, 2016, TSMC’s Board of Directors adopted a proposal recommending distribution of a cash dividend of NT\$6 per share. The proposal will be implemented according to the relevant regulations, upon the approval of shareholders at the Annual Shareholders’ Meeting on June 7, 2016.

Tax Policy

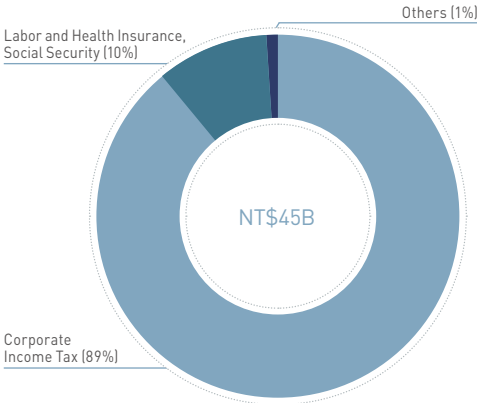
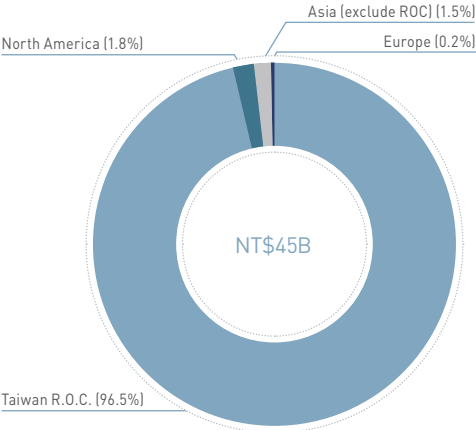
TSMC supports tax policies and incentives that encourage innovation and foster economic growth. We aim for our tax approach to be transparent and sustainable in the long term, and our commits to the following:

- Act at all time in accordance with all applicable laws and regulations.

- Be transparent in financial reporting. Disclosures are made in accordance with applicable regulations and reporting requirements.
- Do not undertake transactions whose sole purpose is for tax avoidance.
- Develop strong, mutually respectful relationships with tax authorities based on transparency and trust.
- Always consider tax as part of major business decisions.

TSMC payments to the governments are primarily for corporate income tax. In 2015, TSMC’s total tax payments on cash basis worldwide were NT\$45 billion. Over 90% of TSMC’s revenue and operating profit are generated from our business operations in Taiwan. Meanwhile, over 90% of our tax payments were also made to the Taiwan R.O.C. government. TSMC was the largest corporate income taxpayer in Taiwan in 2015^{Note}:

Breakdown of Total TSMC Tax Payments on Cash Basis Worldwide in 2015



In accordance with applicable regulations, TSMC was eligible for major tax incentives such as tax exemption and investment tax credits in 2015 as follows:

Law/Stature	Item	In Billions of NT\$
Article 9 of the Stature for Upgrading Industries	5-year tax exemption	16.1
Article 10 of the Stature for Industrial Innovation	R&D expenditures tax credits	4.2

Note: TSMC continue to pay the most Income Tax in 2015. (United Daily News. 2015, June 23)



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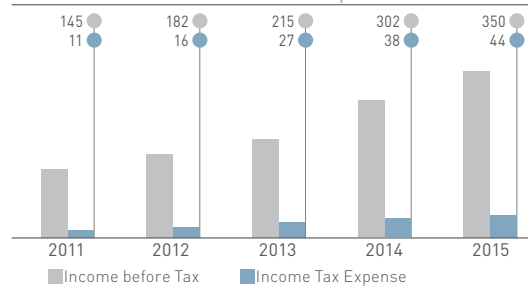
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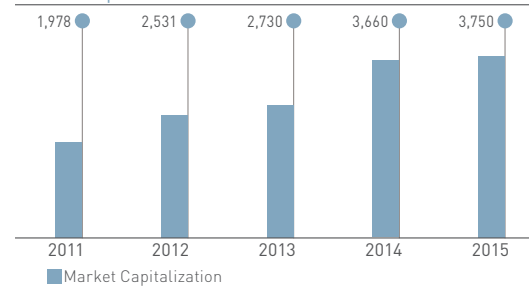
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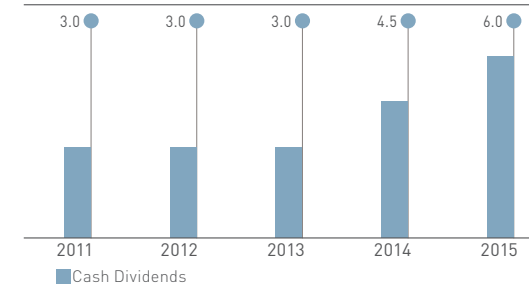
Income before Tax and Income Tax Expense Unit: NT\$ Billions



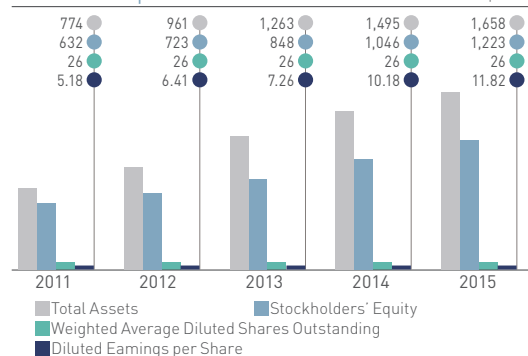
Market Capitalization - Year End Unit: NT\$ Billions



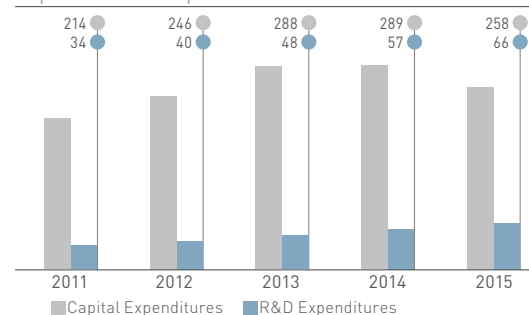
Dividends Distribution Unit: NT\$



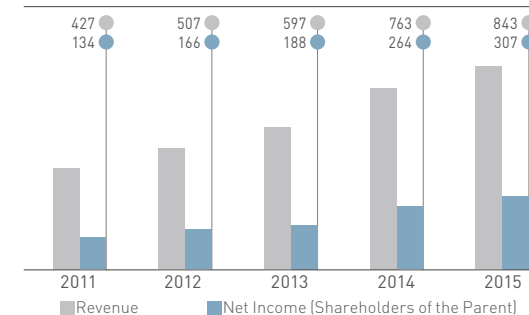
Assets and Capitalization - Year End Unit: NT\$ Billions except EPS



Capital and R&D Expenditures Unit: NT\$ Billions



Revenue and Net Income Unit: NT\$ Billions



Note 1: TSMC prepared 2011 financial performance in accordance with R.O.C GAAP.

Note 2: 2013 Taiwan-IFRSs version was adopted by the Company starting 2015 and 2014 financial performance was adjusted for the impact of newly effected GAAP.

Note 3: The charts were prepared based on the audited financial statements, except market capitalization.



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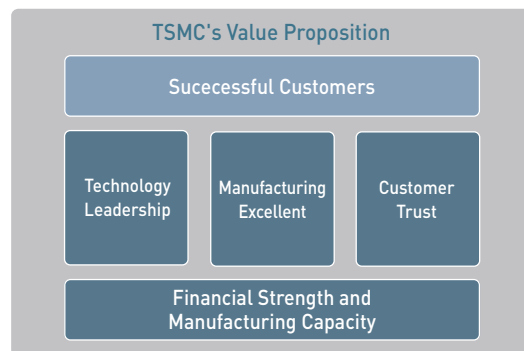
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4.2 Customer Service and Supplier Management

Customer trust has always been one of TSMC's core values. At TSMC, our customers' success is our success, and we value our customers' ability to compete as we value our own. We strive to build deep and enduring relationships with our customers, who trust and rely on us to be part of their success over the long term.

TSMC has always treated suppliers as partners, and works together with them over the long term to build a stable and sustainable semiconductor supply chain. In addition to taking into account supply chain product quality, delivery, and cost, TSMC works with our suppliers to protect the environment. We pay attention to human rights, safety and health issues of our suppliers as well as business continuity and risk management, so that we can fulfill our corporate social responsibilities together. TSMC has been named "Semiconductors & Semiconductor Equipment" industry group leader by the Dow Jones Sustainability Indices (DJSI) for a second consecutive year in 2015 as well as the recognition for the category of Supply Chain Management.

4.2.1 Customer Service and Satisfaction



Customer Service

TSMC believes that providing superior service is critical to enhancing customer satisfaction and loyalty, which is very important to retaining existing customers, attracting new customers, and strengthening customer relationships. With a dedicated customer service team as the main contact window for coordination and facilitation, TSMC strives to provide world-class design support, mask making, wafer manufacturing, and backend services to achieve an optimum experience for customers and, in return, to gain customer trust and sustain company profitability.

To facilitate customer interaction and information access on a real-time basis, TSMC-Online offers a suite of web-based applications that provide an active role in design, engineering, and logistics collaborations. Customers have 24/7 access to critical information and customized reports. Design Collaboration focuses on content availability and accessibility, with close attention to complete, accurate, and current information at each level of the design life cycle. Engineering Collaboration includes online access to engineering lots, wafer yields, wafer acceptance test (WAT) analysis, and quality reliability data. Logistics Collaboration provides access to data on any given order status in wafer fabrication, backend process, and shipping.

Customer Confidential Information Protection

Customer trust has always been one of TSMC's core values. The trust between customers and TSMC is one of the major reasons that customers are willing to rely on TSMC for their wafer manufacturing. Thus, TSMC handles and protects customers' confidential information with the highest standard.

TSMC is committed to customer proprietary information protection in order to protect customers' interest. TSMC formulated "Proprietary Information Protection" (PIP) Policy, which defines the confidential

information management procedures and handling guidelines.

PIP promotion and training programs are regularly conducted and required to every TSMC employee in order to reinforce the awareness and capability of proprietary information classification and handling. Besides, TSMC also regularly conducts internal audit as well as annual refreshment training for all employees to ensure the compliance of PIP policy.

TSMC's daily operation workflow and system access privilege are based on the compliance of "Proprietary Information Protection" policy:

- TSMC implements data access control mechanism on all systems.

Only customers and authorized TSMC employees with job requirement are allowed to access customer confidential information.

- TSMC continuously enhances web service security configuration with highest security standard, such as multi-step authentication and multi-layer firewalls, in order to protect customer confidential information.

Since 2008, TSMC has actively obtained ISO 27001 certification related to information security every year and upgraded to ISO 27001:2013 version in 2015.

Customer Satisfaction

To assess customer satisfaction and to ensure that our customer needs are appropriately understood, TSMC conducts the Annual Customer Satisfaction Survey (ACSS) with most active customers, either by web or interview through an independent consultancy.

Complementary to the survey, Quarterly Business Reviews (QBRs) are also conducted by the customer service team so that customers can give feedback to TSMC on a regular basis. Through surveys, feedback reviews and intensive interaction with customers, TSMC is able to maintain close touch for better service and collaboration.



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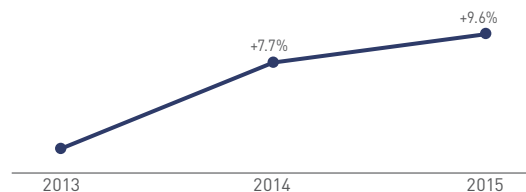
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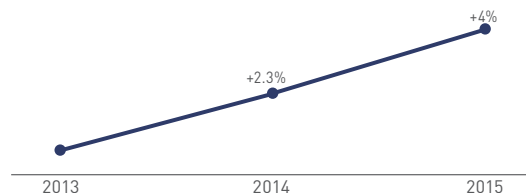
Customer feedback is routinely reviewed and considered by executives and then developed into appropriate improvement plans, all-in-all becoming an integral part of the customer satisfaction process with a complete closed loop. TSMC has maintained a focus on customer survey data not only to evaluate past performance but also as a base to identify future focus areas. TSMC acts on the belief that customer satisfaction leads to loyalty, and customer loyalty leads to higher levels of retention and expansion.

Annual Customer Satisfaction Survey Customer Overall Satisfaction Trend



Note: Customer Overall Satisfaction Score (evaluated by major customers)

Quarterly Business Review (QBR) Customer Service Score: 3-Year Trend



4.2.2 Supplier Management

4.2.2.1 Supply Chain Overview

The purchasing of TSMC can be broadly classified into six major categories— equipment, spare parts, raw materials, facilities, IT, and general affairs. To strengthen the collaboration with our suppliers, shorten product development lead time, and eliminate unnecessary costs in the supply chain for quality customer service, TSMC has been striving for localization for years and sharing the benefits with our suppliers in a win-win manner. For raw materials, the localization rate stood at 42% at the end of 2015. (Please refer to TSMC's 2015 Annual Report Ch. 5.3.4 for more information about raw material suppliers. +) With this significant achievement, TSMC has created a substantial number of employment opportunities in Taiwan.

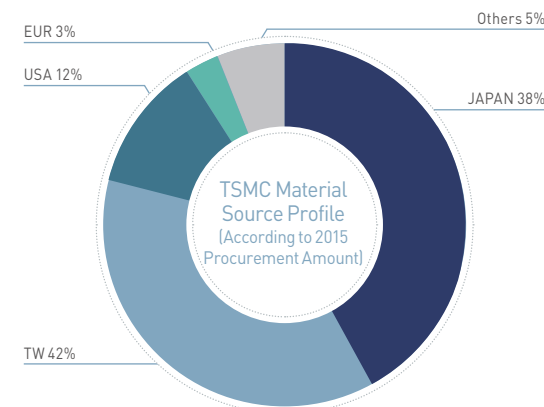
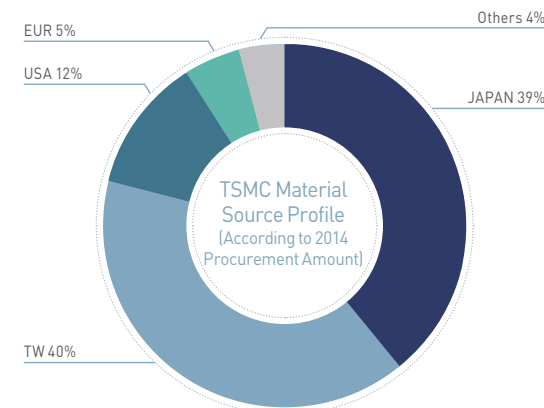
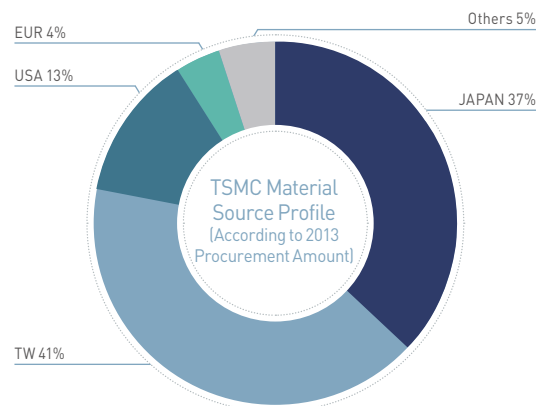




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4.2.2.2 Supply Chain Management Focus and Achievements

Without supplier's support, it is hard for TSMC to be successful in the process of leading-edge technology innovation and in challenging the limits of Moore's Law again and again. Suppliers must acknowledge and collaborate with TSMC in the requirements of quality improvement, environmental protection, social responsibilities and sustainability. The focus and achievements of supply chain management in 2015 were as follows.

Category	Goal	Achievement
Supplier Chain Risk Management	Ensuring supply	<ul style="list-style-type: none"> • Broadened "Supply Chain Risk Management Committee" and established Business Continuity Plan for certain critical advanced materials • A total of 78 specific actions have been done for supply risk reduction in 2015 • Encouraged local manufacturing for raw materials, and increased local supply to 42% in 2015
Supplier Performance Management	Ensuring supplier's performance meets TSMC's expectations	<ul style="list-style-type: none"> • Conducted critical suppliers' performance measurement in 2015 (including 53 raw material suppliers, 32 facilities and AMHS suppliers) as the reference for allocation and award • TSMC held the 15th annual Supply Chain Management forum on Dec. 3rd, 2015. Over 600 suppliers participated in the forum and 8 outstanding equipment and materials suppliers awarded
Sourcing Conflict-free Materials	Ensuring conflict-free supply chain	<ul style="list-style-type: none"> • Completed 2014 Form SD filing • As of 12/31/2015, all smelters our suppliers sourced from for our products have been certified under the CSFP as conflict-free

Green Supply Chain

TSMC is committed to building a "green supply chain", keeping an eye on global environmental issues, and exerting its influence to encourage supply chain partners to make contribution for environmental protection with TSMC together.

• TSMC Suppliers' Green Requirements

Code Compliance in Environmental Protection: Suppliers must comply with local government regulations, including air pollution control, water pollution control, waste, and toxic material management. If there are violations of law or regulations, suppliers must take corrective action in a timely manner.

Energy Saving and Carbon Reduction Management: Suppliers are required to collect carbon inventory data in their manufacturing plants, develop a product-based carbon footprint, and provide carbon reduction performance data.

Water Resources and Water Management: Suppliers should collect water inventory data in their manufacturing plants to establish a water footprint, and to provide a specific water resource management plan.

Green Products and ban of Hazardous Substances Usage: TSMC promotes "green procurement" and requires raw materials suppliers to provide a statement to ensure that their products do not contain internationally banned hazardous substances harmful to the environment to ensure that products meet customer requirements such as the EU RoHS Directive. If significant deficiencies are found in supplier environmental audits, the supplier will be asked to improve by a purchasing group manager.

Environmental Management System: Suppliers must have environmental management system certification, such as ISO 14001, RC 14001.

• Green Requirements for Process Tool Suppliers

TSMC requires equipment suppliers to consider water, power, and material conservation when designing new generations of equipment. TSMC also requires a long-term blueprint for carbon reduction and future environmental strategy. Lower power consumption accessories such high efficiency pumps, motors are the new tool purchasing standard. All these high efficiency components and energy saving design rules are included in the specification. In addition, TSMC verifies that the energy performance of each tool meets or exceeds conditions set in the procurement contract after tool installation is completed.



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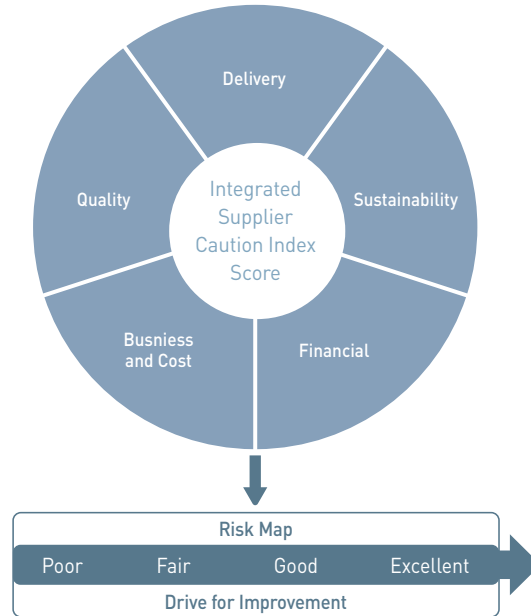
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Promoting Green Label Purchasing

TSMC encourages the use of computer servers, network equipment as well as office equipment and supplies with green labels, including computers and peripherals, recycled printer paper, recycled paper towels, and environmentally friendly cleaning supplies.



Supply Chain Risk Management

TSMC views supply chain risk management as part of the Company's competitive advantage. In a globalized world, any major natural disaster or accident can have an impact on TSMC, so we pay close attention to any risk to our supply chain partners, and take the initiative to provide assistance when necessary. Our concerns and requirements include:

- **Business Continuity Plan:** TSMC requires our suppliers to establish their own business continuity plans for a variety of potential natural or man-made threats. Appropriate plans, procedures, actions and periodic drills are required to ensure continuous operations and reduce the impact of accidents on TSMC.
- **Geographical Risk:** TSMC analyses the geographic location of manufacturers in our global supply chain using mapping tools. When a major accident or natural disaster occurs around the world, we can immediately begin business continuity plans and take the initiative to provide our supplier business partners with the resources needed to resume production.
- **Earthquake Risk Management:** TSMC proactively helps companies that need assistance by teaching them how to strengthen their antiseismic engineering.
- **Climate Change Risk Management:** Due to the increased risk of water shortage and flooding in recent years resulting from global climate change, we require our suppliers to prepare contingency plans, such as support from overseas production, to reduce the impact of such an event.
- **Fire Risk Management:** TSMC strictly asks suppliers to obey local fire codes and maintain/test their fire protection systems carefully. We believe that fires can be prevented, and share our own loss prevention and fire protection management experience with our suppliers.
- **Safety and Health Management:** TSMC requires major suppliers to obtain OHSAS 18001 certification or other health and safety management system certification.

- **Transportation Risk:** Suppliers must manage the quality of their transportation or logistic service and vehicles. In particular, appropriate training and contingency plans are required in the transport of dangerous or hazardous chemicals.
- **Suppliers' Supply Chain Risk Management:** In addition to requiring suppliers to manage their supply chain risk, we also require suppliers to have the ability to review their suppliers' risk management and to enhance the reliability of the supply chain.
- **Managing Contractors' ESH**
TSMC endeavors to be a good corporate citizen and meet its social responsibilities. We believe in going beyond providing a safe workspace for employees to establish a higher ESH standard with our partners in all industries. TSMC is committed to communicating with suppliers and contractors on environmental, safety, and health issues and encouraging them to improve their ESH performance. TSMC treats contractors like our employees and works together with them to adopt good safety protection, and leads members of our supply chain to reduce their environmental impact.
- **Identifying High-risk Work for Priority Management**
TSMC has established standards for high-risk work to strengthen contractor safety management. TSMC has been adopting high-risk work management and self-management to govern work performed by contractors since 2005. TSMC's high-risk work management classifies work that may cause injuries, casualties or major property damage as level-1 high-risk operations. These include work in confined spaces, work with electrical shock risk, hot work, or disconnection of gas or chemical piping. Work that may result in system shutdowns or production interruptions are classified as level-2 high-risk operations. TSMC explicitly defines safety precautions and control procedures to be taken by personnel according to different operations.



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•Contractor OHSAS 18001 Requirement and Worker Skill Certification

In terms of self-management, TSMC requires that contractors performing level-1 high-risk work must complete worker certification and establish their own OHSAS 18001 safety and health management system before they are eligible to bid on contracts. This self-management is aimed at increasing contractors' sense of ownership and responsibility with the goal of promoting safety awareness and technical improvement for all contractors in the industry. Workplace accidents have decreased by half since these requirements were implemented in 2005. In addition to routine audits by third party certification agencies, TSMC has conducted audits of OHSAS 18001-certified contractors since 2008. If an audit finds that a contractor is not qualified, the contractor's level-1 high-risk work qualification may be revoked. TSMC believes that we can help the community and the environment by leading our contractors to reach higher standards of environmental, safety, and health protection and create a better workplace.

•Mitigating Single Supply Risk

To reduce supply chain risk and actively manage cost, TSMC broadened "Supply Chain Risk Management Committee" in June, 2014. Hundreds of members were involved, including members from Operations, ESH, Material Management, Incoming Material Quality and Reliability and Technical Boards. We treated the 20nm team as the core and extended our tasks to 16nm, 28nm, 4Xnm, 65nm and 90nm in parallel. The goal for the committee is not only to reduce single supply (including 2nd source development and 2nd plant evaluation), but also to expend the supplier's capacity, continuously improve their quality, establish production profile and perform audits of high-risk facilities. For advanced materials' single supply risk mitigation, we successfully

completed 78 activities, and more activities will be finished in 2016. We believe that supply chain resilience can only be improved considerably by working aggressively and collaboratively with our suppliers.

Intensive Supplier ESH Auditing and Counseling

•Site Audit, Assistance & Improvement Follow-up

TSMC performs ESH audits in order to mitigate the risk of material supply interruption and fulfill our social responsibility through enhancing suppliers' ESH performance. When special concerns arise from these audits, we work with suppliers to develop appropriate solutions and provide support to meet our expectations. These solutions are executed by specified sponsors with a clear goal and time frame.

On December 24, 2015, TSMC held the annual "Supply Chain ESH forum" and invited suppliers' managers who are in charge of ESH to attend the forum. In the forum, TSMC procurement and ESH directors summarized global environmental trend including draft of Paris Agreement, major audit findings, and new ESH requirement to suppliers. TSMC ESH experts briefed the comprehensive recommendations to build up effective management systems on Environment, occupational Safety/Hygiene, Fire Protection, and Emergency Response for developing ESH management ability and reaching the target of continuous enhancement of environmental performance in TSMC supply chain.

TSMC also follows the improvement status of the suppliers whose quality, delivery and sustainability issues should be enhanced. TSMC also invites senior managers from some of our key suppliers to discuss the overall performance and asks continuous improvement to ensure

suppliers can comply with TSMC's requirements through semiannual or quarterly monitoring of key indicators through a scorecard and checklist.

TSMC continued to audit main suppliers through questionnaires and site visiting. For uplifting supplier ESH performance, TSMC sent 3 experts to audit the each supplier with high ESH risk in 2015 and found more defects. TSMC invited the top managers whose audit score is lower than average to visit TSMC and follow up the improvement status and discuss preventive actions face to face. TSMC also provided on-site assistance and experience sharing forum to promote their performance. We will pay attention to watch the improvement and continue to conduct ESH on-site audit in 2016.



110 suppliers' representatives attended 2015 TSMC ESH Forum



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Consolidated Audit Scope & Focus

● Primary ◎ Secondary ○ Optional X Null

Category	Audit content	2014 Focus	2015 Focus	2016 Focus
Quality	Quality system	●	●	●
	Process control	●	●	●
	Facility control	●	●	●
	SPC	●	●	●
	Lab capability	◎	◎	◎
ESH	Environmental regulation	●	●	●
	Climate change		◎	●
	Green supply chain	◎	●	●
	Occupational safety & hygiene	◎	●	●
	Chemical hazard management	◎	●	●
	Fire protection	●	●	●
Labor & Ethics	Labor policies	◎	●	●
	- Freely chosen employment			
	- Child labor			
	- Working hours			
	- Wages and benefits			
	- Humane treatment			
	- Non-discrimination			
	- Freedom of association			
SCRM / Conflict Minerals Management	Ethics standards	◎	●	●
	- Business integrity			
	- Protection of ID and non-retaliation			
	Business continuity plan	◎	●	●
	Supplier capacity preparation	◎	●	●
	Inventory management	●	●	●
	Conflict minerals		○	○
	- Responsible Sourcing of Minerals			

4.2.2.3 Sourcing Conflict-free Materials

TSMC is subject to the U.S. Securities & Exchange Commission (SEC) disclosure rule on conflict minerals released under Rule 13p-1 of the U.S. Securities Exchange Act of 1934. As a recognized global leader in the hi-tech supply chain, we acknowledge our corporate social responsibility to strive to procure conflict-free minerals in an effort to recognize humanitarian and ethical social principles that protect the dignity of all persons. Meanwhile, we have implemented a series of compliance safeguards in accordance with industry-leading practices such as adopting the due diligence framework in the OECD's Model Supply Chain Policy for a Responsible Global Supply Chain of Minerals from Conflict-Affected and High Risk Areas issued in 2011.

TSMC is one of the strongest supporters of the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), and this will help our suppliers source conflict-free minerals through their jointly developed Conflict-Free Smelter Program (CFSP). We have asked our suppliers to disclose and timely update information on smelters and mines since 2011. We also encourage our suppliers to source minerals from facilities or smelters that have received a "conflict-free" designation by a recognized industry group (such as the EICC). We also require those who haven't received such designation to become compliant with CFSP or an equivalent third-party audit program. TSMC requires the use of tantalum, tin, tungsten and gold in our products that are conflict-free. We will continue to renew our supplier survey annually and require our suppliers to improve and expand their disclosure to fulfill regulatory and customer requirements.

To see the latest Form SD filed with the U.S. SEC, please go to http://www.tsmc.com/english/investorRelations/sec_filings.htm or www.sec.gov and search under the "Company Filings" section. +

Note: For purposes of this section, "conflict-free" minerals refer to: (i) minerals that are derived from smelters (or other relevant sources) that have been validated by the EICC and GeSI CFSP (or an equivalent entity); or (ii) minerals that have been deemed as "DRC conflict free" (as defined under relevant law) under a country of origin reasonable inquiry determination and due diligence framework.

4.2.2.4 Supplier Capability Build-up

Strengthening Supplier Performance Management

TSMC focuses on supply chain sustainability management by setting ongoing targets and scoring suppliers on quality, cost, delivery, service and sustainability. TSMC periodically audits suppliers and encourages them to comply with TSMC's purchasing strategies. In 2015, TSMC continued its survey and performance measurement on silicon wafers, reclaim wafers, gas, chemicals, quartz parts, masks and other raw materials suppliers, covering more than 90% of our total raw material purchase value. TSMC also encourages suppliers who



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collaborate with TSMC to diversify risk factors. We welcome all qualified suppliers to join and strengthen the TSMC supply chain.

Recognizing Excellent Suppliers

TSMC held its 15th annual Supply Chain Management forum on Dec. 3, 2015, with a theme of "Collaborate and Win Together". To show appreciation for the support and contributions of its suppliers during the past year, TSMC recognized and awarded 8 outstanding equipment and materials suppliers. As usual, over 600 suppliers around the world in the variety of fields of equipment, materials, packaging, testing, facilities, IT systems and services, and environmental and waste management services participated in the forum. TSMC President and Co-CEO Dr. Mark Liu shared the progress TSMC was making in the advanced technology nodes in the forum and highlighted some areas where TSMC needs to collaborate even more closely than before to overcome the challenges, including Moore's Law extension, power efficiency improvement and waste reduction in the future.



TSMC President and Co-CEO Dr. Mark Liu gave a keynote speech in 2015 TSMC 15th Supply Chain Management Forum

4.3 EICC Membership

As the world's largest dedicated semiconductor foundry, TSMC is committed to ensuring that working conditions in its supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically. In reflection of this commitment, TSMC in December 2014 became an applicant member of the Electronic Industry Citizenship Coalition (EICC) **+**, the largest coalition of electronics companies committed to supporting the rights and wellbeing of workers and communities affected by the global electronics supply chain. Following months of intensive collaboration with both internal and external stakeholders, TSMC was accepted by the EICC to become a full member in September 2015 after presenting code adoption evidence. The transition took a little more than 9 months, shorter than 12 months as originally planned and 24 months as required by the EICC.

The significance of being a full member is that all aspects of TSMC's business are now aligned with the EICC Code of Conduct. TSMC went through a meticulous due diligence process to make sure that its own code of conduct is consistent with and no less stringent than the EICC Code. A number of internal policies and procedures applicable to all facilities worldwide had to be changed to make this possible. For example, forbidding the use of forced labor and child labor is now explicitly spelled out in the staffing policy, even though TSMC has never engaged in such employment practice. In the employee grievance procedure, anonymity can now be guaranteed to ensure employees are able to raise any concerns without fear of retaliation.

TSMC has also established its own Supplier Code of Conduct **+** based upon the EICC Code. Available in both English and Chinese, the Supplier Code of Conduct is published on the TSMC Supply Online **+** to increase its accessibility for workers in the supply chain. All suppliers are required to sign a compliance agreement and agree to be bound by the Code before they could do business with TSMC. On top of that, TSMC also obliges its direct suppliers to ensure that the Code requirements are met by their sub-suppliers, contractors, and service providers. To ensure that the Code stays relevant to evolving issues and trends, TSMC reviews the Code at least once every two years. In fact, the Code has seen three revisions since its inception, each time getting more stringent than before.

The EICC Code of Conduct is a set of standards on social, environmental and ethical issues in the electronics industry supply chain and is in alignment with the UN Guiding Principles on Business and Human Rights, as well as key international human rights standards including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. The Code of Conduct contains provisions in the following areas:



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Labor	
<ul style="list-style-type: none"> • Freely Chosen Employment • Young Workers • Working Hours • Wages and Benefits 	<ul style="list-style-type: none"> • Humane Treatment • Non-Discrimination • Freedom of Association
Health and Safety	
<ul style="list-style-type: none"> • Occupational Safety • Emergency Preparedness • Occupational Injury and Illness • Industrial Hygiene 	<ul style="list-style-type: none"> • Physically Demanding Work • Machine Safeguarding • Sanitation, Food, and Housing • Health and Safety Communication
Environmental	
<ul style="list-style-type: none"> • Environmental Permits and Reporting • Pollution Prevention and Resource Reduction • Hazardous Substances • Wastewater and Solid Waste 	<ul style="list-style-type: none"> • Air Emissions • Materials Restrictions • Storm Water Management • Energy Consumption and Greenhouse Gas Emissions
Ethics	
<ul style="list-style-type: none"> • Business Integrity • No Improper Advantage • Disclosure of Information • Intellectual Property 	<ul style="list-style-type: none"> • Fair Business, Advertising and Competition • Protection of Identity and Non-Retaliation • Responsible Sourcing of Minerals • Privacy
Management System	
<ul style="list-style-type: none"> • Company Commitment • Management Accountability and Responsibility • Legal and Customer Requirements • Risk Assessment and Risk Management • Improvement Objectives • Training 	<ul style="list-style-type: none"> • Communication • Worker Feedback and Participation • Audits and Assessments • Corrective Action Process • Documentation and Records • Supplier Responsibility

4.3.1 The EICC Task Force

Within the company, the EICC program is a team effort involving multiple divisions including Supply Chain, Operations, Human Resources, Environment, Safety and Health (ESH), Public Relations, Investor Relations, Customer Service, and Legal. The team runs in the form of a task force, and its members meet regularly to address priorities and chart necessary course of action. To enforce managerial accountability, the task force reports to two Senior Vice Presidents who respectively lead the Supply Chain division and the CSR Committee, and the latter in turn reports the company's CSR progress to the Board of Directors regularly. The taskforce also distributes a quarterly bulletin to all the internal stakeholders to report progress and escalate issues.

Different from many other companies, the task force operates under the coordination of the Supply Chain division and such an arrangement is deliberate. In a relative sense, TSMC believes that the risks associated with its suppliers are higher and the Supply Chain division is naturally the ideal candidate for driving supplier performance elevation.

4.3.2 Self-Assessment and Verification

Every year, TSMC makes use of a standardized risk assessment template called the Self-Assessment Questionnaire [SAQ] developed by the EICC to identify the highest social, environmental and ethical risks in its operations, and to put in place systems to prevent violations from occurring. For the reporting year of 2015, TSMC completed the assessment at the corporate level and at the facility level for all its manufacturing plants around the globe. TSMC can now report an overall "low risk" ranking for the business and the results are summarized in the table below:



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Entity	Assessment Score	Risk Classification
Corporate	95.3%	Low Risk
Fab 2, Taiwan	92.9%	Low Risk
Fab 3, Taiwan	93.1%	Low Risk
Fab 5, Taiwan	92.9%	Low Risk
Fab 6, Taiwan	92.6%	Low Risk
Fab 8, Taiwan	92.8%	Low Risk
Fab 10, China	95.7%	Low Risk
Fab 11 (WaferTech L.L.C.), USA	89.7%	Low Risk
Fab 12A, Taiwan	92.9%	Low Risk
Fab 12B, Taiwan	92.9%	Low Risk
Fab 14A, Taiwan	92.6%	Low Risk
Fab 14B, Taiwan	92.8%	Low Risk
Fab 15, Taiwan	92.9%	Low Risk
Advanced Backend Fab 1, Taiwan	93.9%	Low Risk
Advanced Backend Fab 2, Taiwan	93.6%	Low Risk

Understanding the limitation of any self-assessment, TSMC has put together a plan to execute VAP (Validated Audit Process) audits for all its facilities over a two year period starting 2016. The VAP is the EICC standard for effective, shareable audits carried out by independent, third-party auditors specially trained in social and environmental auditing and the VAP audit protocol. The audit reports, once available, will be published through the electronic EICC-ON platform such that TSMC's customers can easily access them.

TSMC's VAP Plan (valid as of March, 2016)

Period	Facility	Third Party Auditor
2Q16	Fab 14A	TÜV Rheinland
3Q16	Fab 12A, Fab 6, Fab 3	TÜV Rheinland
4Q16	Fab 15, Fab 8	TÜV Rheinland
1Q17	Fab 10, Fab 2, Fab 5	(To be determined)
2Q17	Fab 11, Fab 14B, Fab 12B	(To be determined)
3Q17	Advanced Backend Fab 1, Advanced Backend Fab 2	(To be determined)

For the uninitiated, the execution of VAP audits is not a mandatory EICC membership requirement in the absence of any "high-risk" facility, much less a plan that covers all facilities. Through the proactive move, TSMC aspires to correct the occasional but false impression that the company hires foreign migrant workers and that working conditions in its facilities are poor simply because its main operations are based in Taiwan. This could not be further from the truth. More importantly, the VAP audits will afford TSMC a great opportunity to identify weaknesses in its operations and make material changes for the better, a commitment TSMC undertakes as a member of the EICC.

4.3.3 Supplier Assessment and Verification

Risks Identification

The number of TSMC's suppliers is large and the industries they represent diverse, and as such a methodical risk management process becomes indispensable. In the first step of the process, all the major suppliers representing the top 80% of procurement spending are requested to complete the EICC SAQ at both the corporate and facility levels so that TSMC can gain an understanding of social and environmental risks. Subsequently the process goes beyond this limited group of suppliers by measuring the geographic risks and product risks of all other suppliers. Last but not least, concerns brought to us via our grievance channel or external stakeholders are factored in to draw up a composite yet holistic risk map.



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In 2015, the top 80% of procurement spending went to 24 major suppliers manufacturing for TSMC in 83 facilities worldwide. It is worth pointing out that the vast majority of them are located in Japan, the United States, and Western Europe – developed regions generally associated with better social and environmental standards and performance. In addition, given the limited and diminishing pool of suppliers in the semiconductor industry, reasonable assurance could be obtained that these suppliers are also the main suppliers of other semiconductor companies who have joined the EICC earlier. Low risk aside, improvement efforts focusing on these suppliers would likely be duplicative and redundant in nature.

Major Suppliers and Their Supplying Facilities

Supplier	Headquarters Location	Assessment Score – Corporate	Locations of Supplying Facilities	Assessment Score – Facility
A	Allentown, PA, USA	97.5	Banwol, S. Korea	90.7
B	Santa Clara, CA, USA	94.8	1) Austin, TX, USA, 2) Gloucester, MA, USA, 3) Kalispell, MT, USA, 4) Santa Clara, CA, USA, 5) Rehovot, Israel, 6) Changi, Singapore	85.9 - 91.9
C	Veldhoven, Netherlands	95.2	1) Veldhoven, Netherlands, 2) San Diego, CA, USA, 4) Wilton, CT, USA, 3) New Taipei, Taiwan	90.3 - 93.3
D	Ludwigshafen, Germany	99.6	Taoyuan, Taiwan	95.7
E	Aurora, IL, USA	94.5	1) Mie, Japan, 2) Kaohsiung, Taiwan, 3) Hsinchu, Taiwan, 4) Tainan, Taiwan	94.3 - 95.2
F	Tokyo, Japan	90.3	1) Kumamoto, Japan, 2) Kanagawa, Japan	92.5 - 93.4
G	Billerica, MA, USA	84.2	1) Kedah, Malaysia, 2) Burnet, TX, USA, 3) Danbury, CT, USA	81.1 - 88.3
H	Yunlin, Taiwan	76.8	Yunlin, Taiwan	81.7

Supplier	Headquarters Location	Assessment Score – Corporate	Locations of Supplying Facilities	Assessment Score – Facility
I	Tokyo, Japan	87.5	1) Mesa, AZ, USA, 2) Hukou, Taiwan, 3) Shizuoka, Japan	90.8 - 96.5
J	Tokyo, Japan	94.4	1) Ibaraki, Japan, 2) Yamaguchi, Japan	92.1
K	Tokyo, Japan	90.0	1) Leuven, Belgium, 2) Sunnyvale, CA, USA, 3) Mie, Japan, 4) Saga, Japan	88.2 - 94.1
L	Tokyo, Japan	98.6	1) Ibaraki, Japan, 2) Chandler, AZ, USA	93.4 - 94.7
M	Milpitas, CA, USA	95.3	1) Migdal Ha'Emek, Israel, 2) Milpitas, CA, USA, 3) Serangoon, Singapore	89.3 - 91.1
N	Fremont, CA, USA	83	1) Livermore, CA, USA, 2) Tualatin, OR, USA	87.0 - 88.2
O	Munich, Germany	87.7	1) Alpha, NJ, USA, 2) Medford, OR, USA, 3) Taoyuan, Taiwan, 4) Taichung, Taiwan	88.1 - 89.6
P	Kyoto, Japan	86.5	Shiga, Japan	93.8 - 94.4
Q	Tokyo, Japan	93.7	Niigata, Japan	93.7
R	Tokyo, Japan	93.7	1) Vancouver, WA, USA, 2) West Lothian, UK, 3) Selangor, Malaysia, 4) Fukushima, Japan, 5) Hsinchu, Taiwan, 5) Fukui, Japan, 6) Gunma, Japan, 7) Niigata, Japan, 8) Nagano, Japan	85.2 - 94.6
S	Munich, Germany	96.5	1) Bavaria, Germany, 2) Saxonia, Germany, 3) Portland, OR, USA, 4) Tampines, Singapore	94.5 - 96.1
T	Tokyo, Japan	92.6	1) Phoenix, AZ, USA, 2) Albuquerque, NM, USA, 3) Miyazaki, Japan, 4) Saga, Japan, 5) Nagasaki, Japan, 6) Hokkaido, Japan, 7) Yamagata, Japan	91.9 - 93.2



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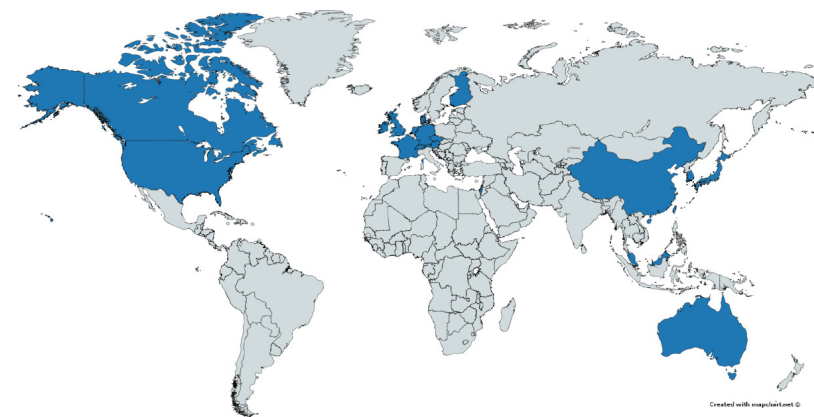
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Supplier	Headquarters Location	Assessment Score – Corporate	Locations of Supplying Facilities	Assessment Score – Facility
U	Saint Peters, MO, USA	93.1	1) Saint Peters, MO, USA, 2) Tochigi, Japan, 3) Novara, Italy, 4) Cheonan, S. Korea, 5) Selangor, Malaysia, 6) Kedah, Malaysia, 7) Hsinchu, Taiwan	85.3 - 95.5
V	Minato, Tokyo, Japan	89.5	1) Kumamoto, Japan, 2) Miyagi, Japan, 3) Iwate, Japan, 4) Yamanashi, Japan, 5) Chaska, MN, USA, 6) Billerica, MA, USA	83.8 - 92.1
W	Boston, MA, USA	91.0	North Reading, MA, USA	89.7
X	Kanagawa, Japan	91.6	Fukushima, Japan	91.9

When the assessment scope was expanded to include all the suppliers of TSMC, another picture emerged. Overall, the manufacturing operations of these suppliers took place in over 20 countries all over the world. Among them, China, Malaysia, and Taiwan fell into the higher-risk category as defined by a third party service provider. Put simply, labor conditions in particular remain a concern with these three countries. According to China Labor Watch, the issues of child labor and inadequate working conditions continue to plague many Chinese factories. Verité in a recent report pointed out that forced labor “can indeed be characterized as widespread” in Malaysia’s electronic sector. The situation with Taiwan is rather different in that the main problem lies with the ingrained culture of long working hours, based in part to the Taiwan Human Rights Report published by the U.S. Department of State. All considered, suppliers operating in these countries were classified as “target suppliers” who were then subject to stringent requirements as explained in the following section.

Countries in which TSMC’s Suppliers Operate



Suppliers^{Note} Operating in China and Malaysia

Supplier	Facility Location	Supplier	Facility Location
A	Ningbo, China	E	Kedah, Malaysia
B	Shanghai, China	F	Selangor, Malaysia
C	Yongchun, China	G	Kedah, Malaysia and Selangor, Malaysia
D	Hangzhou, China		

Note: Manufacturing for TSMC’s facilities in Taiwan



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Supplier Audits

To ensure suppliers fully integrate TSMC's Supplier Code of Conduct into their operations and to ultimately empower them to take responsibility for their supply chain, on-site audits are regularly conducted. Based upon the assessment performed in the preceding section, in 2015 TSMC focused its audit resources on the "target suppliers" who were subdivided into two groups called local and foreign. Suppliers in Taiwan were audited by TSMC personnel, whereas suppliers in China and Malaysia were requested to conduct VAP audits by engaging certified third-party auditors who are familiar with local laws.

Every on-site audit in Taiwan was led by a Supply Chain member and supported by associates from Human Resources, Legal, ESH, Waste Management, and Industrial Safety and Environmental Protection (ISEP) divisions who are experts in their respective fields. Since the Supply Chain division coordinates the whole audit operations, in 2015 alone four separate training workshops (on the Supplier Code of Conduct, general audit skills, effective labor audits, and working hours and wages review) were carried out for more than 25 division members to ensure they have the necessary knowledge and skills.

During each audit, plant inspections, document reviews, and interviews with management and employees are carried out. As an integral part of the overall supplier management process, a total of 60 on-site audits were performed (for material suppliers only because the number of local equipment suppliers was negligible) in 2015 to ensure suppliers' compliance with a multitude of standards, including those on labor, ethics, environment, safety, and health. The number of audited facilities for the year represented more than 65% of all facilities producing materials for TSMC in Taiwan. The following tables summarize the audit results and findings.

Category	Average Score	Average Number of Non-compliances per Audit
Labor & Ethics	72.0	3.7
Environmental, Safety and Health	71.9	9.8

Category	Common Non-compliances
Labor & Ethics	<ul style="list-style-type: none"> • Lack of documented policy forbidding working hours in excess of 60 per week (including overtime, except in emergency situations) and working for seven consecutive days • Staffing policy did not explicitly prohibit forced labor and child labor; age verification during recruitment was not thoroughly enforced • Lack of comprehensive grievance procedure that protected the identity of employees to ensure non-retaliation • Lack of regular training and promotion with anti-corruption rules for employees • Although nearly all suppliers had a basic anti-corruption clause in their work rules for employees, a few of them explicitly defined the criteria of gift giving and receiving
Environment, Safety and Health (ESH)	<ul style="list-style-type: none"> • Lack of clear ESH rules and equipment maintenance procedures, resulting in haphazard implementation • Lack of risk assessment and mitigation efforts to address climate change. Some suppliers didn't perform carbon inventory and product carbon footprint management • Improper classification, declaration, and storage of waste • Engagement of disreputable waste disposal vendors due to the lack of vendor background checks

At the time of this writing, TSMC has guided the 7 suppliers in China and Malaysia in completing the EICC SAQ at both the corporate and facility levels. They are now in the process of getting the VAP audits executed by 4Q16 as demanded by TSMC.

Compliance Gap Closure

For audits performed by TSMC personnel, each non-compliance unearthed triggers a Corrective Action Request (CAR), and depending on severity a CAR may be labeled as Priority or Regular. To facilitate the closure process, every single CAR is registered and tracked on a web-based system accessible also to the company's suppliers. Obviating the need to track manually, the system dispatches reminders and alerts to owners whenever necessary. Remediation timeline can vary based on many factors, but in general suppliers are given one to six months to implement correction action plans. For certain non-compliances such as life-threatening working conditions, immediate action is demanded. Regardless of severity, all non-compliances must be remediated and a CAR can only be closed when rectification evidence is provided and documented in the tracking system. As of February 2016, the closure rate for all the CARs registered in 2015 stood at 80%.



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In cases where satisfactory progress cannot be attained, escalation to the supplier management will be performed. If however a supplier is still not committed to change, further remedial actions including business volume reduction or even business relationship termination will be taken. To reinforce the company's expectations, TSMC also integrates labor, ethics, and ESH considerations into its supplier scorecard and awards program. The scorecards are reviewed by a dedicated management committee on a quarterly basis, and the performance ratings are the centerpiece of TSMC's annual supplier awards nomination criteria.

Deepening Commitment

Although the EICC is primarily concerned with suppliers directly relevant to production, on-site service providers such security, wafer transportation trucks, shuttles, canteen, facility suppliers, in TSMC's opinion, deserve special attention because their workers are more vulnerable to having their entitlements denied and more often than not they lack the capacity to secure them. As part of TSMC's commitment to uplift society, TSMC would expand its labor audits to include these suppliers and this would translate to at least 50 additional audits in 2016. Working hours and wages review will be one of the focus areas of these audits primarily because TSMC has in the past received relevant complaints from supplier employees. To this end, TSMC has developed its own working hours and wages assessment template that is consistent with both the Taiwan Labor Code and the Supplier Code of Conduct. TSMC does foresee major challenges in assessing these suppliers with the Code because many of them are small in scale and may be unfamiliar with industry expectations. To bridge the gap, TSMC will continue to host outreach and training sessions for its suppliers regularly.



■ Outreach for Suppliers on EICC at 2015 TSMC Supply Chain Management Forum

■ 2015 Environmental, Health and Safety Training for Suppliers

4.3.4 Waste Reduction of Suppliers

Waste disposal and management have always been a challenge for large scale manufacturers. Incineration and landfills are common disposal approaches when recycling is not feasible, but they do pose the risk of air and soil contamination. Instead of dealing with waste after it is generated, TSMC believes that the better approach is to reduce it at the source. To that end, TSMC has a very aggressive waste reduction plan internally that would see a double-digit reduction (on a per-wafer-layer basis) year over year through 2018. As an extension of the undertaking, TSMC also encouraged its local suppliers with larger waste footprint to establish similar reduction programs. Throughout the process, TSMC's buyers conducted a series of communication meetings with the management of these suppliers, explaining to them the risks in Taiwan's disposal industry and sharing with them TSMC's reduction approaches. Remarkably, all of them answered the call positively. Collectively, they on average pledge to reduce their unit waste production by 24% against the 2014 baseline by 2020. So far, the progress has been satisfactory with multiple suppliers outperforming their original goals. Notable initiatives include recycling oil sludge into cutting oil with some wafer suppliers, and flushing storage tanks with used washing chemicals for the final wash cycles with some chemical suppliers. TSMC will continue to work with them in the coming years to ensure they advance towards their goals.

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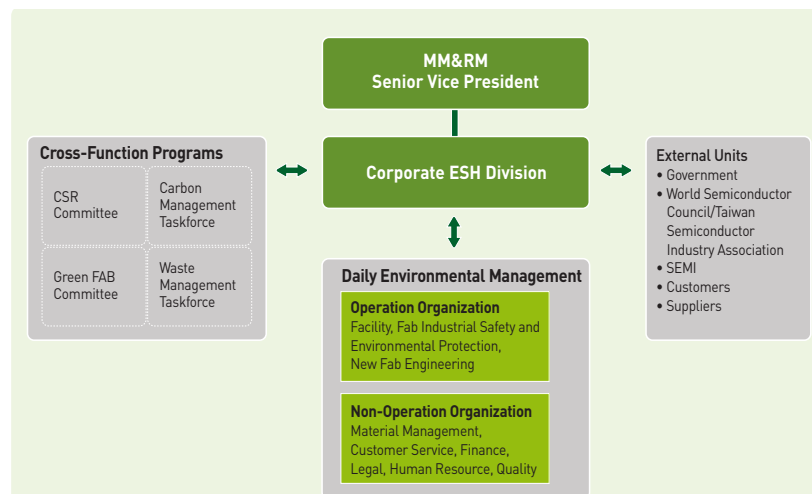
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TSMC acknowledges responsibility for environmental protection. We not only comply with the environmental regulations of the locations where we operate, but also track new developments in global environmental issues, and take the lead in adopting new environmentally friendly measures. In addition to protecting the environment of our manufacturing sites in Taiwan and around the world, we lead our suppliers to establish a green supply chain. At the same time, TSMC also shares environmental protection knowledge and offers recommendations to the government to face a variety of new challenges together. A summary of TSMC's environmental protection approaches follows:

Organization

TSMC strives for corporate social responsibility and effective management of environmental issues to achieve its vision of environmental sustainability. In addition to Corporate ESH Division, which acts as an overall coordinator for external communication and internal integration, we have also formed cross-function taskforces including the "Carbon Management Platform", "Green Fab Committee", and "Waste Management Taskforce" to promote cross-function projects for energy saving, carbon reduction, water saving, and waste reduction. We conduct environmental protection tasks rigorously and report to the Board of Directors through the CSR Committee. In addition, we interpret our environmental management strategy, performances and trends through our CSR Report.



TSMC Environmental Policy

Since its establishment, TSMC has not only strived for the highest achievements in its core business of dedicated IC foundry services but has also actively developed positive relationships with all stakeholders including employees, shareholders, customers, suppliers, and society to fulfill its responsibility as a corporate citizen and pursue a sustainable future.

Vision

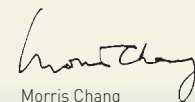
To promote environment sustainability and to be a world-class company in environmental protection management

Strategy

- Continue promoting green fabs, green manufacturing, green supply chains and managing environmental risks
- Pursuing the highest consumption efficiency of energy, water, and other resources, and actively engaging in waste reduction and pollution prevention
- Collaborating with external parties to reduce environmental impact together

Guiding Principles

- Meeting or surpassing international environmental laws and standards
- Staying abreast of global climate change trends, evaluating risks and opportunities, and executing effective management measures for energy saving and water conservation
- Adopting environmentally-friendly actions, enhancing performance of energy and resource consumption, waste management and pollution control, and building up a green supply chain for the semiconductor industry with suppliers and customers through audit and collaboration
- Enhancing every employee's awareness and sense of accountability for environmental protection
- Sharing environmental expertise and experience, and aiming to collaborate with industry, government, academia, and all of society to address the challenges of climate change



Morris Chang
Chairman



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Environmental Goals, Achievements and Continuous Programs

Category	Goal	Performance Indexes	2015 Achievements	Continuous Programs
Greenhouse Gas Reduction	<ul style="list-style-type: none"> Reduce unit wafer GHG emission to 18% below the year 2010 level by 2020 Reduce unit wafer PFC emission to 60% below the year 2010 level by 2020 	Tons of CO ₂ equivalent/8-inch wafer equivalent-mask layer	<ul style="list-style-type: none"> Unit wafer GHG emission in 2015 were 8.9% less than 2010 Unit wafer PFC emission in 2015 were 46.7% less than 2010, 11.1% less than 2014 	<ul style="list-style-type: none"> Establish corporate carbon management platform to promote carbon reduction programs Adoption of PFC emission reduction best practices recognized by the World Semiconductor Council Evaluate Nitrous Oxide emission reduction Evaluate low global warming potential coolants for process equipment
	Reduce total Greenhouse Gas(GHG) emission <ul style="list-style-type: none"> Reduce total PFC emission 20% below the year 2010 level by 2020 	Tons of CO ₂ equivalent	PFC emission in 2015 were 1.6% less than 2014	
Energy Conservation	<ul style="list-style-type: none"> Reduce unit wafer power usage to 2% below the year 2010 level by 2015 Reduce unit wafer power usage to 12% below the year 2010 level by 2020 	kWh/8-inch wafer equivalent-mask layer	Unit wafer power usage in 2015 were 6.6% less than 2010, achieved 2015 goal	<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 Continuous installation of energy saving and recovery systems Collaborate with process equipment vendors and material suppliers to reduce energy consumption in production
		NTD/kWh	Added Value of unit power usage is 1.13 times of nationwide average and 1.72 times industrial average	
Water Conservation	<ul style="list-style-type: none"> Reduce unit wafer water usage to 2% below the year 2010 level by 2015 Reduce unit wafer water usage to 30% below the year 2010 level by 2020 	Liter/8-inch wafer equivalent- mask layer	Unit wafer water usage in 2015 were 29% less than 2010, achieved 2015 goal; 3.7% less than 2014	<ul style="list-style-type: none"> Support governmental policy to adopt the use of municipal recovery water Evaluate to build the wastewater recovery plant
		NTD/Ton	Added Value of unit water usage is 18.59 times of nationwide average and 5.01 times industrial average	
Waste Management	<ul style="list-style-type: none"> Achieve 95% and above waste recycling rate by 2015 	Waste Recycling Rate (%)	<ul style="list-style-type: none"> Achieved a waste recycling rate of more than 95% in 2015, which is the 7th consecutive year greater than 90% Achieved a waste landfill rate of 0.17%, which is the 6th consecutive year less than 1% 	<ul style="list-style-type: none"> Requiring process tool vendors to provide low chemical consumption tools Collaborating with suppliers to develop new waste recycling technologies
Pollution Control	"Zero pollution" for air emission, wastewater, wastes and groundwater	Test results compliance rate (%); Governmental audit result	100% achievement in 2015	Continue to promote ISO 14001 Environmental Management System
Compliance with International Protocols	Fully comply with EU RoHS	Legal compliance rate	Fully complied with legal requirements in 2015	Continue to promote QC 080000 Hazardous Substance Management System



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Selection of Material Environmental Topics

TSMC has a long-term record of assisting governments in establishing regulations, promoting projects and providing recommendations. We understand the environmental concerns of stakeholders, including customers, investors, government and communities, through participation in environmental sustainable activities and the mailbox on our company's website. Following material topic analysis of stakeholders' concerns and the level of impact on our company, we have concluded that the most material environmental topics in 2015 were global climate change, energy management, water management, pollution prevention, supplier environmental performances, green products, chemical management and external environmental impact assessment and control. [Please refer to 4.2.2 Supplier Management "Supply Chain Management" + for supplier environmental performances, and 6.4.4.2 Safety and Health Management and Implementation "Occupational Safety and Health" + for chemical management for other material topics in this Chapter.]

5.1 Material Environmental Topics

5.1.1 Climate Change

TSMC is Highly Concerned about Climate Change

Climate change is a major environmental concern for the United Nations as well as governments, societies, and industries around the world that impacts global ecosystems and human lifestyles, health

and economy. TSMC believes corporations will inevitably be affected by climate change and should take responsibility for mitigation. Therefore, the "TSMC CSR Policy" and "TSMC Environmental Policy" approved by the Chairman declares that the response to climate change is one of our most important responsibilities and strategies. We continuously monitor global climate change and international response trends as one of our material enterprise risk management items to be evaluated and controlled, with regular reviews by senior executives, and reports are made to the Audit Committee of the TSMC Board of Directors.

5.1.1.1 TSMC's Climate Change Response Strategy

Climate Change Management Process

The Corporate ESH Division is responsible for regular integration of goals, strategies and actions for climate change mitigation and adaption, and manages related units through a Plan-Do-Check-Act (PDCA) cycle. Due to the importance of climate change, TSMC has also established a "TSMC Carbon Management Platform" for regulatory compliance, process carbon reduction, and management of internal/external carbon credits.

TSMC Climate Change Strategy

1. Do the best on what we can do
 - Consider both climate change mitigation and adaptation
 - Consider both green manufacturing and green products

2. Expand core influences of our company and build on our achievements
 - Lead to establish a low carbon supply chain and build climate change adaptability
 - Integrate industry, government and academia to solve climate change issues

TSMC's Approaches to Climate Change Response

TSMC not only continues to inventory and reduce its own greenhouse gas (GHG) emissions, but also takes action on climate change mitigation and adaption in cooperation with industry, government and academia, including risk assessment and measures such as flood and drought control. These measures have grown to gradually cover TSMC's supply chain in recent years, and we monitor our progress in mitigation through product carbon footprints and water footprints. These measures also reduce operational risk for the company caused by climate change, and help to fulfill the company's social responsibility.

In practice, TSMC responds to climate change impacts through an enterprise risk management approach.



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Monitoring Climate Change Risks and Opportunities in Three Dimensions

Dimension	Aspects	Risk		Opportunity		Management
Regulations	Cap and trade schemes	Reduction in production capacity	Medium-High	Maximized the production capacity because of the lowest emission	Medium	<ul style="list-style-type: none"> Continue to monitor legislative trends and elaborate the action plans Communicate with the authorities to prioritize the regulation of cap and trade scheme Communicate with governments through industrial organizations and associations to set reasonable and feasible legal requirements Keep update the carbon footprint of products and become a standard in semiconductor industry Collaborate with process tool suppliers to lowering the energy and raw materials consumed per unit area in the manufacturing stage
	Fuel/Energy taxes and regulations	Increased operational cost	Medium-High	Encouraged renewable energy/ carbon capture and storage/Energy saving conduct development to reduce operational cost.	Medium-High	
	Emission reporting obligations	Increased operational cost	Low	Encouraged the emission reduction to gain more carbon credits.	Low-Medium	
	Voluntary Agreements	Increased capital cost	Low-Medium	Encourage the emission reduction to gain more carbon credits.	Low-Medium	
	Product efficiency regulations and standards	Reduced demand for goods	Low	Increased demand for high efficiency products	Medium-High	
Physical changes	Precipitation extremes and droughts and typhoons	Reduction/disruption in production capacity	Low-Medium	Required for a higher adapted production capacity	Low-Medium	<ul style="list-style-type: none"> Collaborate with central governments to assess and mitigate climate natural disaster risk in three Taiwan Science Parks Assess flood potential caused by climate change and develop risk mitigation mechanisms Raise the foundation height of newly constructed fabs and install floodgates for fabs located in low-altitude areas
	Average temperature and sea level Rising	Reduction/disruption in production capacity	Low-Medium	Required for a higher adapted production capacity	Low-Medium	
Others	Reputation	Reduced stock price	Medium-High	Recognized by surpass the requirements	Medium-High	<ul style="list-style-type: none"> Not only meet local and international code requirements, but also surpass the requirements to reach higher environmental performance Share experience with industries for the common good Assist and require TSMC suppliers to establish a GHG inventory system and conduct reduction programs
	Consumer Behavior	Reduced demand for goods	Medium-High	Increased demand for lower carbon footprint products	Medium-High	
	Supply chain	Increased operational cost	Medium	Enhanced the stability of our supply chain	Low-Medium	
	Socio-economic condition	Reduction/disruption in production capacity	Medium	Reduced the impact of higher power loading season by energy saving conduct	Medium	



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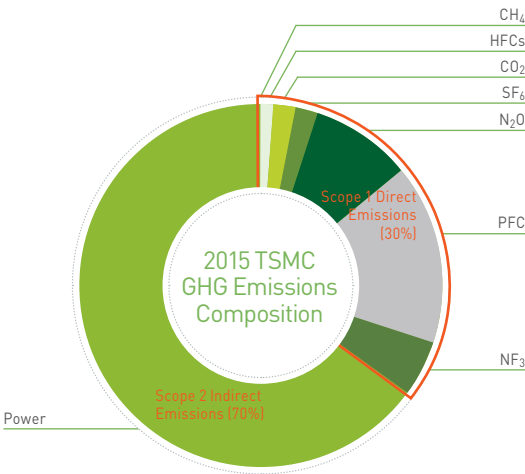
5.1.1.2 Greenhouse Gas Inventory

TSMC believes reducing GHG emissions is a key method for mitigating global warming and climate change, and conducting an inventory provides supporting data for reduction. An accurate inventory allows us to set priorities and reduction goals, raise the efficiency of the reduction process, and confirm reduction results. Therefore, we believe it is better to inventory greenhouse gases as early as possible.

TSMC believes that a company must know its actual GHG emissions as the first step toward energy conservation and carbon reduction, and has made this reduction an important part of its green supply chain since 2008. In addition to organization-level inventory, TSMC has also extended carbon inventories to our supply chain. In doing this, TSMC can establish a capability for product-level carbon footprint inventory and carbon management, thus increasing the competitive advantage of the products we manufacture. These efforts have won recognition from government, domestic and international environmental groups, major investors, and customers.

TSMC's GHG emissions can be categorized into Scope 1, 2 and 3 sources. Scope 1 emissions are the direct emissions of TSMC fabs including process gases (PFCs, HFC, N₂O, CH₄ and CO₂), fuel combustion such as natural gas, gasoline and diesel, and fugitive emissions from septic tanks and firefighting equipment. Scope 2 emissions are mainly indirect emissions coming from purchased energy such as electricity and steam. TSMC's scope 2 emissions are primarily from purchased electricity. Scope 3 emissions are mainly indirect emissions including employee business travel, product and raw material transportation, suppliers' manufacturing, and waste disposal. Scope 1 and 2 emissions are calculated according to our annual inventory data; Scope 3 emissions are estimated by: [1] Statistical data: employees' business travel distances, and fuel consumed by

shuttle buses and product shipping. [2] Carbon footprint database: raw materials production and transportation, waste disposal and transportation.

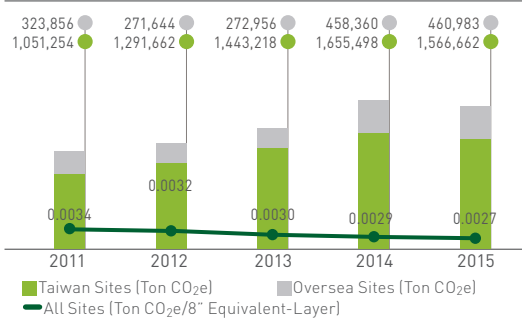


In 2005, TSMC set up a GHG emissions inventory procedure for each TSMC fab in Taiwan. Each fab is required to complete scope 1 and scope 2 GHG emissions inventory for the previous year and receive official ISO 14064-1 certification issued by an external verification party. TSMC also set up a dedicated internal ESH information system for each fab to register GHG inventory data regularly.

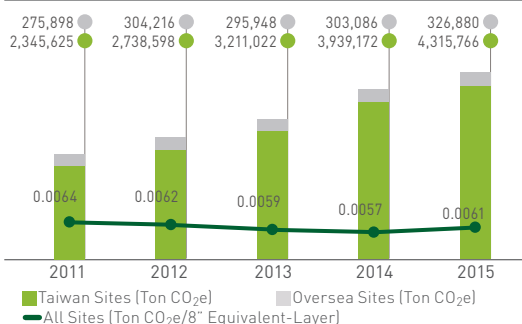
TSMC China and WaferTech have also adopted ISO 14064-1 standards and gained 3rd party certification for their GHG inventory as well, and submit their inventory results to TSMC headquarters annually.

TSMC annual Scope 1&2 GHG inventories are as below.

TSMC Scope 1 GHG Emissions



TSMC Scope 2 GHG Emissions



Note: TSMC Taiwan fabs' scope 2 GHG emissions have been revised according to the newest electricity emission factor announced by the Bureau of Energy, Ministry of Economic Affairs, R.O.C.



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GHG Information Disclosure

TSMC takes a pro-active attitude towards carbon disclosure, and publicly discloses climate change information through a variety of channels. We constantly review ourselves and obtain recommendations from external parties through continuous information disclosure. The related disclosure channels are as follows:

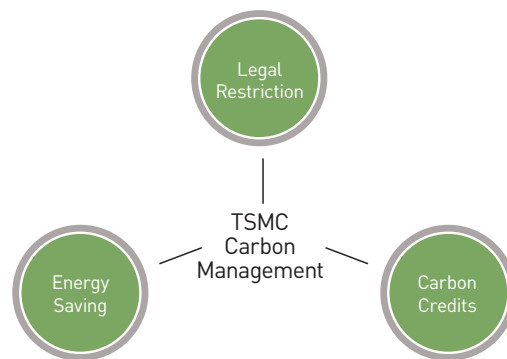
- Since 2006, TSMC voluntarily reports GHG inventory data to the Taiwan Semiconductor Industry Association (TSIA) and the Taiwan Environmental Protection Administration (EPA), Executive Yuan.
- Since 2005, TSMC has participated in an annual survey held by the nonprofit Carbon Disclosure Project (CDP), which includes GHG emission and reduction information for all TSMC fabs, subsidiaries, TSMC also takes further action to review the regulatory, natural disaster, financial, and operational risks and opportunities created by global climate change. The related information is disclosed on the CDP website. +
- TSMC has disclosed GHG emissions and reduction-related information for evaluation by the Dow Jones Sustainability Indices every year since 2001.
- Our GHG-related information has been disclosed in this CR report on our company website annually since 2008. TSMC also provides information to customers and investors upon request.

5.1.1.3 Climate Change Mitigation

Initiating TSMC Carbon Management

Taiwan government amended "Greenhouse Gas Reduction and Management Act" and submitted its NDC (National Determined Contribution) to UNFCCC (United Nations Framework Convention on Climate Change) for COP21 (21th Conference of the Parties, COP21) in 2015. The short-term and long term GHG reduction goals of Taiwan are in the articles. To keep working on energy saving and carbon emission reduction are not enough to face the challenge of carbon emission cap in the future.

Following this trend, TSMC understands that the three issues of regulatory restrictions, carbon emission reduction, and external carbon credits me be reviewed and balance in total. The company also understands that the monetization of carbon credits will influence our sustainable development. Therefore, TSMC initiated a carbon management platform with a cross-function team to integrate regulatory information, emissions status monitoring and forecasts, and reduction activities to gain additional external carbon credits to ensure sufficiency for our emissions and future expansion under the annually tightening regulatory requirements. The platform is hosted by senior managers and takes both corporate operational risk control and environmental protection social responsibility into consideration. The cross-function team includes Corporate ESH, Operation and Financial organizations take their own responsibilities and collaborate closely to reach a tremendous integrated performance.



GHG Emission Reduction

1. Scope 1 GHG direct emission reduction

• Achievement of 2000–2010 PFC Emission Reduction Commitment

The semiconductor manufacturing process generally uses perfluorinated compounds (PFCs) such as CF₄, C₂F₆, SF₆, NF₃, CHF₃, C₃F₈, and C₄F₈, which are the major scope 1 greenhouse gas emissions from the manufacturing process. After many years' effort, TSMC has achieved its goal of reducing perfluorinated compound emissions to less than 90% of the average emission level of 1997 and 1999 in 2010. This emission target remains fixed as TSMC continues to grow and construct new fabs, and has been a great challenge to us.

• Establish a More Aggressive PFC Emission Reduction Goal of Year 2020

TSMC actively participated in the World Semiconductor Council's establishment of a global voluntary PFC reduction goal for the year 2020. TSMC integrated past experience to develop best practices, which were recommended by the Taiwan Semiconductor Industry Association and adopted by World Semiconductor Council member companies as major measures to achieve these organizations' 2020 reduction goals. TSMC continues to follow WSC best practices to conduct greenhouse gas reduction at all facilities including subsidiaries WaferTech and TSMC China. In 2013, TSMC achieved a unit wafer PFC reduction goal of 30% below the 2010 level before 2020.

TSMC attaches great importance to climate change impact is not satisfied with achieving the WSC's PFC emission reduction commitment ahead of schedule. We have established more aggressive new goals for 2020, which are as follows:

1. Amended the unit wafer emission reduction goal from the original 30% reduction to 60% reduction.
2. Established a new absolute emission reduction goal of 20% reduction compared to 2010 level.



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TSMC continues to reduce GHG emissions even as production keeps growing. In 2015, unit wafer PFC emissions were not only 46.7% below 2010 levels, total PFC emissions were down 1.6% from 2014 even though production grew 6.1%, the first absolute reduction in recent years and a mark of our efforts in environmental sustainability.

2. Scope 2 GHG indirect emission reduction – Continue to Promote Energy Conservation Projects

Since TSMC's Scope 2 GHG emissions are primarily from purchased electricity, continued promotion of energy conservation projects can continue to reduce our Scope 2 GHG emissions. Please refer to 5.1.2 "Energy Management" ➕ in this report for details.

5.1.1.4 Climate Change Adaption

Collaborating with the Central Government to Evaluate and Control Climate Change Risk

TSMC and other semiconductor companies gained the support of the Science Park Industrial Association, Science Park Administration, National Science Council, Water Resources Agency, Taipower, and Taiwan Water Corporation to reevaluate risks caused by climate change and extreme weather, including: interruptions to water supply, power supply, gas supply, transportation and communication, as well as flood damage, wind damage, and drought. These re-evaluations will be used to develop response and improvement programs for implementation in the Hsinchu, Taichung and Tainan Science Parks.

The core considerations of the climate change risk assessment project for the Hsinchu, Central, and Southern Taiwan Science Parks are:

- The risks of typhoons and flooding
- Long-term drought risks
- Climate change risks that may lead to the restriction of industrial development

Climate change risk control strategy:

- Mid-term and long-term risk control
- Disaster emergency response
- Establishing related reference standards for future new construction

5.1.1.5 Supply Chain Climate Change Management

TSMC not only engages in climate change management but also requests and assists suppliers to follow. Our measures are below:

- **Energy saving and carbon reduction management:** TSMC's major raw material suppliers are required to collect carbon inventory data in their manufacturing plants and provide carbon reduction performance data.
- **Water resources and water management:** TSMC's major raw material suppliers are required to collect water inventory data in their manufacturing plants to establish a water footprint, and to provide a specific water resource management plan.
- **Climate change risk management:** Due to the increased risk of storms, water shortage, flooding and transportation and communication disruption in recent years resulting from global climate change, we require our major raw material suppliers to prepare contingency plans, such as support from overseas production, to reduce the impact of such an event.

TSMC will lead our suppliers to execute more aggressive actions for mitigating climate change risk and reducing greenhouse effect. For example, we will ask manufacturing process equipment vendors to enhance their product design to save energy/water consumption and reduce waste production.

Note: our major raw material suppliers account for 80% of total raw materials purchased by TSMC

5.1.2 Energy Management

Green Fab Committee Promotes Energy, Water Saving and Other Green Programs

- **Goal setting:** The Green Fab Committee sets the Company's short, middle and long term energy saving and waste reduction goals.
- **Determine the major objectives of energy saving and water reduction in for next stage:** The Committee will focus on innovative energy-saving designs for process equipment and continuous energy saving improvement for facility systems.
- **Promote collaboration between upstream and downstream companies:** Lead major international semiconductor equipment vendors and collaborate to create innovative energy-saving designs.
- **Clear operational responsibility:** The Green Fab Committee is fully responsible for energy saving.

At the end of 2010, TSMC set up a dedicated cross-department Green Fab Committee hosted by a VP of Operations, which consists of the technical board, facility, new fab engineering, equipment, procurement, material management and environmental and safety personnel. The committee defines energy conservation indices and proposes action plans to reduce energy consumption efficiently and achieve a better level of unit energy consumption. Beginning in 2013, the committee expanded its scope to include the reduction of raw materials and scrap parts, and the improvement of effluent wastewater and air emission quality.

In the Green Fab Committee, technical boards focus on improving energy efficiency of the facility and process tools in existing fabs, and transfer their experience to adopt as standards for new fabs and new process tools; the new fab planning department adopts the best-known energy-conserving designs for new fab construction. At the same



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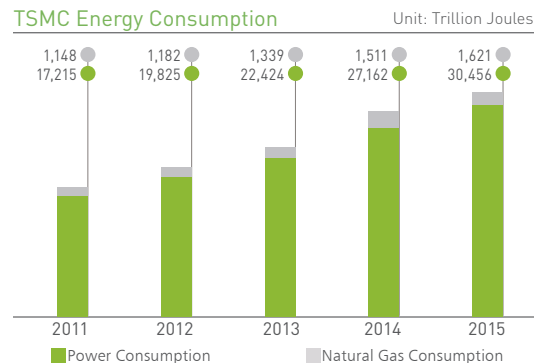
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time, TSMC will also aim to purchase energy-efficient equipment by adjusting procurement specifications and encouraging and promoting green certification by suppliers. The committee also invites experts from procurement, materials management, equipment and process to participate so as to execute broader and deeper environmental sustainability from source reduction to expand the scope of resource recovery.

In addition to ongoing projects, starting from 2016, the Green Fab Committee will focus on planning and implementing short-term, mid-term and long-term greenhouse gas reduction according to the conclusions of Paris Climate Conference. The committee will continue promoting ISO 50001 to analyze production models to improve energy efficiency as well as introducing energy saving best practices in new process equipment design frameworks. The committee will work with equipment vendors to establish the energy saving design specifications and use these specifications as a benchmark for achievements. The Committee will also introduce a 3rd party certification mechanism to improve the feasibility and credibility of performance tracking, if necessary.

Energy Use Status

As Taiwan's land area is small, and the development of renewable energy is limited, electric power currently comes primarily from coal and gas-fired generators, which emit large amounts of CO₂ despite efforts by the power company to improve efficiency. TSMC's primary source of energy is electric power, followed by natural gas. Consumption of other types of energy is negligible. TSMC's total energy consumption in 2015 was 32,095 trillion Joules. The majority is power usage, which is about 95% of total energy consumption. Second is natural gas, which is about 5% of total energy consumption. Diesel consumption is less than 0.05% total energy consumption.



Note 1. TSMC's annual power consumption is based on monthly power companies' bills, the conversion unit is 1 kWh = 3.6 million joules.

Note 2. TSMC's annual energy consumption is based on monthly natural gas companies' bills, the conversion unit is 1 cubic meter of natural gas = 37.26 million joules.

Note 3. TSMC's annual diesel consumption is less than five ten thousandths, not shown on the chart.

Renewable Energy Application

The Taiwan government continues to establish sources of renewable energy, and TSMC is pleased to see this development. The Company purchased 100 million kWh of green power in 2015 to support the government's policy and became the biggest green power purchaser accounting for 64.1% of total green energy sold. TSMC fabs have also installed solar panel to generate renewable energy used in our facilities. As of 2015, our total solar panel capacity is 1,301 kW, which has generated 5.37 trillion Joules and was equal to 1.49 million kWh in 2015. The above measures have reduced CO₂ emission by about 50,000 tons in total.



TSMC supported Taiwan government renewable energy development, and received a gift "Ginkgo tree sapling" from Mr. Chen-Chung Deng, the Minister of the Ministry of Economic Affairs, R.O.C.

Energy Intensity

TSMC's revenue in 2015 was NT\$843.497 billion, which is the denominator for energy intensity calculation. TSMC slightly increased its energy consumption per NT\$ revenue by 1.2% from 0.0376 million Joules in 2014 to 0.0381 million Joules in 2015. The main reason for the growth in energy intensity was due to the increase in advanced technology production and process complexity.

TSMC Energy Intensity

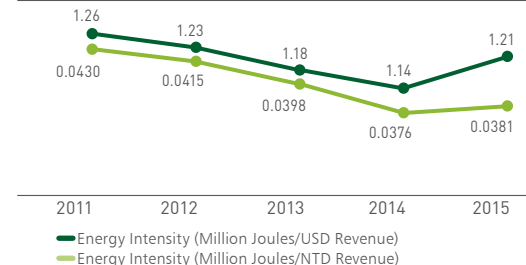




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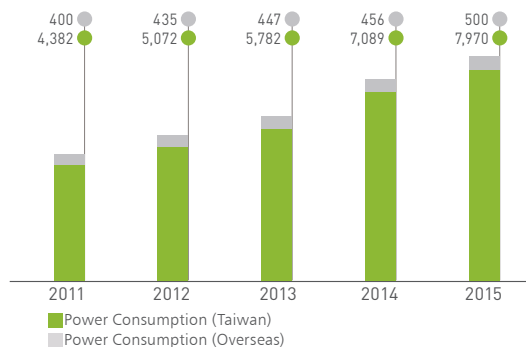
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Power Consumption Records

TSMC continuously promotes energy saving and primarily focuses on facilities systems. In the past two years, we have also increased our efforts to reduce consumption by manufacturing equipment. The power consumption density as calculated by wafer area is highly dependent on photo mask layers and production ramp-up in new fabs. According to the energy consumption goal of the International Technology Roadmap of Semiconductors (ITRS) and the statistical data of World Semiconductor Council (WSC), the complexity of logic ICs (foundry's major product) is higher than standard memory and results in higher power consumption. TSMC is nonetheless one of the semiconductor industry's most energy-efficient companies, and continues to implement additional power-saving measures. TSMC power consumption per 8-inch wafer equivalent per mask layer increased 1% from 9.8 kWh in 2014 to 9.9 kWh in 2015 due to the increase in advanced technology production and process complexity. However, 2015 was 6.6% lower compared to 10.6 kWh in 2010, which reached our mid-term energy-saving goal of 2%.

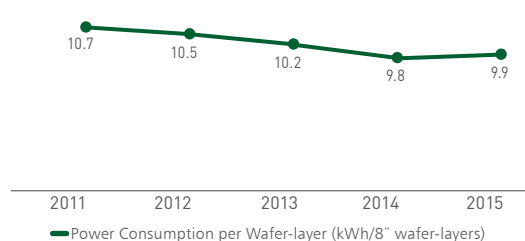
TSMC Power Consumption

Unit: Million kWh



Note: TSMC total power consumption is growing along with production growth

TSMC Unit Power Consumption



Note 1: The statistical data for power consumption includes all fabs in Taiwan, as well as all overseas fabs, packing and testing facilities, bumping, EBO, R&D, and power consumed by non-production activities.

Note 2: The statistical data for unit power consumption density is for the power usage of wafer fabs in Taiwan and overseas. Beginning in 2009, this index was rationalized by introducing a layer index due to product complexity.

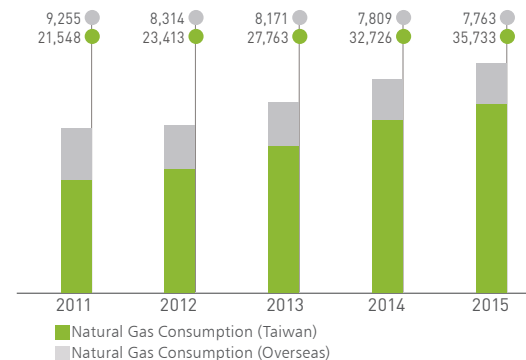
Direct Energy Use Status

TSMC's direct energy consumption includes natural gas and diesel fuels. In TSMC, natural gas is mainly used for boilers and Volatile Organic Compounds (VOC) treatment systems, and diesel fuel is used for emergency power generators and fire pumps. In 2015, TSMC consumed 0.053 cubic meter natural gas per 8-inch wafer per mask layer, which is 5.7% increase comparing to 0.053 cubic meter in 2014. The main reason of the growth is due to our mass installation of burning type Perfluorinated Compounds abatement system. Although the natural gas usage is increased, the greenhouse gas emission is decreased effectively.

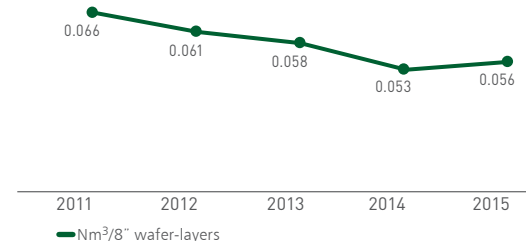
Diesel is primarily used in emergency power generators and fire pumps, which are only engaged during power supply disruptions, emergencies, and scheduled tests. Diesel is not a direct energy source for production and we used about 497,000 liters in 2015.

TSMC Natural Gas Consumption

Unit: Thousand NM³



TSMC Unit Natural Gas Consumption



Note 1: The statistical data for natural gas consumption includes all fabs in Taiwan, as well as all overseas fabs, packaging and testing facilities, bumping, EBO, R&D, and natural gas consumed by non-production activities.

Note 2: The statistical data for unit natural gas consumption density is for the natural gas usage of wafer fabs in Taiwan and overseas. Beginning in 2009, this index was rationalized by introducing a layer index due to product complexity.

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Energy Saving Measures

Major Power-Saving Activities in 2015

In 2015, TSMC continued to successfully complete a number of energy conservation programs in facility systems as well as process equipment. Major activities are listed below.

Category	Energy Saving Approach	Energy Saving (Unit: kWh/year)
Utility	Add Polarized Refrigerant Oil additive to enhance chillers’ heat exchange efficiency	24,364,175
	To minimize energy consumption, dynamically adjusted chill system setting according to the seasons and atmospheric conditions	17,993,855
	Replace low-efficiency Uninterruptible Power Supply with high-efficiency types	14,963,525
	Adopt frequency control for non full-load operating equipment in water treatment system for energy saving	12,965,610
	Use Big data algorithm to find the best operation mode of water chilling systems and process cooling water system	12,263,020
	Optimize cleanroom temperature control according to demand to reduce unnecessary use of ice water	8,688,844
	Replace low-efficiency transformers and add related capacitors to improve power factor and reduce the loss of electricity transportation	7,233,807
	Change to low energy consumption LED lighting	6,618,812
	Install programmable and timing controller for lighting system to reduce power consumption	6,078,924
	Introduce Air System Controller (ASC) for Compressed Air System to reduce back-up system units and improve energy efficiency	5,675,292
	Replace hot water boiler with high efficiency heating pumps to improve power efficiency	4,000,000
	Recycle cleanroom air exhaust used in non-cleanroom area by categorization to reduce energy consumption of humidity and temperature control	1,790,135
Production tool	Replace aged vacuum pump by high-efficiency vacuum pump for process equipment load lock use to improve energy efficiency	4,788,625
	Reduce power consumption for process equipment idle stage	1,611,840

Major Natural Gas-Saving Activities in 2015

TSMC strives for natural gas conservation. For instance, the Company completely replaced natural gas boilers by using high efficiency heat pump in 2014 and uses natural gas as fuel for Volatile Organic Compounds (VOC) and PFC treatment systems. We reduce natural gas consumption by reducing heat loss, replacing heat sources, adopting heat recovery and efficiency improvement. Major activities are listed below.

Category	Energy Saving Approach	Natural Gas Reduction (Unit: Cubic meter/year)
Boiler	Replace steam boiler by using supersonic humidifier for cleanroom humidification to save natural gas usage	5,190
VOC air pollutant treatment system	Installation of 3 rd heat recovery system for natural gas saving	938,196
	Replace aged burner and zeolite rotor for VOC treatment system for natural gas saving	519,070
	Optimize burning control factors for VOC treatment system to save natural gas usage	29,000

Major Energy Saving Measures to be Promoted in 2016

TSMC announced at its Supply Chain Management Forum in December 2015 that it would collaborate with suppliers to work towards energy saving and waste reduction in coming years. These efforts are response to the United Nations Framework Convention on Climate Change (UNFCCC) 21th Conference of the Parties (COP21) held in Paris and the “Greenhouse Gas Reduction and Management Act” established by Taiwan Environmental Protection Agency. Starting from 2016, we have collaborated with process equipment vendors to introduce energy saving and waste reduction designs at the R&D stage. These measures include reducing manufacturing power consumption by adopting energy saving components including motors, vacuum pumps and heaters as well as intelligent control systems for standby mode energy saving.

The achievements of the collaboration between TSMC and suppliers will be a significant milestone for the global semiconductor industry on energy saving and waste reduction, and will make a major contribution to the issue of climate change.



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5.1.3 Water Resource Management

Water Resource Management is One of TSMC's Top Issues in Climate Change

Water resource management is getting more important in most countries due to the detrimental impact of global climate change. The difference in rainfall between dry and rainy seasons in Taiwan has become increasingly extreme in recent years, and the risk of droughts and floods has become more apparent. These trends highlight the importance of water resource management, water saving and water shortage emergency response. TSMC is aware that extremes in average rainfall are the result of global warming and climate change. These issues may require decades to resolve, and during that time, water resource management is a necessary part of TSMC's corporate climate change risk management and disaster adaptation. In addition, TSMC also acknowledges that water resource management requires very close collaboration with the government when compared to other climate

change response measures. The combination of these factors has led TSMC to establish its water resource management policy and strategy.

TSMC Water Resource Management Policy and Strategy

TSMC's goal is to be a leading global company in water resource management. Our water resource management policy is to promote water savings to reduce water usage per unit of production, and to promote collaboration between industries, government and academia to ensure that water shortages do not occur. Our strategy for reaching this goal is both to save water in daily operations and to adapt to water shortages, and implement these measures both internally and in our supply chain. TSMC's daily water management is first to save water in the production process, followed by water reclamation and recycling measures. In addition, an effective real-time online water resource management platform helps TSMC significantly reduce water consumption.

TSMC's core water resource management activities are focused on:

- Collaborating with the central government to evaluate the climate

change risk of Taiwan's Science Parks, and to adopt measures reducing the impact of extreme climate disasters, beginning with basic infrastructure.

- Conducting water resource diversification gradually: To collaborate with government on sewage recycle programs and execute wastewater recycling & reuse projects.
- Sharing TSMC's water saving experience to help other industries understand the importance of water resource risk and conduct water conservation together.
- Promoting internal and supply chain water inventories, conserving water, establishing a water footprint, and setting up water saving goals.

Water Resource Risk Mitigation and Adaptation

TSMC believes that water risk is one of our major operation risks, which must be monitored and controlled to improve our competitiveness.

Water risks include regulatory risk, physical risk and other risks. Our control measures are shown in the following table:

Dimension	Aspect	Risk		Opportunity		Management
Regulations	The impact of new regulations	Increased operational cost	Low-Medium	Increased the production capacity in water shortage season by using reclaimed water	Low-Medium	<ul style="list-style-type: none"> • Communicate with governments through industrial organizations and associations to set reasonable and feasible legal requirements • Collaborate with government on sewage recycle programs and execute wastewater recycling & reuse projects • Develop TMAH and NH₃-N wastewater recycling and treatment systems to reduce hazardous substances in effluents and recycle resources in wastewater
	Effluent standard	Increased operational cost	Low-Medium	Encouraged process improvement to reduce raw material and operational cost	Low-Medium	
Physical changes	Precipitation extremes and typhoons	Reduction/disruption in production capacity	Low-Medium	Required for a higher adapted production capacity	Low-Medium	<ul style="list-style-type: none"> • Raise the foundation height of newly constructed fabs • Collaborate with central governments to assess and mitigate climate natural disaster risk in three Taiwan Science Parks • Water saving conduct and enhance water reclaim rate • Develop waste water reclaimed system for future capacity expansion requirement
	Droughts and water shortage	Reduction/disruption in production capacity	Medium-High	Required for a higher adapted production capacity	Low-Medium	
Others	Reputation	Reduced stock price	Medium-High	Recognized by surpass the requirements	Medium-High	<ul style="list-style-type: none"> • Not only meet local and international code requirements, but also surpass the requirements to reach higher environmental performance • Sharing TSMC's water saving experience to help other industries understand the importance of water resource risk and conduct water conservation together • Promoting supply chain water inventories, conserving water, establishing a water footprint, and setting up water saving goals
	Supply chain	Increased operational cost	Medium	Enhanced the stability of our supply chain	Low-Medium	
	Socio-economic condition	Reduction/disruption in production capacity	Medium	Reduced the impact of drought by water saving conduct	Medium	



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Collaboration with Local Authorities in Water Allocation and Conservation

Since water resources are inherently local, TSMC shares its water-saving experiences with other semiconductor companies through the Association of Science Park Industries to promote water conservation. At the same time, TSMC collaborates with the Science Park Administration to discuss raw water allocation and emergency response plans for water shortages. TSMC has also successfully resolved many water quality issues, including wastewater ammonia nitrogen reduction. In addition, we continue to hold technical forums to discuss water reclamation and assist small facilities in the Science Park to perform good water resource management in order to achieve the Science Park's goals and ensure long-term balance of supply and demand.

Actively Sharing Experience with External Parties

In recent years, TSMC and the Water Resource Agency of the R.O.C. Ministry of Economic Affairs jointly held a Water Recycling and Saving Demonstration in TSMC fabs located in Northern, Central and Southern Taiwan to share our experience and lead improvement in the water-saving performance of Taiwan industries.

Proactively Identifying and Responding to Water Resource Risk

TSMC understands that climate change can cause flooding and drought. We took the following actions to respond to water resource risks.

- Identified short-term and long-term water resource risks of the Science Parks in northern, central and southern Taiwan, where our fabs are located.
- Developed and executed short-term and long-term water resource risk mitigation projects such as sewage and wastewater recycling.
- Continuing to conserve water consumption in each fab.

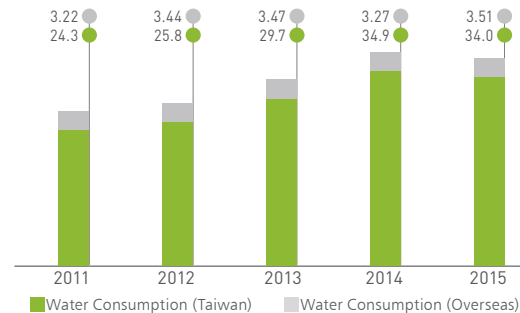
Taiwan suffered a drought from January to May of 2015. A 7.5% water restriction was implemented in the western areas of Taiwan in March. TSMC established a cross-team organization for drought emergency response. The task of the organization was to plan and execute water reduction programs. All organization members -- Fab Operations, Facility, Corporate ESH, Customer Service, Production Planning and Public Relations -- prepared water usage reduction and other emergency response actions in the meetings held weekly. We also collaborated with other companies located in Science Industrial Parks and discussed drought countermeasures. TSMC conquered the challenge without impact on manufacturing.

Total Water Usage

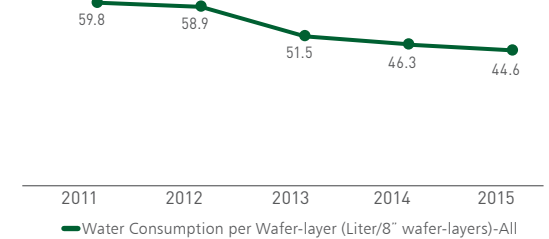
The primary water source for all TSMC fabs in Taiwan is city water supplied by Taiwan Water Corporation, and a small amount from rain water and air-conditioner condensed water. TSMC's water use per 8-inch wafer equivalent per mask layer in 2015 decreased significantly by 3.7% compared to 2014 from 46.3 liters to 44.6 liters.

TSMC Water Consumption

Unit: Million Cubic Meter



TSMC Unit Water Consumption



Note 1: TSMC annual water consumption statistic is calculated according to monthly water bill from the Taiwan Water Corp. The statistical data for water consumption includes all fabs in Taiwan, as well as all overseas fabs, packaging and testing facilities, bumping, EBO, R&D, and water consumed by non-production activities.

Note 2: The statistical data for unit water consumption density is for the water usage of wafer fabs in Taiwan and overseas. Beginning in 2009, this index was rationalized by introducing a layer index due to product complexity.

Water Conservation – Reduction and Recycling

TSMC's facilities collect process water discharges through independent drainages, and reuse the water for the manufacturing process or secondary uses after treatment. These secondary uses, which do not come into human contact, include make-up water of cooling towers and wet scrubbers, cleaning water for sludge dewatering filters in wastewater treatment systems, and toilet water. Secondary uses of water are also optimized to reduce make-up water quantity. In order to fully utilize water drainage from the manufacturing process, TSMC separates drain pipes into more than 20 categories based on their characteristics and more than 15 categories of treatment systems.

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TSMC is a fast-growing company, and in addition to adopting a minimum process water recycling rate of 85%, we also select low water consumption process tools, implement process water drainage segregation, set up process water reclamation systems in new factory construction, and continue promoting water-saving measures after mass production. The purpose of these measures is to reduce our raw water demand. TSMC also cooperates with industry experts to implement new technology for water reuse and material recovery in wastewater.



TSMC separates drain pipes into more than 20 categories based on their characteristics

Major Water Saving Measures in 2015

Since 2008, a number of TSMC fabs have achieved a process water recycling rate of higher than 90%, leading the global semiconductor industry. The total process water recycling rate for our fabs in Taiwan reached 87.3% in 2015, which met or exceeded the 85% criteria set by the Science Park Administration and also exceeded the worldwide semiconductor industry standards. TSMC’s major water saving measures are as follows:

Category	Water Saving Measure	Water Usage Reduction (Unit: Tons/year)
Water Use Reduction	Adjust DI water usage in ECP process for city water saving	25,262
	Improve sludge filter press cloth washing to reduce city water usage	7,300
	Improve water input and output sequence of Makeup Air Unit to reduce city water usage	7,287
Water Recycling	Recirculate washing water for Makeup Air Unit to reduce city water usage	1,169,505
	Reduce activated carbon tower reversed water usage according to water quality control in local scrubber wastewater reclaiming system	401,500
	Install H ₂ O ₂ pre-treatment for local scrubber wastewater reclaiming system to increase water recycling rate	356,659
	Improve Chemical Mechanical Polishing wastewater reclaiming system to increase water recycling	276,464



Advanced wastewater recycling system, which can also reduce energy and resource consumption and waste generation

Water Saving Achievements and Process Recycling

In 2015, TSMC saved a total of 65.25 million tons of water, which can provide a town with population of 720,000 with one year of water, or more than 2.03 times the volume of Hsinchu’s Baoshan Reservoir II. TSMC uses each drop of water 3.5 times, which means the quantity of recycled water in one day is 2.5 times the water used in one day.
Note: (Recycled water quantity + City water usage) / City water usage = each drop of water used

90% of TSMC’s total water consumption is used in the manufacturing process. We recycle water for treatment according to water quality classification to achieve water recycling goals. For instance, there are 25 categories of water discharges in our Fab 15 facility. We generate 18 thousand tons recycled water a day, or 65,250 thousand tons a year in TSMC’s Taiwan fabs, which means we only need 90 thousand tons city water per day.



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TSMC Water Conservation Performance in Recent 5 years

Item	2011	2012	2013	2014	2015
Average process water recycling rate (%) ^{Note1}	84.6	86.5	86.9	87.6	87.3
Process water saved (Million m ³)	37.73	53.37	52.23	56.22	65.25
Water saved, measured by standard swimming pools ^{Note2}	15,094	21,347	20,918	22,490	26,101
Water saved, measured by the full capacity of Baoshan Reservoir II ^{Note3}	1.17	1.66	1.63	1.75	2.03
Process water saving/Total water usage	1.55	2.07	1.77	1.61	1.92

Note 1. Average process water recycling rate is defined by the Science Park Administration.

Note 2. A standard 50x25x2m swimming pool contains up to 2,500 cubic meter of water.

Note 3. Baoshan Reservoir II is the major reservoir serving Hsinchu Science Park and the full capacity is 32.18 million tons

5.1.4 Pollution Prevention

TSMC believes that pollution prevention is one of a corporation's most important responsibilities. TSMC's pollution prevention is based on the ISO 14001 environmental management system, and uses the "Plan-Do-Check-Act" management model to promote continuous improvement. We believe that conserving raw materials, energy, and resources as well as reducing waste and pollutants both saves production costs and protects the environment.

Pollution Prevention is the Bottom Line

Taiwan has very limited land, large population, and high density of industrial factories. Therefore, some of its environmental regulations may be among the strictest in the world. To address increasingly stringent environmental standards, TSMC has established good communication channels with the government, and participates in discussions in the early stages of legislation to facilitate reasonable and feasible standards. Each plant also performs assessments to evaluate conformity to new standards, and improvement and preventive measures are taken immediately if nonconformance is discovered.

TSMC has established comprehensive management and operations procedures for pipe-end treatments such as air and water pollution controls, and ensures these procedures are carried out precisely. TSMC has also installed monitoring systems on the discharging sides of pollution control facilities for online monitoring. Facility personnel follow emergency response and reporting procedures to take proper actions if operating conditions diverge from preset limits to avoid environmental pollution.

Resource Recycling is Our Consensus

For waste management, TSMC has transitioned from traditional "treatment and disposal" to a concept of effective resource management, and implements this concept in daily operations. We manage waste as a resource, categorize and collect waste at the source, raise waste recyclability, and also collaborate with waste treatment and recycling facilities to search for or develop possible recycling measures to reduce the amount of waste sent to incinerators and landfills. In addition, TSMC actively collaborates with raw material suppliers to reduce chemical usage and waste chemicals. We also study the feasibility of waste recycling by raw materials suppliers to reach our goal of sustainable resource recycling.

5.1.4.1 Source Reduction – Raw Materials Usage Reduction

TSMC seeks to optimize processes to minimize raw material use and waste production, protecting the environment while reducing costs at the same time. TSMC has a designated unit that periodically reviews raw materials reduction performance. Internally, we optimize our process recipe for raw material usage, which can not only reduce production cost but also reduce the generation of pollutants and wastes. Externally, we require our process tool suppliers to review and minimize their chemical usage step by step. In 2015, TSMC formed a cross-organization waste management taskforce co-led by the Senior VP of Material Management and Risk Management and a VP of Operations to promote company-wide waste reduction projects and conduct periodical review.

TSMC uses raw wafers as a major direct material in its manufacturing process. Raw wafers are composed of very high purity silicon, and cannot be recycled for wafer manufacturing processes. However, control wafers used for monitoring process conditions are reclaimed for reuse. We estimate one control wafer can be reused 10 times, which reduces both cost and waste.

5.1.4.2 Water Pollution Control

Strategy of Segregated Treatment, Strict Monitoring, and Environmental Protection before Production

TSMC's water pollution control strategy is first to reduce pollutants in process wastewater, followed by water recycling and treatment of pollutants in water. Effluent water quality must be better than or compliant with governmental standards.

TSMC's major water-using process is an ultra-pure water system which turns raw water into ultra-pure water, mainly used in process tools for cleaning chemical residue on wafer surfaces. To reduce total water usage, TSMC's effluent water from ultra-pure water systems



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and process tools are graded by purity. The cleanest is reused in the manufacturing process; the second grade taken from the recycling treatment is employed in secondary uses such as cooling-tower water. Wastewater that cannot be recycled is discharged to treatment facilities for final wastewater treatment.

TSMC adopts a strict front-end wastewater categorization strategy to improve treatment efficiency. Wafer fabs' wastewater can be divided into fluoride, copper, ammonia, tetramethyl ammonium hydroxide, general acid, and various polishing wastewaters. All types of wastewater are strictly categorized at process tools, and collected to wastewater treatment facilities through separated piping. In order to manage these drains strictly, there are more than 20 categories of drainage types, carefully operated and maintained by professional teams to comply with the standards of the Science Park Administration (SPA). The water is then discharged to the SPA wastewater treatment plant for further treatment after professional teams ensure the discharge complies with SPA standards. The treated wastewater is discharged to rivers from the SPA's wastewater treatment plants in compliance with wastewater discharge standards. The SPA also conducts random measurement of the discharges of each company in Science Park.

Measures for Wastewater Treatment Emergency Response

TSMC operates only after ensuring that the environment will not be polluted. Each fab is equipped with effective wastewater treatment systems, including complete backup systems such as emergency power supplies, to reduce the likelihood of abnormal discharge. Various wastewater and waste liquid storage tanks have been set up, as well as dikes for secondary leakage containment and leak sensors to monitor and stop the leakages immediately. We also established waste liquid collection tanks in chemicals and waste liquid truck areas. All TSMC Fabs have set up gates in rainwater drainage ditches to prevent

chemical leaks to the external environment. Newly constructed sites have set up temporary storage tanks to collect leaked chemicals to be treated by legal compliance contractors or by internal wastewater treatment plants after the emergency has been resolved.

Operating status of all of TSMC wastewater treatment systems are monitored 24 hours a day by shift personnel. If operating conditions diverge from the preset limits, a warning signal is sent and wastewater discharge is halted. Data gathered for monitoring system effectiveness have been designated an important tracking item to ensure effluent quality.

In addition to hardware protection, TSMC also holds chemical disaster drills such as chemical truck leakage to familiarize our employees with chemical disaster treatment procedure, organization, emergency response equipment and supporting systems. We also strengthen the control of water and air pollution after the disaster to reduce impacts on the surrounding environment.



Chemical truck chemical leakage drill

Developing New Technologies in Response to New Regulations

In addition to complying with SPA standards, TSMC continually works with industries and universities to improve discharge quality in areas such as Chemical Oxygen Demand (COD), tetra-methyl ammonium hydroxide (TMAH) and $\text{NH}_3\text{-N}$ to reduce hazards to water bodies. Beginning in 2013, TSMC set up TMAH and $\text{NH}_3\text{-N}$ wastewater recycling and treatment systems to reduce hazardous substances in effluents and recycle resources in wastewater by controlling the flow of recycled materials from cradle to cradle to prevent secondary pollution.

The Science Park Administration added $\text{NH}_3\text{-N}$ and TMAH standards for influent in 2014. Due to long term monitoring and treatment technology preparation, TSMC has completed source reduction or treatment systems installation according to each fab's characteristics to ensure wastewater effluents comply with new standards.

In addition, TSMC continues to explore new wastewater treatment and chemical recycling technologies. For example, TSMC led the industry in performing a series of experiments to obtain the optimal processing technology for phosphorus acid wastewater recycled by external contractors and high-concentration hydrogen peroxide on-site reuse, which attests to our dedication to protect the environment.

Starting from 2015, TSMC led the development wafer fab wastewater recycling technology and successfully completed a pilot plant test by using Advanced Oxidation Process (AOP) combining Reverse Osmosis and ion-exchanging methodologies. The water treated by the pilot plant can be reused by wafer fabs. We will conduct continuous operation and use the wastewater effluent from the wastewater treatment plant of the Science Park for a pilot plant test in the near future.



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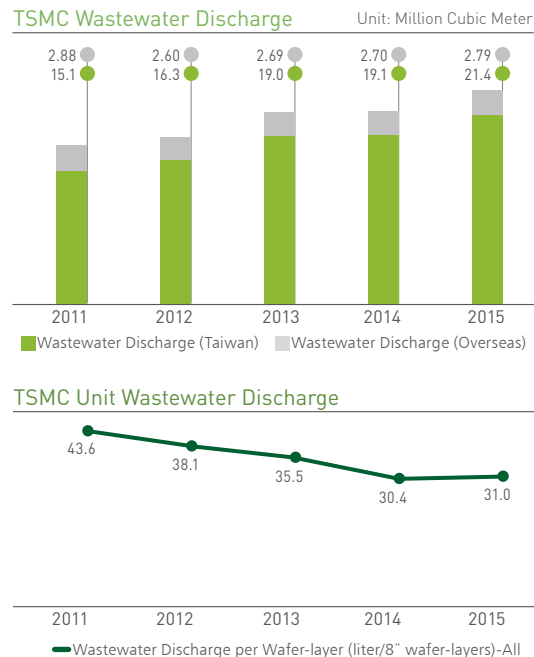
Major Wastewater Pollution Control Measures in 2015

Please refer to "Major Water Saving Measures" section in this report for TSMC's water saving measures; our major wastewater quality improvement measures are as follows:

- Installed TMAH wastewater recycling system in advanced fabs and some mature fabs to recycle TMAH to be used by other industries, which also reduces $\text{NH}_3\text{-N}$ in effluents.
- Installed $\text{NH}_3\text{-N}$ wastewater treatment system in advanced fabs to reduce $\text{NH}_3\text{-N}$ in wastewater. The by-product ammonia sulfate is recycled by recycling contractors.
- Reduced ammonia use in mature fabs to reduce $\text{NH}_3\text{-N}$ in wastewater.
- Reduced COD (Chemical Oxygen Demand) in wastewater by using Reverse Osmosis. The condensed liquid is treated by qualified waste treatment contractors.
- Reuse high concentration acid and alkaline from ion-exchanger or Reverse Osmosis as wastewater neutralization chemicals so as to reduce conductivity of wastewater.
- Treat Chemical Mechanical Polishing process wastewater by using Ultra-filter to recycle solids and reduce its quantity in wastewater.

Wastewater Discharge Quantity

TSMC's wastewater quantity per 8-inch wafer equivalent per mask layer in 2015 increased slightly by 2.0% compared to 2014 from 30.4 liters to 31.0 liters due to the increase of advanced technology capacity and process complexity.



Note 1: TSMC statistical data for wastewater discharge includes all fabs in Taiwan, as well as all overseas fabs, packaging and testing facilities, bumping, EBO, R&D, and wastewater consumed by non-production activities.

Note 2: The statistical data for unit wastewater discharge density is for the wastewater discharge of wafer fabs in Taiwan and overseas. Beginning in 2009, this index was rationalized by introducing a layer index due to product complexity.

Wastewater Effluent Measurement Results

All TSMC fabs are equipped with continuous monitoring equipment to monitor and record changes in water quantity and quality, such as acidity, suspended solid, fluoride ion concentration and copper ion concentration for the fabs with copper process, in order to take appropriate responses when abnormal situations occur. We also conduct offsite sampling and analyze wastewater effluent quality at least four times a year, which provides a calibration reference for online analyzers, ensuring that TSMC complies with water quality standards.

In 2015, TSMC wastewater effluent quality data includes: pH between six to nine (SPA standard is five to nine), suspended solids were controlled from 0.25 to 220mg/L (SPA standard is below 300), and Chemical Oxygen Demand (COD) was controlled from 7.00 to 355mg/L (SPA standard is below 500), Fluoride ion was controlled within 13mg/L (SPA standard is below 15) and Copper ion was controlled within 2.7mg/L (SPA standard is below 3). In 2015, the Hsinchu Science Park Administration changed the limit for copper ion to 1mg/L, which is equal to the Drinking Water Standard in Taiwan. TSMC's fabs in Hsinchu have enhanced equipment and treatment processes to comply with the new standard. In addition, the Taiwan Environmental Protection Agency approved the Environmental Impact Assessment (EIA) application for the Central Taiwan Science Park extension project in 2015. The EIA committed to a standard for copper ion in wastewater effluent of 0.8mg/L, which surpasses the Drinking Water Standard in Taiwan. TSMC fabs constructed in this Park will also comply with this standard.



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TSMC Wastewater treatment system

5.1.4.3 Air Pollution Control

Effective Treatment Based on Waste Air Specification

TSMC's air pollution control strategy is to optimize process to reduce pollutants in air exhaust, and then to abate pollutants in air exhaust through high-efficiency equipment to comply with or surpass legal requirements. Air pollutant concentrations in TSMC's exhaust are far below the standards required by Taiwan's EPA, according to actual measurements performed over the years.

Wafer fabs emit three major types of exhaust: acid exhaust, base exhaust, and volatile organic compounds. Heat exhaust emitted by process equipment does not cause air pollution. Air pollution control systems depend on various categories and characteristics of pollutants. TSMC installs local scrubbers behind process tools in order to treat toxic, flammable, and PFC gases. First, high temperatures or other physical and chemical measures are used to significantly reduce

the concentration of pollutants in tool exhaust. The gas is then inducted to central waste gas treatment equipment for endpoint treatment. Endpoint treatment includes zeolite-rotary-wheel absorbing equipment for volatile organic compounds (VOC) treatment and wet scrubber equipment for acid or base gases.

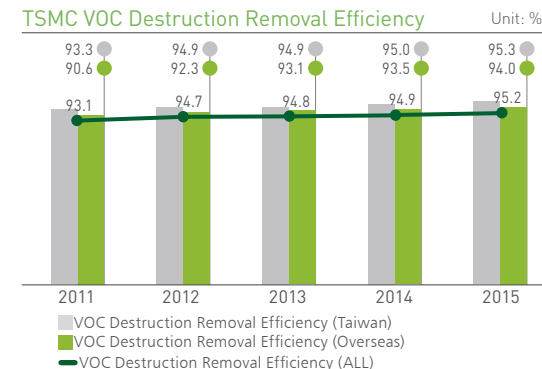
Stable Operation, Continuous Monitoring

The performance of all TSMC fabs, including overseas facilities, is fully compliant or exceeds the air pollutant emissions standards in the areas where they operate. TSMC has deployed high-performance air pollution control equipment with at least N+1 backup systems so that all pollution control equipment can continue waste gas control 24 hours a day, 365 days a year in case of equipment breakdown. Operational status of all TSMC air pollution control systems is monitored 24 hours a day by shift personnel. Data collected by system efficiency monitoring have been classified as an important tracking item in order to ensure air exhaust quality. In 2009, we added an electronic quarterly air pollution report system that can automatically confirm the accuracy of declarations.

To ensure normal equipment operations and reduce abnormal pollutant emissions, TSMC has installed backup systems, including power generation, to back up malfunctions of operation equipment. TSMC has also installed backup fuel supply systems for VOC pollution control equipment that will engage if the original fuel-the cleaner fuel natural gas supply systems experience difficulties.

Air Emissions Record

All TSMC fabs have installed zeolite-rotary-wheel absorbing equipment for volatile organic compounds (VOC) treatment. In 2015, the average removal efficiency of VOC exhaust remained at a relatively high level of 95.3% in TSMC's Taiwan fabs and 94.0% in overseas fabs, well above the standard for local regulations.



Note 1. TSMC's annual VOC is the average of all fabs in Taiwan, as well as all overseas fabs, bumping and R&D related to manufacturing process.

Note 2. The statistical data for VOC emission includes all fabs in Taiwan, as well as all overseas fabs, packaging and testing facilities, bumping, EBO, and R&D.

Note 3. Prior to 2009, VOC emission density was defined by total VOC emission quantity divided by total wafer out. Beginning in 2009, this index was rationalized by introducing a layer index due to product complexity.

Nitrogen oxides (NOx) and Sulfur oxides (SOx) are emitted a little from TSMC's production. Based on the Taiwan EPA's formula for calculating, TSMC estimates that our NOx emission was 50.33 tons and SOx emission was 27.54 tons in 2015.

5.1.4.4 Waste Management and Resource Recycling

TSMC has gone beyond compliance with waste cleaning and disposal regulations to monitoring of waste disposal activities and tracking of recycling product flows downstream, and has a designated waste resources management unit to treat waste as valuable resources to be recycled. In order to sustainably use our resources, the first priority of

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our waste management is reduction; the second is waste reuse on-site and material recycling, followed by energy recovery, and finally disposal through incineration and landfill. In 2015, TSMC established on-site pre-treatment systems for waste sulfuric acid, which is reused in our wastewater treatment system. This action greatly reduces the usage of raw acids and supports our goal of zero waste. TSMC carefully selects waste disposal and recycling contractors and performs annual audits of certification documents and site operations. In order to monitor waste disposal activities, TSMC also adopts proactive actions to strengthen vendor auditing effectiveness. For example, all waste transportation contractors are requested to join the “GPS Satellite Fleet” so that all transportation routes and abnormal stays for all trucks can be traced (All contractors joined the system in 2015). In addition, all waste recycling and treatment vendors install CCTV in operation sites for the purpose of review and auditing in tracing waste receiving and handling status. In addition, TSMC has strengthened the tracking of flows of recycled product to ensure the appropriate reuse of the product. All these actions are to ensure legal and proper recycling and treatment of wastes. In 2015, TSMC initiated a “Waste Disposal Vendor Assessment Standard” with its technology industry partners. This standard is scheduled for completion in 2016, and expected to leverage the power of industry members to upgrade the overall quality of the waste disposal industry.

TSMC has made great efforts in reducing raw materials usage with significant achievements in waste reduction and recycling over the past decade. Although the categories of waste are growing more complex, TSMC continues to develop new waste recycling technology with suppliers to raise its recycling rate and reduce waste disposed in landfills. TSMC’s Taiwan sites continued to carry out reduction and recycling programs in 2015, and our waste recycling rate reached 95%, while our landfill rate was below 1% for the sixth consecutive year. Our overseas subsidiaries are also endeavoring to improve their waste recycling rates.

TSMC Waste Quantity and Treatment Status Statistic

Category	Scope	2010	2011	2012	2013	2014	2015
General waste (ton/year)	Taiwan sites	24,688	25,523	33,158	42,180	61,026	132,427
	Overseas sites	2,763	3,747	4,301	5,156	5,436	5,097
Hazardous waste (ton/year)	Taiwan sites	61,243	67,588	90,596	101,100	140,024	152,164
	Overseas sites	841	1,122	1,866	1,515	1,727	2,212
Waste recycling rate (%)	Taiwan sites	92	91	93	93	93	95
	Overseas sites	67	73	79	79	79	79
Waste landfill rate (%)	Taiwan sites	0.665	0.381	0.425	0.19	0.2	0.2
	Overseas sites	32.07	27.74	20.41	17.54	16.3	15.8

Note 1. Hazardous wastes are defined by local governments.
Note 2. Overseas sites include TSMC China and WaferTech.

Innovative 3R Waste Projects

In 2015, TSMC initiated several environmental programs which focused on raw chemical usage reduction, and reuse and recycling of used chemicals. For example:

- **Sulfuric Acid and Peroxide Usage Reduction:** TSMC’s process unit reduced usage of raw sulfuric acid and peroxide, which also reduced waste production In 2015, a total of 5,600 tons of raw sulfuric acid and peroxide was saved, and this also represents an equal weight or 5.2% reduction on waste sulfuric acid produced.
- **Waste Sulfuric Acid on-site Reuse:** In TSMC, a waste sulfuric acid pretreatment system has been set up at all fabs to produce recycled sulfuric acid. This recycled acid is used on-site to react with ammonia waste to produce reusable ammonium sulfate 18,000 tons waste sulfuric acid was reused on-site in 2015.

- **Waste Washing Chemical Reduction for Volatile Organic Compounds Abatement System:** TSMC has set up a VOC washing waste condense system in Hsinchu, Taichung and Tainan sites. This system will condense and reduce at least 70% of waste produced during the maintenance of VOC abatement system.
- **Chemical Waste Recycling Technology Development:** TSMC worked with suppliers to recycle used developer chemical which can be re-used in other industrial processes to conserve natural resources and reduce ammonia waste. A total of 20,240 tons of developer chemical was recycled and generated 4,100 tons product in 2015.

Computer Reuse and Recycling Campaign

TSMC fully supported ASUSTek Computer Inc.’s “Computer Reuse and Recycling Campaign”, which has also received support from the



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Ministry of Economic Affairs. TSMC has donated more than 69,479 used personal computers, notebook computers, and LCD monitors since 2007, making up one-third of the total amount received in this project to become the largest donor.

Our purpose in participating in this campaign is to promote the concept of material recycling. Through this recycling campaign, refurbished computers are donated to students in rural elementary and junior high schools and to disadvantaged minorities to narrow the digital divide, caring for society and protecting the environment at the same time.

5.1.5 Green Products

TSMC collaborates with its upstream material and equipment suppliers, design ecosystem partners and downstream assembly and testing service providers to minimize environmental impact. We reduce the resources and energy consumed for each unit of production and are able to provide more advanced, power efficient and ecologically sound products, such as lower-power-consumption chips for mobile devices, high-efficiency LED drivers chips for Flat Panel Display Backlighting and indoor/outdoor Solid State LED lighting, and "Energy Star" certified low standby AC-DC adaptors chips, etc. By leveraging TSMC's superior energy-efficient technologies, these chips are used for supporting sustainable city infrastructure, greener vehicles, smart grids, and so on. In addition to helping customers design low-power, high-performance products to reduce resource consumption over the product's life cycle, TSMC implements clean manufacturing practices that provide additional "Green Value" to customers and other stakeholders.

TSMC-manufactured ICs are used in a broad variety of applications covering various segments of the computer, communications, consumer, industrial and other electronics markets. Through TSMC's manufacturing technologies, customers' designs are realized and their products are incorporated into people's lives. These chips, therefore, make significant contributions to the progress of modern society. TSMC works hard to achieve profitable growth while providing products that add environmental and social value. Listed below are several examples of how TSMC-manufactured products significantly contribute to the environment and society.

Environmental Contribution by TSMC Foundry Services

Continue to Drive Technology to Lower Power Consumption and Save Resources

- TSMC continues to drive the development of advanced semiconductor process technologies to support customer designs that result in the most advanced, energy-saving, and environmentally friendly products to support sustainability. In each new technology generation, circuitry line widths shrink, making transistors smaller and reducing product power consumption. TSMC's 28nm technology, for example, can accommodate approximately four times the number of electronic components as 55nm technology. ICs made with 28nm technology in active or standby mode consume roughly one-third the power of 55nm products, according to TSMC's internal test results.
- TSMC has led the dedicated foundry segment in offering 28nm process technology and shipped over 4.5 million wafers to customers in total from 2011 to 2015. TSMC provides 28nm High Performance (28HP), 28nm High Performance Low Power (28HPL), 28nm Low Power (28LP), 28nm High Performance Mobile Computing (28HPM),

28nm High Performance Compact (28HPC) for mobile computing and 28nm High Performance Compact Plus (28HPC+) for mobile computing to meet customers' various needs for more advanced, energy-saving, and environmentally friendly products.

- TSMC continues to deliver Performance-per-Watt scaling in its 20nm SoC (20SoC), 16nm FinFET Plus (16FF+), and 10nm FinFET process technologies. With energy-efficient transistors and interconnects, the 20nm SoC process can reduce total power consumption of the 28nm process by a third. By migrating from planar to FinFET technology, the 16FF+ process can further reduce total power consumption to about 30% of 28nm technology. TSMC's 10nm technology continues FinFET evolution for even better performance and lower power; total power consumption is only 20% of 28nm technology. TSMC's 16FF+ started volume production in mid-2015, only one year after the Company introduced 20nm technology. In addition, 10nm FinFET technology began customer product tape-out in the first quarter of 2016.
- TSMC quickly ramped its 28nm and below technologies. Wafer revenue contribution from 28nm and below technologies grew significantly from 1% in 2011 to 48% in 2015. TSMC's objective is to continue our R&D efforts in 28nm and below technologies and to increase the wafer revenue contribution from 28nm and below technologies, helping the Company achieve both profitable growth and energy savings.

28nm-and-below Contribution to Total Wafer Revenue (Unit: %)

2011	2012	2013	2014	2015
1	12	30	42	48



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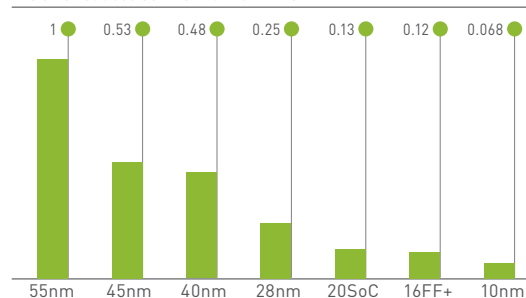
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Chip Die Size Cross-Technology Comparison

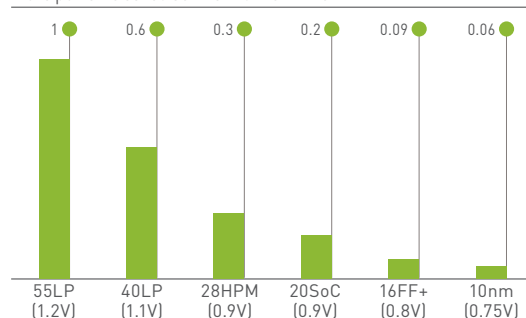
Die size reduces as line width shrinks



Chip Total Power Consumption

Cross-Technology Comparison

More power is saved as line width shrinks



Provide Leading Power Management IC Process with the Highest Efficiency

- TSMC's leading manufacturing technology helps customers design and manufacture green products. Power management ICs are the most notable green IC products. Power management ICs are the key components that regulate and supply power to all IC components. TSMC's analog power technology R&D team uses 6-inch, 8-inch and 12-inch wafer fabs to develop Bipolar-CMOS-DMOS (BCD) and Ultra-High Voltage (UHV) technology, producing industry-leading power management chips with more stable and efficient power supplies and lower energy consumption for broad-based applications in consumer, communication, and computer markets. TSMC's BCD is the best fit technology for high-efficiency LED drivers for Flat Panel Display Backlighting and indoor/outdoor Solid State LED lighting. In addition, TSMC's UHV with 400V-800V options is the best fit technology for green product applications, such as "Energy Star" low standby AC-DC adaptors, Solid State LED lighting, and high-efficiency DC brushless motors.
- TSMC also provides analog and power-friendly design platforms. Customers use these platforms to develop energy-saving products.
- Power management ICs generate material revenue to TSMC's industrial market segment. In 2015, TSMC's HV/Power technologies collectively shipped more than two million wafers to customers. In total, power management ICs manufactured by TSMC accounted for more than one-third of global computer, communication and consumer systems.

HV/Power Technologies Shipments (Unit: 8-inch equivalent wafer)

2011	2012	2013	2014	2015
>800K	>1,000K	>1,300K	>1,800K	>2,000K

Green Manufacturing that Lowers Energy Consumption

TSMC continues to develop technologies for more advanced and efficient manufacturing services that reduce energy/resource consumption and pollution per unit as well as power consumption and pollution during product use. In each new technology generation, circuitry line widths shrink, making circuits smaller and lowering the energy and raw materials consumed for per unit manufacturing. In addition, the Company continuously provides process simplification and new design methodology based upon its manufacturing excellence to help customers reduce design and process waste to produce more advanced, energy-saving and environmentally-friendly products. To see the total energy savings and benefits realized in 2015 through TSMC's green manufacturing, please refer to page 81, "Environmental Accounting." +

Social Contribution by TSMC Foundry Services

Unleash Customers' Mobile and Wireless Chip Innovations that Enhance Mobility and Convenience

- The rapid growth of smartphones and tablets in recent years reflects strong demand for mobile devices. Mobile devices offer remarkable convenience, and TSMC contributes significant value to these devices, including (1) New process technology helps chips achieve faster computing speeds in a smaller die area, leading to smaller form factors for these electronic devices. In addition, SoC technology



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integrates more functions into one chip, reducing the total number of chips in electronic devices and resulting in a smaller system form factor; [2] new process technology also helps chips consume less energy. People can therefore use mobile devices for a longer period of time; and [3] with more convenient wireless connectivity such as 3G/4G and WLAN/Bluetooth, people communicate more efficiently and can “work anytime and anywhere,” significantly improving the mobility of modern society.

- Mobile computing related products, such as Baseband, RF Transceiver, Application Processors (AP), Wireless Local Area network (WLAN), imaging sensors, and Near Field Communication (NFC), Bluetooth, GPS (Global Positioning System) among others, represent 51% of TSMC wafer revenue in 2015. TSMC’s growth in recent years has largely been driven by the growing global demand for these mobile IC products.

Contribution of Mobile Computing Related Products to TSMC Wafer Revenue (Unit:%)

2011	2012	2013	2014	2015
36	40	44	48	51

Note: Mobile computing related products were re-classified in 2014.

Unleash Customers’ MEMS (Micro Electro Mechanical Systems) Innovations that Enhance Human Health and Safety

- In addition to smartphones, tablets, and many other consumer electronic devices, TSMC-manufactured MEMS chips are widely used in medical treatment and health care applications. By leveraging the Company’s advanced technologies, more and more chips for these applications are introduced to the market, providing major contributions to modern medicine. Customers’ MEMS products

are used in a number of advanced medical treatments as well as in preventative health care applications. Examples include early warning systems to minimize the injury from falls for the elderly, systems to detect physiological changes, car safety systems and other applications that greatly enhance human health and safety.

TSMC Collaborates with Suppliers to Reduce Product Environmental Impact Footprints

TSMC’s products take both quality and environmental impact into account. We believe that green products need to consider the entire product life cycle, including raw material mining, transportation, product manufacturing, use, and waste disposal to thoroughly evaluate environmental impact. The product carbon footprint, water footprint, or other environmental impact footprints are important indicators in the environmental performance of products.

Therefore, we require good hazardous substance management, pollution prevention, energy saving, waste reduction and other clean production measures in our own factories. We also require and assist suppliers to do so, and even require suppliers to require their suppliers to do so, in order to establish a green supply chain.

Standards Compliant with or Surpassing International Product Environmental Laws

By practicing QC 080000, TSMC ensures that products comply with regulatory and customer requirements, including:

- **The EU Restriction of Hazardous Substance (RoHS):** Restriction of hazardous substances in electric products including Lead (<1,000ppm), Cd (<100ppm), Hg (<1,000ppm), Cr6+ (<1,000ppm), PBB (<1,000ppm) and PBDE (<1,000ppm). The new RoHS 2.0 (EU) 2015/863 in 2015 added 4 new restricted substances: Bis [2-ethylhexyl] phthalate

(DEHP) (<1000ppm), Butyl benzyl phthalate (BBP) (<1000ppm), Dibutyl phthalate (DBP) (<1000ppm) and Diisobutyl phthalate (DIBP) (<1000ppm). All TSMC products are compliant with EU RoHS. TSMC continues to develop “lead-free” bumping to fulfill customers’ needs.

- **Halogen-free Electronic Products:** In general, our customers request the concentration of Bromine and Chlorine in products to be less than 900ppm each, and less than 1,500ppm in total. All TSMC products are in compliance.
- **Perfluorooctane Sulfonates (PFOS) Restriction Standards:** TSMC has completely phased out PFOS from its process since 2010, all of our products are PFOS free.
- **Perfluorooctanoic acid (PFOA) and its Related Substances Restrictions:** TSMC understands that the PFOA and its related substances will be restricted in the future. In the beginning of 2015, TSMC started to investigate raw materials and collaborated with suppliers on replacement programs, and will complete the replacement in 2017, totally phasing out these substances.
- **EU REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Directive:** All TSMC products are compliant with the REACH dangerous chemicals and SVHC (Substance of Very High Concern) limits.
- **EU Waste Electrical and Electronic Equipment (WEEE) Directive:** This regulation requires the recycling of electronic final products. TSMC’s products are not the final products and this law is not directly applicable. The semiconductor components are recycled along with electronic final products after use by consumers.

In addition to current global regulations and customer requirements, TSMC continues to monitor international regulation trends to prepare for response.



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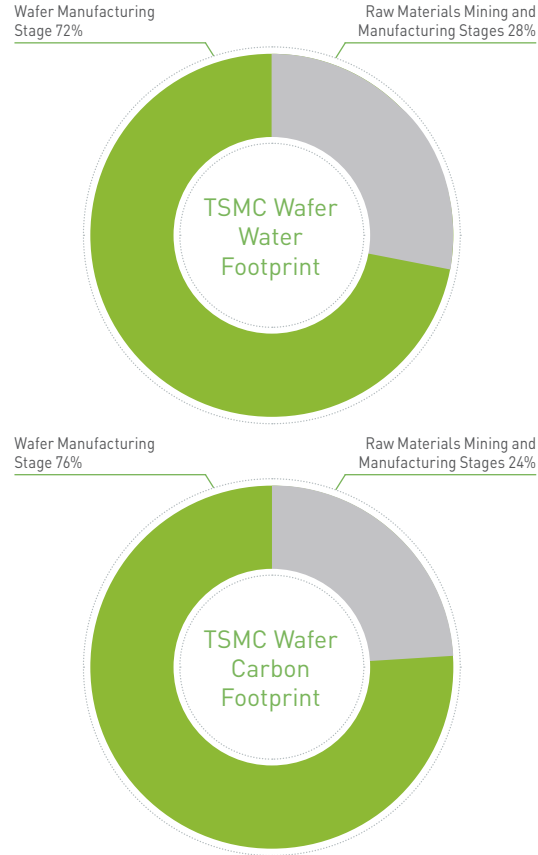
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Leading Suppliers to Complete Product Carbon Footprint and Water Footprint

TSMC continues to encourage and assist suppliers to set up greenhouse gas (GHG) and water inventory procedures. We collaborated with upstream and downstream partners to complete 12-inch wafer and packaged integrated circuit product carbon footprints, which passed third-party certification based on the British PAS2050 product carbon footprint standard in 2011. In 2012, TSMC also completed a product water footprint third party certification. In 2015, we continue to promote and establish product carbon footprints and water footprints, and completed product carbon footprint and water footprint for all fabs in 2015 and received ISO 14067 and ISO 14046 third party certifications respectively. We not only can provide related information to customers but also can continue to promote carbon reduction and water saving in the supply chain and TSMC from a life cycle point of view.

According to the 2015 TSMC wafer product carbon footprint and water footprint inventory results, the wafer manufacturing stage accounts for 76% of the carbon footprint and 72% of the water footprint, while raw material production stages account for 24% and 28% respectively. Therefore, TSMC can effectively reduce product carbon footprint and water footprint by continuing to conduct carbon reduction and water saving in the wafer manufacturing process. TSMC also includes carbon reduction and water saving in our requirements to raw material suppliers. Please refer to the related chapters in this report for our approaches. 5.1.1.3 Climate Change Mitigation + ; 5.1.2 Energy Management + ; 5.1.3 Water Resource Management + ; 4.2.2.2 Supplier Management +



Product Packing Materials Management and Reduction

TSMC uses recyclable plastic and paper as packing materials for shipping products. These packing materials comply with EU regulations requiring lead, cadmium, mercury and chromium (IV) concentration of less than 100ppm, and also contain no polyvinylchloride (PVC).

We reuse packing materials as much as possible to control usage. TSMC recycles packing materials from products shipped to customers and testing and assembly facilities for reuse after cleaning. Packing materials from raw wafers are also reused in product shipping. Our wafer shipping boxes are mostly made from reused sources. These measures have reduced both packing material consumption and waste generation. In 2015, we recycled about 65,000 sets of 12-inch waferbox (FOSB) from customers and assembly subcontractors, which is about 22% of our 12-wafer shipping quantity.

5.1.6 Environmental Regulation Compliance

Taiwan has very limited land, large population, and high density of industrial factories. Therefore, some of its environmental regulations may be among the strictest in the world. To address increasingly stringent environmental standards, TSMC has established good communication channels with the government, and participates in discussions in the early stages of legislation to facilitate reasonable and feasible standards.

TSMC has established a comprehensive legal identification and registration system. Corporate ESH is responsible for environmental regulation identification and registration by each month, and will notify related units through an internal system. Each plant also performs assessments to evaluate conformity to new legal standards, and improvement and preventive measures are taken immediately if nonconformance is discovered to ensure full compliance. TSMC has



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installed monitoring systems on the discharging sides of pollution control facilities for online monitoring. Facility personnel follow emergency response and reporting procedures to take proper actions if operating conditions diverge from preset limits to avoid environmental pollution and violating legal requirements.

TSMC environmental legal compliance is verified by designated Industrial Safety and Environmental Protection departments in each manufacturing facility through daily audits. It is also included in the scope of annual audit on environmental management systems conducted by the external verification party. In addition, the Corporate Environmental, Safety & Health unit also selects topics for annual audits on legal compliance and environmental risk control to enhance the whole company's ESH management, and to ensure environmental legal compliance of the company-wide operation.

TSMC and subsidiaries had no significant chemical leaks, environmental penalties, or fines in 2015.

5.1.7 External Environmental Impact Assessment (EIA) and Management

TSMC Taichung extension site EIA has passed the review of Taiwan EPA in March 2015. TSMC will follow the review conclusions and commitments to implement the related environmental protection programs so as to comply with EIA legal requirement and preserve environmental quality.

The issue of bad air quality caused by PM2.5 (less than or equal to 2.5µm particle matters) has caused great concern in Taiwan lately. Although very little PM2.5 is emitted or derived from semiconductor process, TSMC continues to pay attention to concerns and conducted a self-assessment. The assessment result found that VOC incineration after absorption and concentration might emit very small quantities

of PM2.5, and is not the major source of air suspended particles. However, to reduce fine particulate PM2.5 air pollutants, within the EIA commitment, TSMC will assist the government to promote using eco-fertilizer to reduce air pollutants emitted from direct burning of rice straws in every year after formal operation. Although the Taichung extension site is still under construction, in 2015, TSMC has started this project in advance collaborated with farmers to use eco-fertilizer to transfer rice straws to organic fertilizer, and successfully applied to 415.6 hectares rice field.

In addition, TSMC reviewed and improved company's environmental protection and health management procedures through learnings from EIA reviewing process. We introduced the concept of health risk assessment to enhance existing chemical management system, re-checked the accuracy of chemical safety data sheets provided by suppliers to verify the completeness of hazardous substance list in our fabs. We can trace chemical substances from incoming, use and waste stages so as to evaluate the health risks of employees and external community residents accurately. The carcinogenicity of chemicals used in factories is highly concerned by employees and the society.































TSMC reviews the hazards and exposure risks of new chemical before introduction in the R&D stage to ensure the health of employees and external residents.

Lately, the health risks of residents besides industrial areas have become a hot topic. Considering corporate social responsibility and leading to well control external health risk of Science Park, TSMC shared its chemical management experiences to governmental authorities and partners starting from 2015.

5.2 Environmental Dimension Special Topics

5.2.1 TSMC Green Building

TSMC began its Green Building Project in 2006, in which all new properties follow the standards of the USGBC Leadership in Energy and Environment Design (LEED) Rating System, and Taiwan Ecology, Energy Saving, Waste Reduction, and Health (EEWH) rating system. As of 2015, 18 TSMC buildings have been certified by the USGBC LEED standard; two have obtained Platinum ratings, and 16 have gained Gold ratings; 10 buildings have been certified with Taiwan EEWH Diamond ratings.

	Hsinchu Site							Taichung Site				Tainan Site						
Building	P1 HEADQUARTER	P1/P2 FAB	P3 FAB	P4 OFFICE	P4/P5 FAB	P6 OFFICE	P6 FAB	P1 OFFICE	P1/P2 FAB	P3 OFFICE	P3/P4 FAB	P1 OFFICE	P1/P2 FAB	P3 OFFICE	P3 FAB	P4 FAB	P5 FAB	P6 FAB
LEED																		
Standard	LEED_EB O&M	LEED_EB O&M	LEED_EB	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_NC	LEED_EB O&M	LEED_EB O&M	LEED_NC	LEED_NC	LEED_NC	LEED_NC
EEWH																		
Intelligent Building																		

TSMC Green Building Certificate List



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Build a Balanced Working Environment of Ecology, Life and Production

After developing green buildings, TSMC aims to transform fabs in Hsinchu, Taichung, and Tainan into green campuses. The design concept are to create a friendly, innovative, transparent, and sustainable environment. TSMC's green campuses emphasize sharing of energy, resources, efficient energy and water conservation, as well as improving waste reduction. Friendly designs for plants and wildlife include trenches, ponds, an eco-corridor, islands, and variable porous waterfronts as well as native or adapted trees and shrubs to attract birds and butterflies with plentiful food. We aim to construct a natural ecosystem, and an interactive environment for animals and plants.

When TSMC plans for a new office building, we consider the demand of users and the interaction of man and nature. We design, leisure corners to provide a comfortable environment for employees and give them energy and innovation. Designing to use daylight and vegetated walls can not only reduce the energy consumption of lighting, but also lets employees take a breath and relax from the pressures of work.



■ Interior vegetated wall ■ Recreation center
■ Comfortable environment to inspire more energy and innovation

Intelligent Control and Indoor Air Quality

As every employee works in a fab or office for more than 8 hours every day, providing a comfortable working environment can improve health, productivity, and quality of life. In addition to monitoring the operation status of equipment and the surrounding air quality, our systems shut down air conditioning and lighting according to schedule to reduce waste. CO₂ sensors are installed in all densely occupied spaces, such as conference rooms, restaurant and lecture halls, and when CO₂ concentrations are higher than setting, HVAC systems supply outdoor air to reduce indoor air concentration and reduce discomfort. Comfortable lighting can also improve employee productivity; in addition to uniform illumination and soft color temperatures, we also provide everyone control over their own lighting fixtures, allowing them to turn them off when away from the office to reduce energy waste. Meeting rooms, copy rooms and toilets are designed to create negative pressure with respect to nearby spaces, increase the ventilation result in specified spaces to fulfill user demands and increase satisfaction.



Meeting room with good air quality

The Best Practice Green Building Award

TSMC Fab 15 office not only obtained USGBC LEED-NC Gold certification and Taiwan EEW Diamond certification, but also won the 2015 "The Best Practice Green Building Award" of the Taiwan Green Building Council held, which was authorized by the Architecture and Building Research Institute of the Taiwan Ministry of the Interior, receiving recognition from experts and scholars. If a building is a metaphor of a city, the Fab 15 office aims to create a "New Green City", providing the mental spaces for interaction all around the city, demonstrating TSMC's values of sustainability, humanism, and caring.



Fab 15 Office Building



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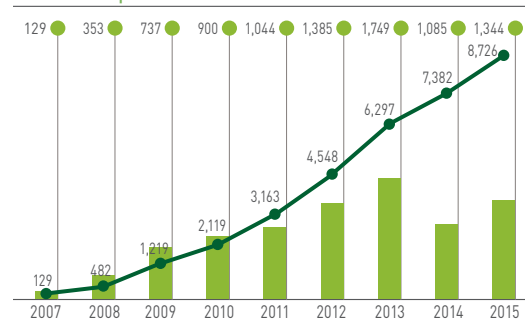
Installation Art – “If I can Make a Wish” by Jimmy Liao

TSMC collaborated with illustrator Jimmy Liao to create a “Jimmy art park” to provide a space for employees to relax. Through a few simple pictures and sculptures, the work represents placing hopes in sapling, and seeing it grow into a tree after hard work and dedication to pass through the “door of hope”. The message of dreams coming true encourages healing and positive energy to embrace dreams and the motivation and courage to continue.



Jimmy's Pictures Jimmy's Art

Annual Statistic Data of Green Campus Tour Participant



Actively Sharing Green Building Experience

TSMC opens on-site touring of Green campus from 2007, continuing with Taiwan Green Building Council cooperation, Fab 12 Phase 4 as a “green building education demonstration base”, to hold routine green building visit. In addition, communicated with related industries, such as Formosa Plastics, AUO, ASE, Long chen Paper and Pegatron, etc., to discuss about the planning and execution of energy saving, water reclamation, waste reductions and green buildings. In 2015, guests included office of the President, the Executive Yuan, Ministry of Science and Technology, Architecture and Building Research Institute, Ministry of the Interior, Central Taiwan Science Park, Southern Taiwan Science Park and the Secretary of Zhejiang Jinhua Municipal Committee and other government units, National Cheng Kung University, National Central University, National Tsing Hua University and Beijing Tsing hua/

Zhejiang University EMBA, Tung Hai University, Feng Chia University, Shanghai Nanyang Model High School related departments, Institute of Nuclear Energy Research, Atomic Energy Council, Society of Entrepreneurs & Ecology, Apple computers and other representatives of private enterprises, totaling 1,344 people to visit intelligent green campuses.



Chairman Morris Chang leads ROC President Ma Ying-Jeou on a visit of the TSMC Taichung site
Tung Hai University & Hong Kong Polytechnic University students touring the TSMC Taichung site

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5.2.2 Environmental Cost and Benefit Environmental Accounting

The purpose of TSMC’s environmental accounting system is to identify and calculate environmental costs for internal management. At the same time, we can also evaluate the cost reduction or economic benefits of environmental protection programs to promote economically efficient programs. With environmental costs expected to continue growing, environmental accounting can help us manage more effectively. In practice, TSMC’s environmental accounting measures define the various environmental costs and set up independent environmental account codes, then provide these to all units for use in annual budgeting. This online system can output data for environmental cost statistics.

Our economic benefit evaluation calculates cost savings for reduction of energy, water or waste as well as benefits from waste recycling according to our environmental protection programs.

The environmental benefits disclosed in this report include real income from projects such as waste recycling and savings from major environmental protection projects. In 2015, TSMC fabs completed 367 environmental protection projects, and these benefits, in addition to benefits from waste recycling, totaled more than NT\$1,057 million.

2015 Environmental Cost for TSMC Fabs in Taiwan

Unit: NT\$ thousands

Classification of Environmental Cost	Description	Investment	Expense
1. Direct cost for reducing environmental impact			
(1) Pollution Control	Fees for air pollution control, water pollution control, and others.	4,904,897	3,232,928
(2) Resource Conservation	Costs for resource (e.g. water) conservation.	1,557,383	-
(3) Waste Disposal and Recycling	Costs for waste treatment (including recycling, incineration and landfill)	-	1,048,089
2. Indirect cost for reducing environmental impact (managerial cost)	(1) Cost of training (2) Environmental management system and certification expenditures (3) Environmental measurement and monitoring fees (4) Environmental protection product costs (5) Environmental protection organization fees	117,717	220,401
3. Other environment-related costs	(1) Costs for decontamination and remediation (2) Environmental damage insurance and environmental taxes (3) Costs related to environmental settlement, compensations, penalties and lawsuits	-	-
Total		6,579,997	4,501,418

2015 Environmental Efficiency of TSMC Fabs in Taiwan

Category	Description	Environmental Benefits	Efficiency (NT\$ thousands)
1. Energy and resource conservation and waste reduction projects	Energy saving: completed 152 projects	Saved 161,007,753 kWh power consumption	402,519
	Water saving: completed 42 projects	Saved 3,027,970 tons water usage	105,979
	Waste reduction: completed 173 projects	Reduced 28,218 tons waste	148,700
2. Income from waste recycling	Recycling of used chemicals, wafers, targets, batteries, lamps, packaging materials, paper cardboard, metals, plastics, and other wastes	Recycled about 270,000 tons waste	396,209
Total			1,053,407



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Environmental Protection Posters in TSMC fabs

5.2.3 Strengthening Internal and External Environmental Education

TSMC continues to raise employees' environmental awareness through education programs, including new employee training, E-learning, family day, and the annual "Loving the Earth Begins with Me" program. In addition to professional environmental education courses, the "Loving the Earth Begins with Me" program makes use of designated environmental bulletin boards in each fab as well as promotional materials in elevators, restrooms, and employee publications to embed environmental concepts in employees' everyday work and life. Our theme for 2015 was "Fun with the Environment in All Four Seasons", selecting seasonal materials throughout the year to show colleagues how to support our water and power conservation measures. These campaigns convey environmental concepts that are reflected in our employees' actions, and have led many departments to seek opportunities to conserve energy, save water, and reduce waste. In order to give employees easy access to up-to-date environmental knowledge, we maintain an internal environmental protection website which files related information and maintains links to global environmental protection-related websites.

External promotion activities not only include green supply chain management, but also active collaboration with academia, industries and local governments in our operation sites around the world. We aim to use our influence as a corporation to protect the environment and to meet our corporate social responsibilities.

5.2.3.1 Strengthen Internal Environmental Education Activities

Enhance Employees' Awareness of Environmental Education

TSMC held three environmental education volunteer camp sessions to energize and inform environmental education volunteers. The camps were aimed at helping volunteers develop new environmental education ideas, and find ways to guide students and children to get the best educational results so that the lessons are not only a part of their life, but inspire them to act from the heart.

Continue to Promote the company's Internal Environmental, Safety and Health Incentive Programs

In 2012, we added an "Environmental Protection, Safety and Health (ESH)" category to existing Total Quality Excellence (TQE) activities and contests to encourage employees to continue improving ESH performance. Presentations at the annual TQE forum give different units at TSMC an opportunity to learn from each other. TQE judges selected 383 excellent ESH improvement cases in the first round, and chose five finalists from those for presentation at the forum in 2015. Through these competitions, TSMC makes continuous improvements in environmental protection. In 2015, Fab 5 won the "Bronze Tower Prize" of the Ministry of Economic Affairs "National Unity Circle Award" for outstanding achievement for their project "TSMC's Green Power: Striding Towards the National Environmental Education Award".



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TSMC Vice Chairman F. C. Tseng Awards Winners in TQE Forum

5.2.3.2 Actively Participate in External Environmental Education Activities

“Eye on the World” program for elementary schools in rural Hsinchu County

The “Eye on the World: Giving Old Things New Life” program by TSMC collected second-hand cameras from TSMC colleagues and provided them to students at Yu-Feng elementary school and Shi-Lei elementary school in Hsinchu. At the launch of the program in 2014, volunteer taught photography twice a month, taking advantage of the schools’ local environment to give children an opportunity to see different views through cameras and experience the beauty of their hometown. In 2015, volunteers went further to teach nature photography techniques and post-production editing techniques to help students photograph the

sights of their hometown and its crops for production into a brochure, giving them the experience of contributing to their community. In addition, TSMC worked with the Alliance Cultural Foundation to organize the “Hit it off - 2015 Photography Exhibit”, which was displayed in Taipei, Hsinchu, and Taichung, touching more people with the children’s innocence and the beauty of Hsinchu’s mountains.



“Eye on the World” Program and “Hit it off - 2015 Photography Exhibit”

Climate Change Education Program of the of Hsinchu County Government

TSMC and the Hsinchu County government worked together to start a collection of teaching plans for climate change education. This collection gathered ideas and opinions from scholars, teachers and the publics in a variety of fields and integrated special features of Hsinchu County into eight important climate change issues. These plans are offered for teachers’ reference through the county’s teaching preparing platform, and are aimed at improving elementary and junior high school students basic knowledge and understanding of climate change.

Environmental Education for Green Buildings by the Fundamental Earth Science Education Resource Center

TSMC assisted the Fundamental Earth Science Education Resource Center to conduct the “TSMC green building environmental education” program. The program included introductions to TSMC green buildings and technology and measures for energy and water saving and waste reduction. In total, 57 high school teachers from 40 schools responsible for editing teaching materials in the fundamental earth science education resource center participated in these activities. By sharing experience and providing an on-site tour, TSMC was able to make its environmental protection technology a part of the teaching materials for high school fundamental science education.



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Fundamental Earth Science Education Resource Center Teachers Visit TSMC

Jin Shan Elementary School's "Love Sharing Journey for Graduates"

TSMC continued to collaborate with Jin Shan elementary school in rural Guanxi township of Hsinchu county, to hold a "Love Sharing Journey" for graduates integrating with environmentally sustainable concepts in June for a third year. The 8km journey from school to the Roman Highway and Mawudu Forest was filled with activities including lessons on local ecology, caring for the elderly who lived alone in the community, cleaning up their community and the "new good food movement". This year, we added the "Giving Old things New Life Part 2" activity, and collected 14 second-hand bicycles for donations to children.

Ecological Development and Preservation as a Good Neighbor

Out of shared concern for the land, TSMC and Taichung City government collaborated to remove two alien plant species, the mikania micrantha and fragrant eupatorium, from the south-west part of Taichung's Tatu Mountains. This act of preservation returned space for native species to support the ecological development of the Tatu Mountains. Green Sustainability is part of TSMC's DNA. Our mission to the environment does not stop at our leadership in green manufacturing. Through our volunteers' participation, we hope the environmental preservation will serve as a connection between colleagues and the communities. We hope clearing this mountain will be a great start for practical action.



Jin Shan Elementary School's "Love Sharing Journey for Graduates"

Volunteers removed ecologically harmful mikania micrantha and fragrant eupatorium

Plant the Seeds for Green Education

TSMC and Yuemei elementary school in Houli Township, Taichung City, collaborated to plant trees. We planted and, watered camphor trees and orange jasmine with students in the campus. These plants will develop under comfortable conditions next to the school's new green buildings, and grow with the school fill the campus with their fragrance once they begin to flower. In addition to planting the seeds of green education in the students, TSMC is dedicated to showing once and again that we love the land where we live and will continue to spread saplings to thrive around Taiwan.

Education in Environmental Disaster Prevention

TSMC collaborated with governmental agencies and schools to promote the Company's environmental, health, and safety culture, and serves as a leader to provide professional help and consulting with its practical experience. In 2014 the theme for our activities in this area was "Emergency Response". TSMC supported small and medium enterprises in the Hsinchu Science Park in building up health and safety self-management, strengthening disaster mitigation, and helped participants learn how companies implement pollution and disaster prevention through discussions of basic emergency response concepts, experience-sharing in directing disaster relief, facility tours, exercise planning, and on-site classes. In 2015 our theme was "Chemicals Management". We held a chemicals management conference, and 18 companies participated as observers in our chemical emergency



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response drills. A total of 126 people participated in our activities, including visitors from Junyi High School from Miaoli County and Yuan Pei Medical University from Hsin Chu County.



Chemicals Emergency Response Drills in the Science Park

5.2.4 Water Resource Media Tour and Green Tour

To showcase the actions that TSMC has taken to protect the environment, the Company invited print, broadcast, and Internet media to two large-scale media tours in 2015. These included the "Water Resource Management Media Tour" in April and "Green Tour" in October.

Water Resource Management Media Tour

In early 2015, Taiwan experienced its worst drought for many years, nearly depleting several reservoirs and causing water restrictions for industry as well as the general public. In order to address inquiries from the public as well as concerns that the heavy water consumption

of the semiconductor industry could reduce water available for households, the Public Relations Department collaborated with the 300mm Fabs Facility Division to hold the "TSMC Water Resource Management Media Tour" to demonstrate the water-saving measures that TSMC has implemented for more than a decade.

On April 9, 2015, the Public Relations Department invited journalists to the facilities area of Fab 15 in the Central Taiwan Science Park to join a tour led by the company's water-saving specialists. This tour explained TSMC's water recycling process and the results of the daily conservation efforts to showcase heavy investments that the Company has made in its advanced and comprehensive water resource management system.

This event received an enthusiastic response from media, with numerous reports using the headline "TSMC Uses Every Drop of Water 3.5 Times", leaving a strong impression with the public.



TSMC Water Resource Management Media Tour

Green Tour

On October 29, 2015, TSMC expanded the scope of its media tours, inviting journalists to once again to Fab 15 in Taichung. Specialists in air pollution reduction and waste recycling conducted a "Green Tour" of the Fab's air pollution prevention and waste recycling equipment, as well as air and water pollution monitoring procedures.

Professionals from Fab 15 gave a detailed description of how the facility uses a two-stage system to ensure that emission meet regulations. At the same time, TSMC unveiled its advanced waste recycling equipment, detailing how the fab condenses a portion of waste for chemical treatment so that it can be reused in the production process. In addition, we opened the Emergency Response Center to journalists to demonstrate how TSMC monitors tools in real time, and simulates emergencies to train for response.

In addition to touring the fab's green manufacturing process, the Public Relations Department also took journalists to view the ecosystem created by Fab 15's vegetated wall as well as habitats created for wild ducks and butterflies. This green tour successfully communicated TSMC's efforts in green manufacturing and green buildings to the public.

TSMC's two media tours not only demonstrated how TSMC takes direct action to protect the environment, it also left a strong impression of TSMC's image as a corporation that values natural resources and pursues environmental sustainability.

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Social Dimension





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Employees are the most important assets of TSMC; the goal for the Company's human resources policies and practices is to enhance our Company and employees' overall productivity and effectiveness. The Company is committed to providing quality jobs with good compensation, meaningful work, and a safe work environment for its employees; moreover, it is dedicated to fostering a fun work environment that encourages continuous learning and this enables the Company to recruit and retain the best talents suitable for its positions.

Our trinity of strengths – technology leadership, manufacturing excellence, and customer trust – spring from our clear vision, strong core values, effective strategies and powerful execution. The lynchpin of our success is the ability to continuously attract and develop talent who recognize our vision and values, and work together for our sustainable growth.

Our core values are integrity, commitment, innovation and customer trust. Our actions are guided by these core values and our principles for human resources also stem from these values:

- Integrity is our fundamental belief. The first thing we consider when hiring is the candidate's character and qualifications, rather than his or her connections or access.
- We believe that all employees should be treated with dignity and respect. The Company is committed to upholding workers' rights and respects internationally proclaimed human rights, as outlined by the United Nations Universal Declaration on Human Rights and the International Labor Organization's fundamental conventions on core labor standards.
- We provide career opportunities that offer above-industry standard compensation because we are highly committed to our employees. At the same time, we hope our employees will commit themselves to our Company and do their best to contribute to the success of our Company.
- We encourage our employees to actively make valuable innovations because innovation is the wellspring of our growth.

TSMC stands firmly on its core values of "integrity" and "commitment"; all of the Company's human resources-related practices are in line

with internationally proclaimed human rights standards. Our drafted "Human Rights Policy" is based on "A Guide for Business – How to Develop a Human Rights Policy" by UN Global Compact; in the development of our policy, we have referred to standards include: The International Bill of Human Rights; The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work; and The United Nations Global Compact. Also, our guiding principles of the Human Rights Policy align with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, with that we supervise our suppliers' action to ensure that they meet the human rights standards of TSMC. Currently, the drafted policy is being reviewed internally; once the document is approved, it will be published on TSMC Corporate Website (http://www.tsmc.com/english/csr/human_right.html). +

Recruiting and retaining the right people with shared vision and values set the cornerstone for policies and practices on recruiting, staffing, compensation and benefits, as well as learning and development. In 2015, the Company recruited over 2,700 managers, professionals, and administrative staff, as well as over 1,100 assistants and technicians. As of the end of 2015, the Company had 45,272 employees, among which 41.3% are female.

TSMC is committed to providing competitive compensation packages for attracting and retaining the best talent, in addition, we are dedicated to fostering a fun work environment that encourages continuous learning. In 2015, the turnover rate for all employees was 5.0%, while the average annual turnover rates for the past five years all fell within a healthy range of 5% to 10%.

TSMC is dedicated to maintaining constructive and harmonious employee relationships, we value two-way communication and are committed to keeping open and transparent communication channels between the management level, subordinates, and peers; this is our commitment to employees, and in return, our employees are highly committed and loyal towards our company. Following the goal of "50 working hours per week," our company encourages employees to

enhance their efficiency and effectiveness, enabling them to spend more time with their family, to make friends and to develop personal interests. With a balanced lifestyle, our employees are able to sustain both their physical and mental health in addition to work itself.

TSMC works proactively to build a healthy work environment via health promotion activities, assistance programs, and multi-dimensional practices. Furthermore, TSMC sets zero accidents as its safety and health goal; to meet this goal, the Company adopts strict safety and health management procedures, maintains stringent standards for facility and hardware operations, and promotes continuous improvement programs.

As an active participant in society, TSMC combines our company's resources with our employees' compassion and wisdom to build a sustainable society, protect the environment, care for the disadvantaged, promote arts and culture, and narrow the urban/rural divide through the Employee Volunteer Society and the TSMC Education and Culture Foundation.

In 2015, the TSMC Foundation contributed NT\$68 Million. This year the Foundation continued to support multiple educational programs including sponsorships of National Tsing Hua University's (NTHU) "Rising Sun Project" and National Central University's (NCU) "Sunflower Project" to aid underprivileged students with financial support for them to have a good chance to further study in top-notch universities. Also the Foundation continued to collaborate with the Center for the Advancement of Science Education (CASE) of the Taiwan University to hold the "TSMC Science Talk Cup" Competition. This contest courage the senior high school students to absorb the scientific knowledge and strengthen their ability of expression and communication, and inspire their interest to explore the science. In addition to the various educational programs, the Foundation is keen to the promotion of arts. This year the Foundation again sponsored the world-renowned orchestra, the Royal Concertgebouw Orchestra, after the orchestra's last visit in 2006, and, with the National Symphony Orchestra, jointly



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produce the opera Fidelio. Both of these orchestras provided the Taiwan people with extraordinary performing arts. With contributions such as these, the Foundation hopes to lead the trend of promoting the arts and enriching the spiritual life of society in general.

Our Volunteer Program, under the leadership of Sophie Chang (Su-feng Chang), persists in the objective of "long-term commitment to chosen service themes" and encourages our employees to participate in volunteer activities with joy and wisdom. Employees of our company and our affiliated companies, as well as their family members, are invited to participate in related activities under the Program. TSMC's Volunteer Program is dedicated to promoting education and culture, providing aid for the underprivileged, advocating energy saving, and caring for the community, including the TSMC Volunteer Docent Program, TSMC Book Reading Volunteer Program, TSMC Energy Saving Volunteer Program, TSMC Community Volunteer Program, TSMC Ecology Volunteer Program, and TSMC Fab/Division Volunteer Program. The program aims to provide a host of channels for the Company's most valuable asset-high-tech professional employees-to contribute to society.

6.1 Right People with Shared Vision and Values

To attract, retain and develop the right people has always been the focus of our efforts in recruiting, staffing, compensation, and performance management, as well as our training and development. By "right people," we mean all employees who share our vision and values. "People with shared vision" means people aimed in the same direction as us, while "people with shared values" means people who do things based on the same principles as TSMC. Through a variety of human resources practices, our employees can bring all their potential into full play in the right position, which contributes to a win-win situation for both our company and employees.

6.1.1 Stable and Healthy Workforce

At the end of 2015, TSMC and its subsidiaries had 45,272 employees, including 4,669 managers, 19,645 professionals, 3,789 assistants, and 17,169 technicians.

TSMC Workforce Structure

Categories	Groups	Male		Female		Subtotal and Percentage by Groups	
		Number	Percentage of Group	Number	Percentage of Group	Number	Percentage of Total Employees
Employee Category	Managers	4,131	88.5%	538	11.5%	4,669	10.3%
	Professionals	16,175	82.3%	3,470	17.7%	19,645	43.4%
	Assistant Engineer/Clerical	3,046	80.4%	743	19.6%	3,789	8.4%
	Technician	3,228	18.8%	13,941	81.2%	17,169	37.9%
Location	Taiwan	24,246	59.1%	16,751	40.9%	40,997	90.5%
	Asia*	1,274	46.4%	1,469	53.6%	2,743	6.1%
	North America	1,023	69.2%	456	30.8%	1,479	3.3%
	Europe	37	69.8%	16	30.2%	53	0.1%
Age	16-17	0	0.0%	0	0.0%	0	0.0%
	18-20	24	20.5%	93	79.5%	117	0.3%
	21-30	8,275	58.5%	5,869	41.5%	14,144	31.2%
	31-40	13,106	58.5%	9,292	41.5%	22,398	49.4%
	41-50	4,302	59.5%	2,923	40.5%	7,225	16.0%
	51-60	782	61.4%	492	38.6%	1,274	2.8%
	60+	91	79.8%	23	20.2%	114	0.3%
Education	Ph.D.	1,819	91.7%	164	8.3%	1,983	4.4%
	Master's	14,499	81.8%	3,234	18.2%	17,733	39.2%
	Bachelor's	7,247	61.1%	4,619	38.9%	11,866	26.2%
	Other Higher Education	1,592	28.7%	3,947	71.3%	5,539	12.2%
	High School	1,423	17.5%	6,728	82.5%	8,151	18.0%
Employment Type	Regular	26,578	58.7%	18,688	41.3%	45,266	99.9%
	Temp	2	33.3%	4	66.7%	6	0.1%
Subtotal by Genders		26,580	58.7%	18,692	41.3%	-	-
Total							45,272

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Females comprised 41.3% and males comprised 58.7% of all employees in 2015. In Taiwan, where most of our facilities are located, more men choose to major in semiconductor-related studies in universities and graduate schools than women. As a result, males comprised almost 83.5% of all managers and professionals in our company. However, from the perspective of TSMC's management team, females comprised 26.3%.

In terms of geographical distribution, over 90% of our employees are located in Taiwan. In addition, we have overseas subsidiaries in China, North America, Europe, Japan, and Korea. Among these, China and North America provide manufacturing, business and technical service, while Europe, Japan and Korea provide the business and technical support.

In terms of educational background, over 80% of our managers and professionals hold master's degrees or above. In a knowledge-intensive field such as the semiconductor industry, the innovation of our employees contributes greatly to our leadership position.

Considering the vitality of our company as well as the external economic environment, we believe that a healthy turnover rate should be between 5% and 10%. The average annual turnover rates for the past five years are all within this range. In 2015, the turnover rate for all employees was 5.0%. By gender, the turnover rate for males was 4.8% and 5.3% for females. By age group, the turnover rate for ages under 30 was 7.2%, 3.8% for ages between 30 and 50, and 7.5% for those above 50.

Turnover Rate by Gender

Gender/Year	2011	2012	2013	2014	2015
Male	6.0%	5.2%	4.9%	5.5%	4.8%
Female	5.8%	6.3%	5.4%	6.6%	5.3%
Total	5.9%	5.7%	5.3%	6.0%	5.0%

Note: The total of the annual turnover rate is the sum of monthly turnover rates.

Turnover Rate by Age Group

Age Group/Year	2011	2012	2013	2014	2015
Under 30	8.5%	7.7%	8.4%	10.4%	7.2%
30-50	5.3%	4.1%	3.5%	4.0%	3.8%
Above 50	8.6%	8.2%	4.6%	6.1%	7.5%
Total	5.9%	5.7%	5.3%	6.0%	5.0%

Taiwan's Labor Standards Act states that no employer shall, by force, coercion, detention, or other illegal means, compel a worker to perform work; in addition, the fundamental convention of the ILO (International Labor Organization) prohibits all forms of forced or compulsory labor. TSMC adheres firmly to local regulations and internationally-recognized protocols; we have never forced involuntary labor from any person with menace of any penalty.

Taiwan's Labor Standards Act states that companies may not employ workers under the age of 15, and that workers between the age of 15 and 16 are not permitted to perform heavy or hazardous work. In addition, child labor is also strictly forbidden under ILO standards. Our Company fully complies with the above mentioned standards and laws and instituted <TSMC Candidate Interview Process Control Instruction> for implementation. All resumes received are thoroughly checked to confirm that the applicants are over the age of 16; in addition, identification documents of selected candidates are checked to ensure that they meet the minimum age requirement before hiring. In result, TSMC has never hired employees under 16 years of age since the Company's establishment. Based on this principle, we will not do so in the future. Otherwise, in demographically speaking, employees aged 20 to 40 comprised 80.7% of our total employees.

6.1.2 Recruiting the Right People

The growth of TSMC relies on the continued contributions of its devoted employees. In order to strengthen growth momentum, the Company is dedicated to recruiting top-notch professionals for all available positions. TSMC is an equal employment opportunity employer, and its practices center on the principles of open and fair recruitment. The Company evaluates all candidates according to their qualifications as related to the requirements of each position, without regard to race, gender, age, religion, nationality, or political affiliation. In practice, the Company complies with Taiwan's Labor Standards Act and EICC Code of Conduct. In order to protect candidates' personal information and to avoid employment discrimination, TSMC amended <TSMC Candidate Interview Process Control Instruction> for implementation. The information we collected for interview is mainly job related, and the personal information will be collected after the offer confirmed.

We conduct volume hiring not only from the local labor market but also actively recruit from countries with strong sources of semiconductor talent, namely the United States and India; this adds to the diversity of our workforce. Apart from continual participation in "HiRecruit," an annual event organized by the Taiwan government for recruiting international talent, in 2015, we independently hosted 14 job fairs in top global universities for talent recruitment via face-to-face interaction between our executives and talented students from overseas. This activity resulted in over 60 international talents being recruited.



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One of the many campus career talks held in California Institute of Technology (Caltech)

One of the many campus career talks held in University of Maryland

TSMC uses a variety of recruiting activities and university programs, including Joint Development Programs, the University Shuttle Program, Summer Internships, Job Fairs, as well as a series of Fresh Graduate Career Symposiums for graduates-to-be. TSMC's continuous growth requires constant talent sourcing and recruitment activities to support its business. The Company recruited over 2,700 managers, professionals, and administrative staff, as well as over 1,100 assistants and technicians in 2015; demographics of the new recruits for the year are as follows:

Distribution of New Hires by Age and Location in 2015

Categories	Groups	Male	Female
Age	Under 30	1,902	957
	31-50	664	306
	Above 50	29	3
Location	Taiwan	2,283	1,011
	Asia ^{Note}	262	233
	North America	47	19
	Europe	3	3
Total		2,595	1,266

Note: Asia Region includes China, Japan and Korea.

In order to cultivate a young talent pipeline for recruitment, TSMC makes use of a number of recruiting activities and university programs; its proactive actions ensure continuous commitment to semiconductor R&D, which in turn supports TSMC in maintaining its competitive advantage globally. The missions of TSMC's campus engagement are as follows:

Campus Engagement and Cultivation

Students with technological expertise are highly valued in talent sourcing. As such, TSMC established a total of four university-level

research centers in National Taiwan University, National Chiao Tung University, National Tsing Hua University, and National Cheng Kung University. The mission of these centers is twofold: to develop top graduate students for future employment, and encourage selected academics to consolidate different research domains under one umbrella for more effective synergy. Under this mission, TSMC provides hundreds of millions of NT dollars in seed money for leveraging funding from the National Science Council.

In 2015, the above-mentioned four centers sponsored about 100 faculty and hundreds of students across the fields of electronics, material engineering, physics, chemistry, chemical engineering and mechanical engineering. A number of important patents have been granted from these joint development programs.

Inspiring Students to Aim High for Themselves

We endeavor to inspire young students to continually aim high for themselves. Related programs are as below:

Program	Achievement
Summer Internship	Each year, we open hundreds of summer internship jobs for domestic and overseas students. The internship program is meant to provide opportunities for students to apply what they have learned from their studies, to experience the industry environment, and to make early connections with our teams so these young students can be prepared for future careers and enhance their competitiveness
On-Site Visits	These visits give students from domestic and overseas university an early understanding of the semiconductor industry work environment and reinforce interaction between schools and TSMC
Career Talks in Campus	Our top executives and esteemed professionals share their aspirations and career experiences with young people, inspiring them to aim high and to devote themselves to research or engineering that will benefit global society



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■ TSMC proactively attracted graduating class students at a campus recruitment event in NTU, Taiwan

■ Cross-function interns participated in a final competition that enhanced sharing of learning among all interns. In 2015, the competition took place in Fab12 Phase 3 in Hsinchu

Long-term Support for Technology Innovation

Through our renowned University Shuttle Program and University Joint Development Project (JDP) programs, we partnered with academia and research institutions to support advanced research and innovations in IC design and manufacturing. Related programs are as follows:

Program	Achievement
University Shuttle Program	This program provides free advanced (up to 28nm) and/or mature silicon process technology to academic researchers. This makes it possible for them to test new chip designs without manufacturing costs and enables them to engineer their innovative research into applied results for the industry
Joint Development Project (JDP)	This program provides funding to university faculty members for nearly 100 research projects, totaling around NT\$200 million every year This program enables continuous innovative semiconductor research, and in turn has attracted more students to join these research labs for their advanced studies. More than 100 participating students have joined our Company after graduation

Provide Diversified Job Opportunities for Disabled Persons

TSMC endeavor to hire disabled persons, also proactively collaborated with 39 universities to create more diversified and high-quality job opportunities for disabled persons in 2015. In addition to existing job positions, we continue to integrate external resources to develop suitable jobs for disabled persons, including serving as Recruitment Service Representatives.

As of the end of 2015, disabled employees comprised 1.017% of all employees, exceeding the ratio required by Taiwan law.

6.1.3 Competitive Compensation Program to Reward People for Long-term Contribution

Based on our belief that “employees are our most important asset” and our principle of “maintaining balance between the interests of employees and shareholders,” we provide competitive compensation packages for attracting and retaining the best talent. Our performance has excelled and our shareholders have gained above-average returns. The total compensation of our employees is better than the average of our peer companies in the semiconductor industry and the majority of other Taiwanese companies as well.

Our total compensation includes base salary, allowance, employees’ cash bonus and profit sharing bonus, which is based on individual expertise, job responsibility, performance, commitment, and our company’s operational achievement.

In order to maintain the competitiveness of our total compensation, we appropriately adjust employees’ salaries annually, taking the results of global salary surveys, market salary scales, and economic indices into consideration. Salary adjustment, cash bonus and profit sharing bonus for our employees are reviewed by the Board of Directors’ Compensation Committee and are connected to our financial, operational performance and future growth. The cash bonus is distributed quarterly, as we believe this balances our employees’ cash flow and provides a timely reward, and the employees’ profit sharing bonus is distributed in the following year to encourage our employees’ continuous contribution.

Despite recent slow growth in the global economy, TSMC achieved record-high operational performance and profit in 2015. In addition to a salary increase for all employees in April, the total amount of Taiwan employees’ cash bonus and profit sharing bonus in 2015 is expected to exceed NT\$37 billion. The total compensation of a newly-graduated

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engineer with a Master’s degree in our company would be equal to 32 months’ salary, including 12 months’ base salary, 2 months’ year-end bonus and around 18 months’ employees’ cash bonus and profit sharing bonus, outperforming our industry peers.

Our total compensation is not differential by gender, religion, race, nationality or political affiliation. The ratio of annual total compensation between female and male employees in each region is listed in the table below.

Region	Position	Female	Male
Taiwan	Manager	1	1.06
	Professional	1	1.02
	Assistant Engineer/Clerical	1	0.91
	Technician	1	0.82
China	Manager	1	1.03
	Professional	1	1.01
	Assistant Engineer/Clerical	1	1.04
	Technician	1	0.93
Japan	Manager	-	-
	Professional	1	1.24
North America	Manager	1	1.23
	Professional	1	1.36
Europe	Manager	1	0.59
	Professional	1	1.05

Note: No female managers in Japan.

As a global company, we provide employees of overseas subsidiaries with a competitive localized salary plan in accordance with local regulations, industry practices and labor market status. At the same time, we design bonus programs as part of our compensation package based on the operational performance of our Company and each overseas subsidiary to encourage overseas employees’ continuous contribution in the future growth of our company.

6.1.4 The Engine of Employee Growth

The development of employees is an integral and critical factor for the growth of a company; employees’ learning and development should embody the principles of “systematic, planned and disciplined”. TSMC is committed to cultivating a continuous and diverse learning environment, and has established the “TSMC Employee Training and Education Procedure” to ensure the Company’s and individuals’ development objectives can be achieved through the integration of internal and external training resources.

Comprehensive Performance Management and Development

Our performance management and development system aims to fully develop employees to their maximum potential. It provides an environment for employee development, and facilitates ongoing engagement and communication between supervisors and employees. The five principles of our performance management are:

- Personal accountability for individual performance
- Partnership and cooperation between supervisors and employees
- Ongoing engagement and communication
- Equal importance given to performance appraisal and development
- Performance differentiation

Through goal-setting and execution by the organizations and the employee, as well as mid-year and year-end performance evaluations, we assess the status of goal achievement and set each employee’s development focus.

Individual Development Plan and Diverse Learning Resources

Based on the nature of the individual’s job, work performance and career development path, the Individual Development Plan (IDP) is provided, and the Company also provides employees a diverse network of learning resources, including on-the-job training, classroom training, online learning, coaching, mentoring, and job rotation, etc.

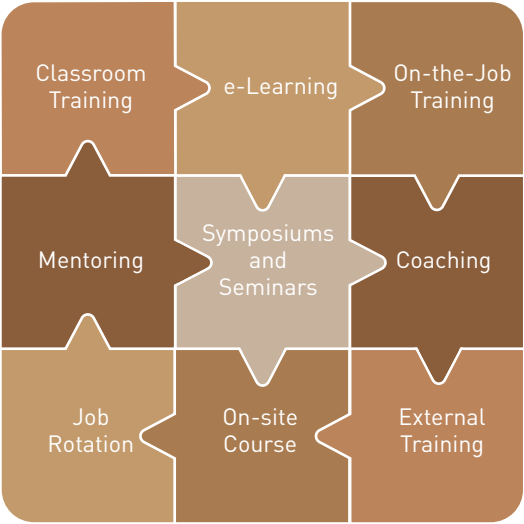


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In 2015, we spent NT\$85,540,407 on the learning and development of our employees. We provided 770,548 hours of training and the number of attendees totaled 527,553; on average, each employee attended over 17 hours of training in 2015. Through the investment in training and development, employees can accomplish the given goals more efficiently. For example, New Managers Program builds appropriate mindset and develop critical skills of being a manager that help newly promoted managers lead their teams effectively to complete assignments. In addition to training programs, the company enthusiastically develop mentoring, coaching, and job rotation programs to enrich employees' learning experiences and inherit successful experiences to reduce employees' learning curve.

	2011	2012	2013	2014	2015
(A) Headcount as of 12/31	33,669	37,149	39,794	43,591	45,272
(B) Training Hours ^{Note}	795,448	779,442	889,184	884,174	770,548
(C=B/A) Average Training Hours per Employee	23.63	20.98	22.34	19.37	17.02

Note 1: Includes data for Taiwan and oversea subsidiaries

Note 2: Includes a mix of training methods, such as classroom training, e-learning, external training; but exclude the hours of mentoring, coaching, job rotations and others.

TSMC provides general training, professional training, functional training and management training systematically. External experts are invited to deliver these trainings; meanwhile, in order to achieve the goal to transit critical domain knowledge and technology, hundreds of internal trainers are developed.

Our classroom training and development programs can be categorized as below:

Programs	Description
New Employee Orientation	<ul style="list-style-type: none"> Consists of classroom learning and job orientation, which delivers our core values and shapes simulated scenarios of our working environment Managers and our well-established Buddy System are actively engaged in the assimilation process. By the end of 2015, we cultivated 8,492 buddies to assist newcomers in quickly adapting to our environment and culture
General Training	<ul style="list-style-type: none"> Required by government regulations and company policies Includes personal effectiveness training, industry-specific safety, workplace health and safety, quality, fab emergency response, and language training
Professional/ Functional Training	<ul style="list-style-type: none"> Required by various functions within our company Includes equipment engineering, process engineering, accounting, legal, and information technology, among others
Management Training	<ul style="list-style-type: none"> Designed to cultivate management capabilities and responsibilities to meet the development needs of managers at all levels Includes New Manager Program, Experienced Manager Program, Senior Manager Program as well as other optional courses
Direct Labor (DL) Training	<ul style="list-style-type: none"> Enables production line employees to acquire the knowledge, skills, and attitudes needed to pass certifications to perform their job well Includes DL Skill Training, Technician "Train-the-Trainer" Training, and Manufacturing Leader Training
Customized Training	<ul style="list-style-type: none"> Tailor-made courses to meet the needs of employees according to business requirements



Employees fortified their learning effectiveness via case study and group discussion



Technology forums were held to provide our employees with more diversified knowledge of the semiconductor and technology industry



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Our e-learning system offered 2,172 courses, covering Engineering and Technical courses, Functional and Professional courses, management courses, and others. In 2015, e-learning training hours comprised 29% of total training hours.

Apart from internal training courses, our employees are also subsidized when taking external short-term courses, credit courses and degrees. In 2015, a total of 1,534 employees took short-term courses; totaling up to 33,951 training hours. Moreover, 156 employees took credit courses and degrees with the accumulation of 42,806 training hours. Finally, 536 employees took language courses in English, Chinese and Japanese for 14,082 training hours. The training hours for external training comprised 12% of total training hours.

A Cradle for TSMC Teachers—the Internal Instructor Program

To facilitate knowledge sharing and leverage internal know-how, we cultivate internal instructors through a well-established internal instructor development system. Our company has shown our appreciation for internal instructors through the TSMC Excellent Instructor Award and a series of related activities to enhance our learning culture.

In 2015, 47 internal instructors completed their required training, which contributed a total of 665 qualified internal instructors by the end of 2015.



Award ceremonies were held to express our appreciation for the contribution of our internal instructors

Pursuing Better Learning Effectiveness

To ensure training quality, we evaluate training effectiveness via questionnaires and pre- and post-course assessment, and the results become the basis for future enhancements. When training programs fail to meet their objectives, they are carefully reviewed and corrective actions are taken immediately. In 2015, the average evaluation score for all courses reached almost 93 out of a possible 100, underscoring employees' satisfaction with these courses. The percentage of training programs failing to meet the objectives was also kept under a reasonable 2%.

6.2 Encouraging a Balanced Life

Following the goal of "50 working hours per week," our company continues to streamline the working process to enhance the efficiency and effectiveness of our employees, enabling them to spend more time with their family. Our Chairman Morris Chang encourages our employees to hold a balanced and healthy lifestyle, which includes family and social life, regular exercise, as well as personal hobbies and interests, in addition to work itself. With a balanced lifestyle, our employees are able to sustain both their physical and mental health.

To ensure a balanced life for our employees, our company provides a variety of social and cultural activities as well as services and benefits to promote employee productivity, morale, and healthy family life.

6.2.1 Expanding Interpersonal Relationships

We consider each of our employees as an individual as well as a part of a social network. Our employees obtain support from their work environment, which acts as a positive influence. Our company encourages our employees to cultivate their interests after work, and gain opportunities to develop interpersonal relationships with one another. The willingness of our employees to take part in club activities has increased; in 2015, a total of 22,393 employees have attended activities hosted by our 73 clubs, such as running, cycling, extreme sports, dance, aikido, calligraphy, cooking, Chinese music, and so on, translating to a 31% year-on-year growth.



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TSMC employees enjoy a colorful life by taking part in clubs

■ Ukulele Club ■ Belly Dance

Family is also part of our interpersonal network. We hold many regular parent-child activities and encourage our employees to participate. Employees can balance their family life and expand their social networks through these activities. In 2015, more than 37,000 employees and family members attended and enjoyed these activities.



■ Employees and their families were encouraged to spend quality time and have fun together at TSMC Family Day

6.2.2 Encouraging Appreciation for the Arts

We hold arts and culture events in our company, and encourage employees to attend them. In 2015, we held 4 concerts, 22 speeches, 38 plays for children, and 150 movie screenings. In addition to enjoying performances by popular artists, employees also enjoyed speeches on diverse topics such as current events, relationships, legal matters in everyday life, and inspirational stories.

In addition, our galleries display artworks regularly. They not only provide a beautiful and relaxing work environment, but also reinforce employees' appreciation for the world of art. In 2015, more than 2,000 works of art were displayed.

6.2.3 Convenient and High-quality Employee Services Dining Service

Our cafeterias provide a great diversity of dining options and comfortable environments. The food courts in our cafeterias provide Taiwanese, Southeast Asian, and Japanese cuisine, as well as others. We also provide healthy vegetarian and vegan options. In response to our carbon reduction policy, we initiated the "Good Food Campaign" to inform employees about balanced nutrition; the achievements of the campaign are as follows:

- The "Food Waste Reduction" program enabled our cafeterias in Hsinchu, Taichung, and Tainan to eliminate carbon dioxide emissions by 30%, which equaled approximately 30,000 kilograms of CO₂, reaching the target of "Carbon Neutral".
- "Low Carbon Healthy Dining" was introduced to promote the consumption of seasonal food, as well as to continue educating



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employees about low-carbon eating habits. These encouraged employees to pay attention to their own health, and in turn supports our goal of a healthy workplace environment.

In order to maintain and improve employee dining satisfaction, an electronic dining satisfaction survey system was introduced in 2009. With this system, we can easily understand employees' preferences and satisfaction levels and make timely enhancements on food quality and service based on the results. In 2015, the satisfaction rate toward dining service was 96.6%, marking a high satisfaction rate of over 95% for the last six years.



Promoting Correct Dietary Concepts and Health Awareness

Convenient Services

Our company provides services such as fitness centers, bookstores, coffee shops, 24-hour convenience stores, juice bars, dental clinic, and health centers on site to support our employees' daily needs. In addition, weekly on-site services include laundry, banking, telecommunications, insurance, household appliances and others.

Preschool Service

TSMC provides a healthy and safe environment for the preschool education of our employees' children in Hsinchu and Tainan site. Our kindergartens were built with green construction materials and are fireproofed; in addition, there are no sharp angles in the interior designs to ensure students' safety. We also minimize the threat of influenza with separated air conditioning in every room. With our award-winning preschool service, we not only give our employees' children a great place to learn, but also help employees to be better and happier parents.



TSMC kindergartens provide a healthy and safe environment that emphasizes happy learning



Electric cars were adopted to replace company vehicles and inter-fab shuttles

Transportation Service

Shuttle services across fabs are available to provide employees with safe and effective transport. This service also reduces the necessity for employees to drive on their own. In addition, to save energy and reduce carbon emissions, TSMC was the first company in Taiwan to adopt electric cars to replace company vehicles beginning in 2012. Moving a step forward in 2014, we have introduced electric shuttle buses as part of our continuous efforts in reducing carbon emissions to make the world a greener place.

Accommodation Service

Accommodation service is provided for employees who are on business trips between different sites and for employees who live far from our company in consideration of their safety and convenience. In addition to providing a comfortable living environment, the "Dormitory Caring System" was established to ensure safe access to dormitories and to respond to potential emergencies.



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6.2.4 Benefits – Safeguarding Employees' Rights

Employee wages and benefits mainly are salary, allowance, cash bonus, profit sharing bonus, pension expenses and benefit programs. TSMC recognized employee wages and benefits of NT\$ 91,210,942 thousand in 2015.

A Comprehensive Insurance Plan

Our employees are insured by Labor and National Health Insurance and are eligible for their statutory benefits. In addition to the statutory Labor Insurance and National Health Insurance, we provide comprehensive insurance plans to employees. Each employee is covered by our group insurance plans from the first day they come on board. Coverage includes life insurance, accident insurance, hospital insurance, cancer insurance, and business travel insurance. The coverage will be extended to the employees in leave of absence for the purpose of military service, serious illness or injury, and childcare. Employees also have the flexibility to participate in self-pay insurance plans for their family with lower prices to obtain better protection.

Pension Plan

Our employee pension plan is set in accordance with the Taiwan Labor Standards Act and Labor Pension Act. With our company's sound financial system, we ensure employees a solid contribution and regular pension payments. In accordance with the revision of the Labor Standards Act in 2015, employers shall assess the balance in their pension funds before the end of each year. If the amount is inadequate to pay pensions calculated for employees who will meet the conditions for retirement in the following year, the employer is required to make up the difference to ensure employee pension payment. In addition to statutory contributions, we also invite professional accountants and consultants to conduct precise calculations of our company's pension

fund, so as to assure sufficient funding for employee pension payments in the future.

Pension Contribution under Labor Standards Act

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. TSMC contributes an amount equal to 2% of salaries paid each month to their respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. The fair value of plan assets was NT\$3,870,148 thousand as of December 31, 2015. Accordingly, TSMC recognized expenses of NT\$278,930 thousand for the years ended December 31, 2015. Insufficient funding was included in the balance sheet under accrued pension cost and amounted to NT\$7,448,026 thousand as of December 31, 2015.

Pension Contribution under Labor Pension Act

TSMC provides a defined contribution plan under the Labor Pension Act (the "Act"). Pursuant to the Act, TSMC makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC's overseas subsidiaries also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, TSMC recognized expenses of NT\$2,002,639 thousand for the years ended December 31, 2015.

Flexible Leave Programs

Our company provides flexible leave programs which exceed the requirements of Taiwan's Labor Standards Act. Our employees are eligible for annual leave after completing 3 months of service. Furthermore, they are granted 120 hours fully-paid and 120 hours half-paid sick leave per year. To offer a workplace which is friendly

to female employees and employees' spouses, our company also provides menstruation, maternity, prenatal examination and paternity leave programs. In addition to personal-affairs leave and homecare leave, granted based on the Labor Standards Acts, employees are entitled to 90 days of special personal leave with approval by authorized supervisors if they must attend to important personal affairs. Our employees can also apply for leaves of absence for reasons such as childcare, military service, and medical treatment for serious illness or injury. They can also apply to return to our company before the end date of his or her leave of absence.

Effective from year 2016, statutory working hours of the Labor Standards Act has been reduced from 84 hours every two weeks to 40 hours a week, and the public holidays have been adjusted from 19 days to 12 days. TSMC revised employee's working hours to comply with the policy of the Ministry of Labor regarding working hours reduction. As for public holiday adjustment, TSMC determines to exceed the statutory requirements and keep 19 public holidays to take care of employees and consider employees' health and work-life balance in addition to hard work. Therefore, employees are eligible for two working hours reduction a week and are entitled to 19 public holidays simultaneously. This practice aroused positive impacts among companies in Science Park; many companies take our company's practice as a model.

Taking parental leave as an example, in 2015, 559 employees took parental leave, and the average return-to-work rate was 79.0% with a retention rate of 80.1%. Among the 74 employees who are not listed as employed at least 12 months after they returned to work from parental leave, 41 have applied for parental leave for a second time, illustrating their confidence in our company in protecting their legitimate right to return to work.



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	Total	Male	Female
Number of employees that took parental leave in 2015	559	108	451
Number of employees that should return to work in 2015 (A)	481	72	409
Number of employees that returned to work in 2015 (B)	380	55	325
Return to Work Rate (B/A)	79.00%	76.40%	79.50%
Number of employees that returned to work in 2014 (C)	372	65	307
Number of employees that returned to work in 2014 and are still employed at least 12 months in 2015 (D)	298	54	244
Retention Rate (D/C)	80.10%	83.10%	79.50%

Other Welfare Benefits

The TSMC Employee Welfare Committee provides other benefits, including:

- Financial assistance to help employees who encounter difficult circumstances
- Subsidies for marriage, childbirth, and funerals
- Cash gifts for birthdays and major festivals
- Travel subsidies
- Discounts provided by over 8,000 designated vendors
- Online platform for shopping and exchanging information

The insurance plan, pension plan, leave programs and other welfare benefits for the employees of our overseas subsidiaries all comply with or exceed local regulations to ensure a secure and carefree life for our employees worldwide.

6.3 Employee Engagement

We are dedicated to maintaining constructive and harmonious employee relationships and creating a highly engaged work environment; this is our commitment to employees, and in return, our employees are highly committed and loyal towards our company. These positive factors all generate productivity and better performance.

6.3.1 Reinforcing Employees' Sense of Belonging

Our employees share common vision and values, and thus can work toward the same goals. We hold the "Sports Day" event every year to reinforce employees' cohesion and the spirit of teamwork. Our employees interact and cooperate with one another through a variety of sports competitions. More than 36,000 of our employees and family members attended Sports Day in 2015.



Our employees showed the utmost cohesion and team spirit throughout TSMC Sports Day

■ Torch relay ■ Cheerleading performance ■ Relay race competition

All employees are treated with fairness and provided with the most appropriate development program. To cope with the different needs of our diverse employee groups, we offer a variety of caring programs. Furthermore, with more and more international talents joining our company, we have rolled out a customized communication and caring program that aims to enhance their local network and connections, to shorten the time they need in adjusting to a new environment, as well as to understand TSMC's Core Values and culture. In turn, these efforts encourage our overseas-hired employees to stay with us.

A dedicated team is in place to support our overseas-hired employees in applying for visas and other related documents. For those who need to buy or rent a home, we provide support in connecting them with



International Culture Day

■ India Independence Day Festival ■ India Diwali Festival



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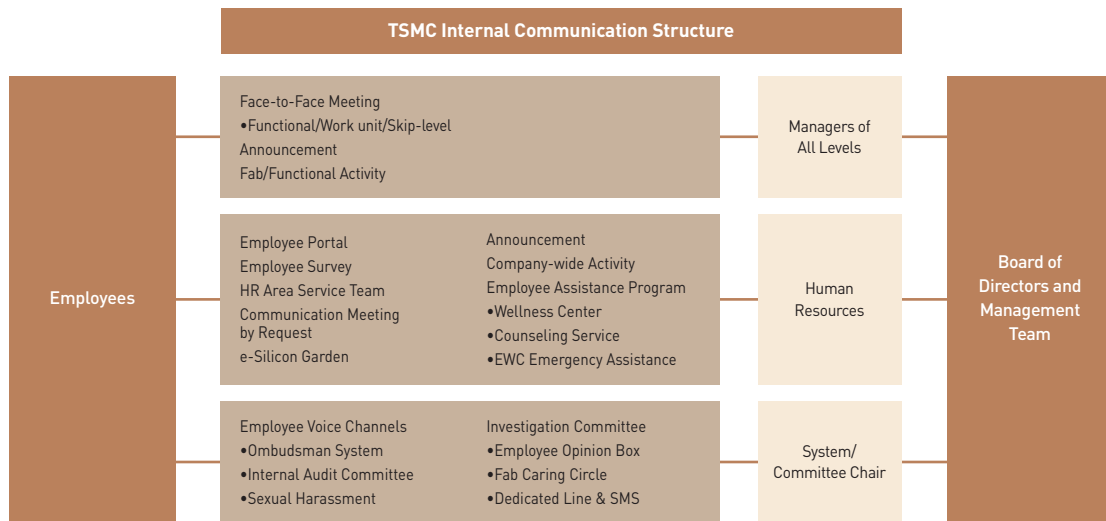
English-speaking housing agents. In addition, if they are in need of medical assistance, health management professionals and doctors on-site can provide them with English clinic services.

TSMC holds regular activities to strengthen the rapport and personal networks of our overseas-hired employees and their families. In 2015, we continue to roll out "International Culture Day" campaign for overseas-hired employees to plan and hold events relevant to the culture of their home country. Under this campaign, a total of 3 events were held in 2015, including the "India Independence Day Festival," "India Diwali Festival" and "Japan Year-End Festival". This series of events underlines our company's continuous efforts in appreciating cultural differences, boosting employees' morale and encouraging

team synergy. Taiwanese employees, at the same time, were able to learn more about diverse cultures and in turn understand better in how to work with them smoothly and with higher effectiveness.

6.3.2 Open Communication Channels, Unobstructed Employee Participation, Harmonious Labor Relations

TSMC values two-way communication and is committed to keeping open and transparent communication channels between the management level, subordinates, and peers. The comprehensive communication channels provided by our company are detailed in the following chart:



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 win-win scenarios for the Company and employees.

A host of two-way communication channels are in place to maintain the unobstructed flow of information between managers and employees, including:

- Regular communication meetings are held for the various levels of managers and employees.
- Periodic employee satisfaction surveys are conducted, with follow-up actions based on the survey findings.
- myTSMC*: the corporate intranet featuring "Chairman's Talks", corporate messages, executive interviews, and other activities of interest to employees.
- eSilicon Garden*: the website hosting TSMC's internal electronic publication provides real-time updates on major activities of the Company, as well as inspirational content featuring outstanding teams and individuals.
- Complaints regarding major management, financial, and auditing issues are handled by the following channels with high level of confidentiality:
 - The independent Audit Committee
 - The Ombudsman system led by an appointed Vice President.
- The Employee Opinion Box provides a channel for employees to express their suggestions regarding their work and the overall work environment.
- Fab Caring Circle in each fab takes care of the issues related to employees' work and personal life; the system is dedicated mainly to direct labor (DL) of the Company.



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Core Values are the foundation of our Company. As part of our practice on "Integrity", we abide by the law and go above and beyond to act in accordance to the spirits of the law. With "Commitment", we provide employees with meaningful jobs, safe working environment and competitive packages in compensation and benefits. With regards to Labor Union, TSMC respects employees' rights entitled by global labor standards and local regulations, including UN Global Compact's Ten Principles and Taiwan's Labor Union Act. In addition, as a member of the Electronic Industry Citizenship Coalition (EICC), TSMC adopts EICC Code of Conduct (http://www.tsmc.com/english/csr/eicc_membership.htm) and does not impede employees' freedom of association. The principle and regulation above not only align with TSMC's goal, but also provide practical standards and measurement for our implementation.

The relationship between our management level and employees has been harmonious over the years, thanks to our transparent and effective communication channels; though employees possess the right to form a labor union, no employees have pursued this avenue and issued a request to form one so far, underlying the achievement of the Company's dedication.

In addition, our company sets and promotes policies and measures to ensure gender equity, fostering a fair work environment for employees of both genders.

TSMC complies with the law and is committed to address employees concerns in a timely manner. As of the end of 2015, there have been no losses resulting from labor disputes.

6.3.3 Recognizing Employees' Dedication, Fostering an Encouraging Work Environment

TSMC sponsors various internal award programs to recognize employees' outstanding achievements, both as a team or on the individual level. With these award programs, TSMC aims to encourage employees' sustainable development that in turn adds to the Company's competitive advantage.

The award programs include:

- TSMC Medal of Honor, presented by the Chairman, recognizes those who contribute significantly to the Company's business performance.
- TSMC Academy recognizes outstanding TSMC scientists and engineers whose individual technical capabilities make significant contributions to the Company.
- The Outstanding Engineer Award for each fab and Total Quality Excellence Award recognizes employees' continuous efforts in creating value for the Company.
- The Service Award represents TSMC's appreciation toward senior employees' dedication and commitment to the Company.

- The Excellent Instructor Award praises the outstanding performance and contribution of the Company's internal instructors in training courses for employees.
- Function-wide awards dedicated to innovation, including Idea Forum, and TQE Awards, etc.

Apart from corporate-wide awards, in 2015, distinguished TSMC employees continued to be recognized through a host of prestigious external awards, including Outstanding Engineer Award, Outstanding Young Engineer Award, and National Manager Excellence Award.

6.4 Establishing a Safe and Healthy Working Environment

6.4.1 Safety and Health Policy

Since its establishment in 1987, TSMC has not only strived for the highest achievements in its core business of dedicated IC foundry services, but has also actively developed positive relationships with all stakeholders, including employees, shareholders, customers, suppliers, and society to fulfill its responsibility as a corporate citizen and pursue a sustainable future.





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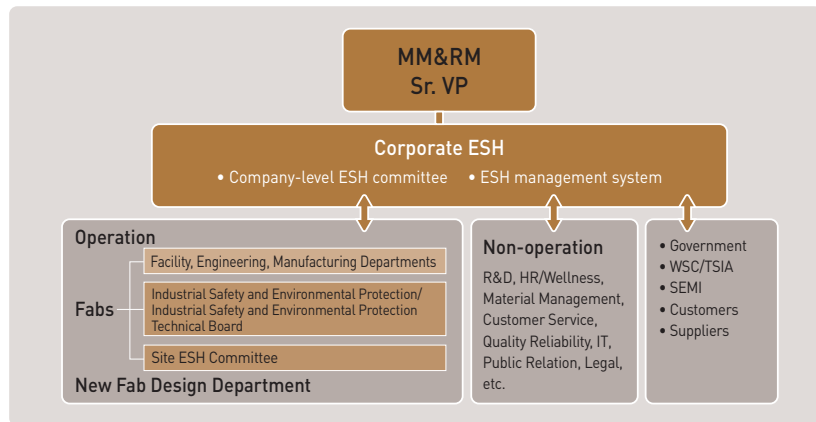
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6.4.2 Safety and Health Organization

TSMC established a corporate environmental safety, and health (ESH) division, which coordinates safety and health affairs. The ESH Division is organized as below:



Environmental protection, Safety, and Health Committee

TSMC has set up corporate-level and site-level environmental protection, safety, and health committees, which meet regularly to discuss ESH-related matters. Labor representatives were chosen by employees in accordance with the law and they provide a forum for managers and employees to discuss ESH issues face-to-face. In response to the increasing scale of new fabs, TSMC has also set up Fab-level ESH committees chaired by department managers to discuss related matters within the department each month to implement ESH management.

TSMC Proportion of Labor Representatives in the Safety and Health Committee in 2015

Site	TSMC (Taiwan)	TSMC (China)	WaferTech (US)
Number of Labor Representatives	20	3	32
Total number of Committee Members	39	48	34
Percentage ^{Note}	51%	6%	94%

Note: Number of labor representatives/Total number of Committee Members*100%

6.4.3 Summary of TSMC Safety and Health Goals and Achievements

Topics	2015 Achievements	2016 Goals
Provide employees with a safe and healthy working environment	No major occupational accidents (including injury and occupational diseases)	Zero accident and proactively prevent occupational diseases
Reduce disabling injury frequency rate and severity rate	Employee disabling injury frequency and severity rates are around 15% lower than the average of domestic Semiconductor Industry, and over 40% lower than the average of domestic Electronics Industry	Become a world-class benchmark for disabling injury frequency and severity rate
Enhance safety and health management programs	Number of safety and health program increased more than 5%	Continue driving safety & health management program and share best practices with external parties
Reduce property loss incidents (includes natural disasters)	Zero fire incident	Zero fire incidents and become a benchmark for best practices in the semiconductor industry Reduce earthquake-related property loss

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6.4.4 Selection of Material Safety and Health Topics

TSMC has a long record of assisting the government in establishing practical and high quality regulations and promoting health and safety projects, and pays close attention to the views of academia, the public, media, customers, and employees concerning occupational safety and health to understand the topics of greatest concern to all our stakeholders. We have concluded that the issues of greatest concern in occupational safety and health topics are occupational safety and health related regulations and Safety and Health management and implementation. TSMC has lengthy experience in addressing these issues. Workplace stress, employee health, maternal health protection, and other issues have recently emerged as new concerns for the government, society, employers, and employees. TSMC has already proactively taken action and will continue our efforts. Detailed measures are as follows.

6.4.4.1 Response and Implement to R.O.C. “Occupational Safety & Health Act”

Taiwan’s Ministry of Labor (MOL) amended the “Occupational Safety and Health Act” in 2013 to improve occupational safety and health standards and to further protect workers’ health and safety. These amendments were enacted into law on July 3, and 60 statutes under the Act were amended in 2014. As a corporate leader in Taiwan, TSMC was not only invited by the MOL to provide suggestions for relative guidelines but also worked to achieve the requirements of these statutes and guidelines internally. These included chemical exposure assessment and risk ranking management, prevention of musculoskeletal disorders induced by repetitive operations and related works, prevention of ailments induced by exceptional workload, such as working shifts, working at night, and long working hours, maternal health protection, etc. To date, TSMC complies with all new amended requirements.

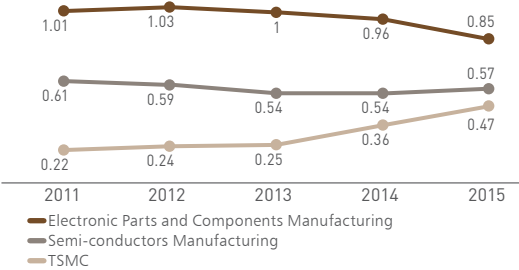
6.4.4.2 Safety and Health Management and Implementation

Disabling Injuries Statistics

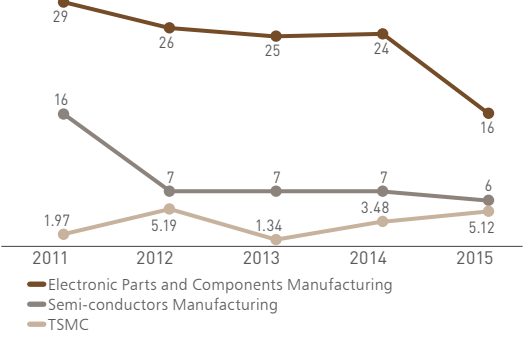
TSMC uses the Disabling Frequency Rate (FR), Disabling Severity Rate (SR) and Absentee Rate (AR)^{Note} defined by Taiwan’s MOL (Ministry of Labor) and (Global Reporting Initiative) G4 to evaluate the effectiveness of the Company’s occupational health and safety programs.

There were 37 cases of disabling injuries among TSMC employees in 2015. The FR and SR of TSMC’s fabs in Taiwan were 0.47 (male: 0.25, female: 0.81) and 5.12 (male: 3.73, female: 7.27) respectively in 2015. TSMC’s FR and SR are both lower than the averages of Taiwan’s electronic parts and components manufacturing industry and semiconductor manufacturing industry. There were no occupational disease case and fatalities; the most common type of disabling injury was slipping (37.8%) followed by sprain (16.2%) and collision ((16.2%) injury.

Disabling Frequency Rate



Disabling Severity Rate



Disabling Frequency Rate (FR) of TSMC Fabs by Gender and Region in 2015

	TSMC (Taiwan)	TSMC (China)	WaferTech (US)
Male	0.25	3.28	5.62
Female	0.81	2.16	7.04
All	0.47	2.69	6.03

Disabling Severity Rate (SR) of TSMC Fabs in Taiwan by Gender and Region in 2015

	TSMC (Taiwan)	TSMC (China)	WaferTech (US)
Male	3.72	49.18	1.41
Female	7.27	14.07	0
All	5.12	30.51	1.00



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Absentee Rate (AR) of TSMC Fabs in Taiwan by Gender and Region in 2015

	TSMC (Taiwan)	TSMC (China)	WaferTech (US)
Male	6.36	87.00	2.84
Female	13.80	27.24	0
All	9.10	56.57	2.51

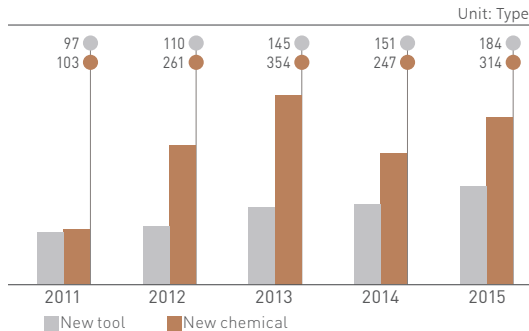
TSMC endeavors to maintain a safety culture that ensures a safe and healthy workplace. The causes of all occupational injuries are analyzed and improvement programs are implemented based on the data. Our program further requires us to regularly collect and analyze data on the types of high-frequency occupational injuries and departments with higher incident rates. These reviews focus as a first priority on incidents that are relatively serious, affect multiple departments, or happen more frequently.

Note: The formula of computations were as below,

1. *Disabling Frequency Rate (FR)*=Total # of injuries X1,000,000 /Total hours worked
2. *Disabling Severity Rate (SR)*=Total # of lost days X1,000,000/Total hours worked
3. *Absentee Rate (AR)*=Total # of missed (absentee) days over the period X200,000/ Total # of workforce days

Controlling Safety and Health Risks for New Tools and Chemicals

TSMC introduces many new process tools and chemicals in the R&D stage to maintain leadership in semiconductor technology. All new tool designs must follow TSMC's strict ESH review process to ensure SEMI-S2 international equipment code compliance as well as adherence to local regulations and TSMC standards. In 2012, TSMC established a dedicated specified team to evaluate the safety and health risks of new tools and chemicals. In 2015, TSMC introduced 498 types of new tools and chemicals at the R&D stage, and an increase of 25% over 2014. The status of new applications for Taiwan Fabs is as follows:



All new tool designs must follow TSMC's strict ESH review process to ensure SEMI-S2 international equipment code compliance as well as adherence to local regulations and TSMC standards. Nowadays, chemical management is a key focus of ESH management. Chemical hazard prevention is a key item not only for the Environmental Impact Assessments for new factory construction or expansion but also for factory operator exposure evaluation. Before the introduction of new chemicals, TSMC collaborates with chemical suppliers to identify ESH risks of each chemical and to conduct further evaluation of the risks of wastewater discharges and air emissions so as to ensure adequate waste treatment. TSMC defines procedures for the evaluation, use, transportation, and emergency response to reduce S&H risks. In addition, TSMC reduced use of class 1 CMR (Carcinogenic, Mutagenic or Toxic for reproduction) materials at the R&D stage for source control to limit hazardous materials used in new technology.

TSMC implemented control measures based on different chemical characteristics by storage, transmission, usage, and disposal stages

to prevent employees from chemical exposure, such as safety storage, supply system protection, manufacturing tool and accessory equipment protection, hazard communication, exposure assessment, personal protective equipment, environment real-time gas monitoring, etc.

TSMC continues to detoxify hazardous chemical substances, including restriction and evaluating replacement. Current on-going programs are as below:

- In response to future international regulation for the restriction of the use of Perfluorooctanoic Acid (PFOA) and its related substances, TSMC collaborated with suppliers to conduct a replacement project in 2015 and plans to complete this project in 2017.
- In 2015, TSMC conducted a hazardous chemical substance N-Methyl-2-pyrrolidone (NMP) reduction program to reduce waste solvent generation by not using NMP in the photoresist stripping process. We aim to complete this project in all our 12-inch wafer fabs by the end of 2016.

Safety and Health Certification

TSMC believes that good safety and health management is an important part of the company's commitment to take care of employees and their families, and a way of contributing to the society and the community. In practice, TSMC's safety and health management is based on the framework of the OHSAS 18001 management system. It uses information technology to continually improve our goals of preventing accidents, enhancing employee safety and health, and protecting company assets. All TSMC fabs have passed the 2007 version of OHSAS 18001 certifications, and all fabs in Taiwan have also passed the certification by the Taiwan Occupational Safety and Health Management System (TOSHMS). All new fabs are required to pass the OHSAS18001 certification within 18 months of operation. The newest fab, Fab 14B, received its certification in 2015.



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Strengthen the Structure of Buildings

TSMC also established a new communication platform to ensure the Operation Organization's experience in using new plants can be applied to future facility designs. The New Fab Design Department invited colleagues from the Operation Organization to make recommendations for improving future designs of new plants as continuous improvement goals. TSMC collaborated with the National Center for Research on Earthquake Engineering (NCREE) to simulate the static and dynamic experiments of raised floor and its anchorage. TSMC enhanced the seismic resistance of raised floors based on simulation results.

Safety Management of Change (SMOC)

All TSMC's new fab designs, as well as changes in design or operation procedure in existing TSMC fabs that could alter safety or fire prevention conditions, are required to follow a Safety Management of Change (SMOC) procedure. SMOC cases undergo strict review by the facilities, equipment, ISEP, and ESHP departments before implementation.

New Equipment Safety Sign-off Procedure

All production-related tools and new facility systems must follow a three-phase safety sign-off procedure before operation.

Used Tool Safety Control

In addition to controls on new tool safety, TSMC has established a procedure for second-hand tool safety management. All the used tools purchased by TSMC are required to go through this safety control procedure, which uses tool configuration inspection data and a safety interlock verification checklist to confirm that tool settings and safety interlocks are functioning correctly. After these basic checks, the tool must also go through the signoff procedures of tool installation safety to ensure it is safe for use after release.

High-risk Work & Area Control

TSMC's high-risk work management procedure classifies any work that may cause serious injuries, casualties or major property damage as level-1 high-risk operations and assigns such work for priority management. And all fabs have defined high-risk areas and developed related management procedures to prevent accidents.

Safety Management of TSMC Internal Events & Gatherings Safety

TSMC employees eagerly participate in activities hosted by the Employee Welfare Committee and Fab organizations. Therefore, TSMC established the "Internal Events and Gatherings Safety Management Procedure" to prevent employees and their families from injuries due to the defects in venues, facilities, disorder, or other factors.

Safety and Health Training

TSMC spend considerable resources on providing training courses to both employees and contractors every year. The purpose is to not only establish safety awareness for individuals but also decrease occupational incidence rate, and go toward zero incidents. The related training courses and attendance in Taiwan Fabs are as below:

Object	Training Course	2013	2014	2015
Employee	General Labor Safety and Health Training for New Comers	4,394	4,841	3,430
	Personal Protective Equipment Training for New Comers	2,733	2,816	2,496
	Safety and Health Training for New Promoted Managers	292	347	310
	Department/Division Safety and Health Training	10,594	12,231	12,651
	Monthly Safety and Health Promotion	52,386	64,500	60,243
	Supervisor in charge of Organic Solvent Operations Training	467	739	1,136
	Supervisor in charge of Specified Chemical Substance Operations Training	527	802	1,067
Contractor	Radiation Protection Personnel Training	470	662	860
	General Labor Safety and Health Training for New Contractors	21,441	13,288	16,242
	Personal Protective Equipment Training for Contractors	1,383	1,528	1,998



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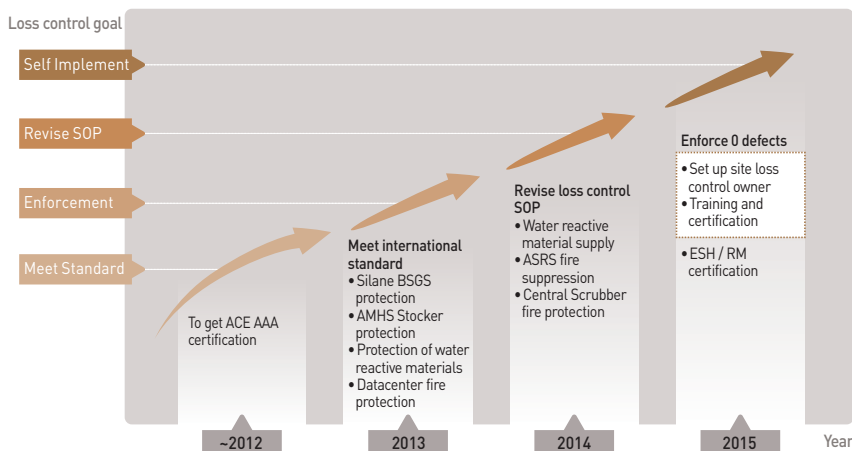
Loss Control

TSMC loss control goals are zero incident and reduction of losses from natural disaster. Owing to the efforts of all employees, TSMC had no fire and natural disaster losses in 2015. Our loss control objectives for 2016 are as follows:

•Set up role and responsibility and development of loss control owners

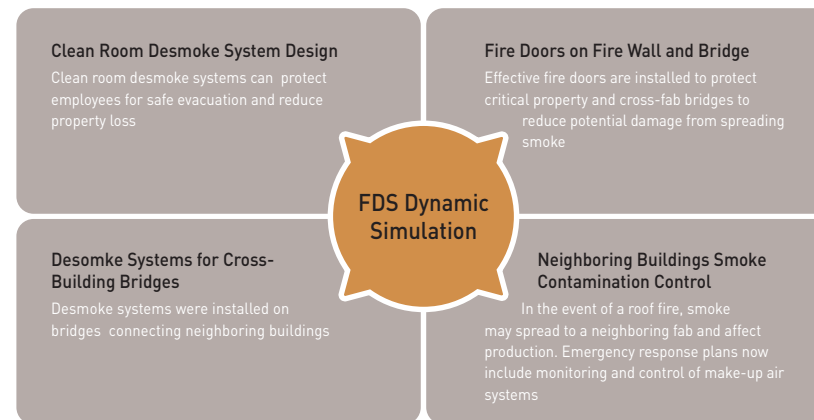
Following a major fire at an international semiconductor company in 2013, TSMC reviewed, strengthened, and revised its fab protection design standards. To lower the repetition of defects, our loss control enhancement in 2015 is to establish site loss control supervisors. In total, we trained 32 loss control owners and revised the standard operating procedure to define the roles and responsibilities of these supervisors.

In addition, TSMC invited internal and external experts to speak at seminars on loss control issues. These seminars both strengthen loss control owners' capabilities and have left a strong impression with insurers that TSMC is deeply concerned with property protection. The Corporate ESH Division assesses loss control maturity in its annual performance appraisal for each fab.



•Cross building smoke detection and control process

Our goal is to reduce the impact of smoke damage, and to implement new fab design and management procedures using Fluid Dynamic Simulation (FDS).



•Flooding assessment and control

TSMC's Tainan site is located at a lower elevation and potential flood area compared with our Hsinchu and Taichung sites. The dikes of the Tzeng Wen river were damaged by Typhoon Morakot in 2009 and the June 10 story of 2012, but have since been repaired. Although these storms did not impact production at TSMC sites, we evaluated flooding risk using Central Weather Bureau data from 2012 and recognized simulation software as a guideline for new fab construction. Under a simulation of the heaviest rain in 500 years and a 500 meter break in the Tzeng Wen river dike, TSMC's Tainan site is safe from flooding risk with the installation of floodgates.



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Emergency Response – Reducing the Impact of Accidents

Emergency response team members are trained in communications, disaster relief operations, factory systems, on-site control, rescue, and logistic support. Types of training are as follows:

Object	Training Course	2013	2014	2015
Emergency Response Team	ERT Basic Training	2,935	2,457	2,515
	ERT Advanced Training	1,419	972	1,346
	IC Commander Training	53	50	26
	First-aid Personnel	4,058	4,453	4,461
	External Fire-fighting Training	500	509	296
	Quarterly ERT Drill	7,512	7,932	8,202
Employees Contractors	Annual Emergency Response Training	777	846	820
	Annual Full Evacuation Drill	22,120	23,825	22,916

• Routine Emergency Response Drill

The planning and execution of an effective emergency response requires adapting the high risk events from risk assessment into scenario selection. The scope should cover severe events include continuous improvement and practice drills. TSMC's emergency response plans include procedures for rapid response to accidents and disaster recovery as well as establishing crisis management and recovery procedures for potential disasters.

All TSMC fabs conduct major annual emergency response exercises and evacuation drills. TSMC's Tainan-site fabs continued to conduct its spot drills, which have been recognized as good practice. TSMC's on-site service contractors also participate in emergency response planning and exercises to ensure cooperation in handling accidents and to effectively minimize any damage caused by disasters. Every two years, Tainan site fab directors will invite fab management and support

functions and conduct a crisis management drill for potentially high risk events as fire, earthquake and flood.

In 2015, to ensure the quality of annual emergency response drills, TSMC drew on past experience to develop a standard exercise to serve as a reference for units with different equipment and facilities to hold



■ Fab 2 annual emergency response evacuation drill in 2015

drills for earthquakes, fires, gas leaks, chemical spills, power dips, and other accidents. These standard exercises help each facility put key response procedures in place. In particular, the Company enhanced unannounced drills for fabs to check employees' emergency response skills and familiarity with procedures. The Company also completed a business continuity drill and training program, effectively reducing the impact that accidents may have on operations.

• Permanent Emergency Response Center, Hardware Standardization

All TSMC's fabs maintain an emergency response center, or ERC, and two full-time ERC staff are on duty around the clock. If any accident or abnormal event occurs, ERC staff on duty will be informed immediately through monitoring systems. An emergency response team will be promptly and effectively assembled by staff on duty to handle the event. The following systems are equipped at each ERC:

- Rescue procedures and information: includes plant layout, tool maps, and emergency response flowcharts;
- Fire, Safety, and Monitoring Systems: includes fire and gas monitoring systems, emergency ventilation systems, CCTV systems, gas and chemicals shutdown emergency off (EMO), and paging systems;
- Emergency response equipment: includes various types of protective clothing, personal protective equipment, self-contained breathing apparatus, portable detectors, and leak handling equipment. In addition, each factory has designated a second ERC outside of the fab equipped with appropriate emergency response equipment to continue emergency response if the ERC is affected by disasters, and to facilitate the rapid establishment of a command post. Monitoring systems in the first ERC can be accessed through wireless networks while ERC on-duty staff evacuate to the second ERC.
- First Aid Kits: According to real practice and the recommendation from occupational doctors and ISEP to place AED, O2 tank, and other related medical assistance equipment.



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•Standardization of Emergency Response Procedure and Enhancement of Personnel Training

TSMC has designated emergency response organizations to handle procedures and business continuity plans for a variety of unexpected situations such as earthquakes, fires, chemical spills, toxic gas leaks, natural disasters and sudden interruption of utilities. Each fab also designates emergency response commanders and team duty officers each day to deal with unexpected situations at any time.

•Collaboration with Public Emergency Response Resources and Drills with Contractors

Each TSMC factory conducts annual emergency response and evacuation drills for different situations to train TSMC employees as well as contractors and vendors. TSMC invites the regional fire brigade to join the drill or asks experts to serve as advisors according to the size and type of drill. Both employees and contractors participate in drills to enhance collaboration in real accidents and rapidly establish control over the disaster. These measures are compliant with international occupational health and safety management systems, which state that the organization's safety activities should be extended to employees, contractors and nearby stakeholders. Areas and situations covered by drills include clean room, facility, mechanical rooms, lab, kitchen, dormitory and shuttle bus.

6.4.4.3 Moving Beyond Traditional Occupational Health Practices to Promote Physical and Mental Health

TSMC Wellness Centers at each fab are staffed by professional doctors and nurses providing 24-hour first-aid and a broad spectrum of wellness services. To protect and promote employee physical and mental health, TSMC strengthens collaboration with site Industrial Safety and Environmental Protection (ISEP), site medical personnel, and physicians of occupational medicine in order to reduce ergonomic hazards, perform maternal health management, and eliminate cardiovascular disease that might be induced by overwork, night work or shift work. TSMC also provides a variety of physical and mental promotion resources and holds related activities in order to protect employees from occupational hazards and proactively promote employees' health.

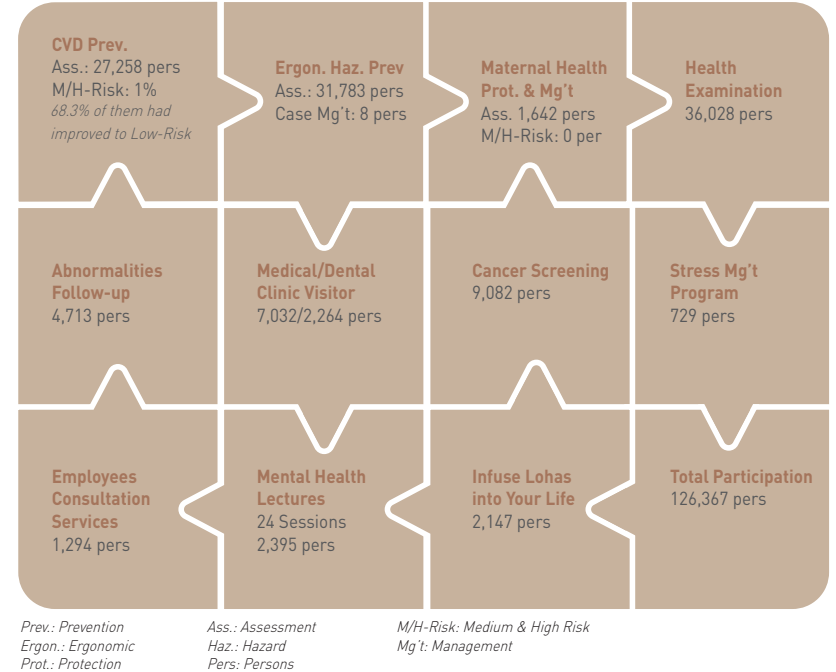




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Work-Induced Cerebral and Cardiovascular Disease Prevention and Management

Wellness Centers identified 1% employees into the medium to high risk groups of work-induced cerebral and cardiovascular diseases by analyzing Framingham risk scores and perceived workload from 2014 annual health examination results of 27,258 employees, as well as their working hours record in 6 months. Over 68.3% of these individuals have improved their risk level one year later through health consultation and instruction from doctors and nurses, as well as job adjustment by cooperating with HR.

0.67% of 30,645 employees were divided into the medium to high risk groups of work-induced cerebral and cardiovascular diseases of 2015, the intervention and follow up for them has conducted accordingly.

2014 (N=27,258)			
Medium-high risk percentage	The results after 1-year management		
	Remained in the medium-high risk percentage	Dropped to low risk percentage	Resignation
1%	19.7%	68.3%	12.0%
2015 (N=30,645)			
Medium-high risk percentage	The results after 1-year management		
	Remained in the medium-high risk percentage	Dropped to low risk percentage	Resignation
0.67%	Under follow-up management		

Ergonomic Hazards Prevention

TSMC requires that all new tools meet SEMI-S8 requirements and that appropriate supplementary control measures be taken to reduce ergonomic risk. As the semiconductor industry transitioned to 300mm (12-inch) wafers from 200mm (8-inch) wafers, TSMC's initiative to automate 300mm front-opening unified pod (FOUP) transportation improved productivity and also prevented accumulative damage caused by long-term manual handling of 300mm FOUPs. TSMC provides ergonomic training courses for employees to establish correct awareness. TSMC conducts ergonomic evaluation and intervention for manual equipment engineers, including providing lifting spreaders, lifting carts, and fixtures for parts replacement.

To prevent musculoskeletal disease from repetitive work, we regularly conduct screening through questionnaires every 3 years to identify risk groups and hazard work areas and conduct intervention from Wellness Center and site ISEP to improve employees' health status and work environment. In 2015, according to the survey of self-administered questionnaire of 2014, 8 employees who had suffered over 4 days sick leave due to musculoskeletal pain were identified and received reassessment of interview and job observation from specialists of doctors, nurses, site ISEP. Their working area or workload had been adjusted based on doctor's suggestions. All of them are still under follow up to reduce risk.

Maternal Health Protection and Management

Wellness cooperated with ESH and site ISEP to establish an assessment and management process of individual's health and work environment for maternal health protection from 2015 second quarter. After the assessment, a compulsory face to face risk communication with doctors will be arranged, and a job adjustment may be initiated based on doctor's recommendation.

In 2015, 1,642 persons were completed the assessment, and all were in the first degree of risk (meaning that the working environment caused no harm to mothers, fetuses, or infants).

Implement Health Examination and Management of Employees

Wellness offers on-site health examinations to all employees each year. Additions examinations are performed on special task employees who are exposed to noise, ionizing radiation, dust particles, arsenic, chromate acid and salts, n-hexane, N, N-Dimethylformamide, manganese and related compounds identified by site ISEP. The completion rate of special health examinations was 100% in 2015.

Workers with abnormal results of special health examination and second degree risk ranking and above will adopt management measures accordingly. The management measures include thorough assessment of health examination results and job monitoring by occupational doctors, moreover, providing health instruction and assistance of fitness for work. There were no incidences of work-related diseases in 2015.

The frequency and number of tests for general task health examinations are above regulatory requirements. We offer AFP, LDL-C and Uric Acid exams which were recommended by on-site service physician to improve employees' health. The completion rate of general health examinations was 95% in 2015.



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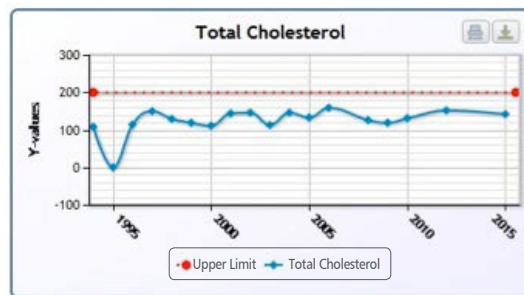
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Number of Annual Health Examination

2010	2011	2012	2013	2014	2015
18,358	26,570	26,166	28,830	32,650	36,028

The Wellness Information System (i-Care) files more than 25 years of health exam results that can assist individual employees in understanding their health status trends. In 2015, we identified 4,713 employees with moderate or severe abnormalities, and professional doctors or nurses will follow up with them individually to help them early detect health problems and accept treatment, as well as make lifestyle to improve personal health.

The effectiveness analysis of health abnormality management (with a total sample of 2,318 employees) indicated that there were significant improvements on 5 items: liver function, blood sugar, blood pressure, triglyceride, and uric acid. Furthermore, we actively follow up and conduct related promotions based on examination results for our overseas employees as well.



iCare provide exam results year-over-year for employee to understand their health status trends

On site Clinic to Strengthen the Accessibility of Medical Resource

In order to upgrade the medical assistance quality for sick employees or follow up for abnormalities found in annual health examinations, we maintain a professional medical and dental clinic on site to take good care of our employees. A gradual increase in visits over the past 5 years indicates the effectiveness of these services.

Medical Clinic Visitors

2010	2011	2012	2013	2014	2015
3,762	2,739	3,729	3,528	6,219	7,032

Note: Visitors of Tainan site counts from 2014.

Dental Clinic Visitors

2010	2011	2012	2013	2014	2015
2,975	2,643	4,325	4,463	4,705	2,264 ^{Note}

Note: The service was not available until 06/12/2015 due to vendor changes.

Conduct Mental Health Program – Improving Physical and Mental Balance

“Pressure adjustment” is very important in modern society. We have collected employees stress perception via a questionnaire in our annual health examination since 2012. After analysis, we identify moderate and severe groups to arrange interviews with a counseling psychologist or refer them to other institutions by individual. These measures are expected to enhance employees’ physical and mental balance and capability to adapt to pressure. There were 729 employees receiving counselling in 2015 and 76 of them required further assistance and follow up from the Employee Assistance Program Center, HR related units and hospitals.

Our Company has cooperated with the Hsinchu Lifeline for a long time, and we work together to provide professional consultations on issues of family, relationship, marriage, legal and financial matters. The usage

trend for these services in recent years indicates that we have created an atmosphere where our employees are willing to ask for help when they need it, and care for the people around them. Otherwise, we also set a team, a counseling psychologist and guidelines for employee assistance in workplace.

Usage of Consultation Services

2010	2011	2012	2013	2014	2015
484	858	630	898	1,119	1,294

To improve employees’ mental well-being, we launched “Touching Hearts with Happiness”, a series of monthly lectures by a professional therapist open to registration by department to teach about the healing power of positive thinking. In this activity, we encouraged colleagues to use their “Ripples of Happiness” card to build warm and supporting relationships and workplaces and improve their ability to cope with life stress. A total of 2,395 people participated in 24 sessions, and the satisfaction rate was 88%, showing employee’s appreciation for the event.



Employees join lecture class actively



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Conducting Health Promotion to Build a Healthy Lifestyle

We analyzed exam results every year as an important reference for health promotion activities.

Our analysis result showed that key health problems in 2015 were excess weight and hyperlipidemia. It also showed that employees who exercise regularly can significantly reduce the risk of lipids. As the result, body weight management and health promotion through regular exercise programs are an important issue for our further efforts.

Item	2011	2012	2013	2014	2015
Overweight (BMI>24)	39.80%	39.60%	40.39%	40.9%	43.65%
Total cholesterol too high	30.60%	28%	32.30%	32.1%	35.65%
High density Lipoprotein too low	48.90%	26.60%	12.69%	27.4%	31.19%

We extended the "Infuse Lohas into Your Life" campaign for the fourth year in a row in 2015. Weight control programs and exercise promotion continued to be key themes for this year. The 2,147 participants showed significant improvement on BMI, blood lipid, and blood sugar between 2014 and 2015.

Result of Weight Deduction (Unit: Kg)

2012	2013	2014	2015
969	1,977	2,300	1,676

More than 10,000 participants have joined health promotion activities, including cancer prevention programs, acupressure massage service, flu vaccination and lectures on physical and mental health. These activities are very important for us.

Our continuous efforts in enhancing the health of our employees and were recognized country-wide, earning awards from the Health Promotion Administration of the Ministry of Health and Welfare in 2015.

Contractor Health Self Evaluation and Management

To mitigate safety risk resulting from sudden onset of illness, TSMC has asked contractors to implement Health Self Evaluation and Management. Contractors performing high risk works, such as working at height and at cleanroom ceiling, are required to check their workers' health status is appropriate for these high risk tasks. Those determined to have chronic illness and self-reported symptoms must visit the doctors for physical evaluation and treatment to reduce workplace health and safety risk.

Corporate New Contagious Disease Prevention Program

•Caring for Employees' Physical and Mental Health is a Corporate Responsibility

TSMC believes that taking care of employees' physical and mental health is fundamental to maintaining normal business operations and also part of a corporation's social responsibility. To address emerging infectious diseases that may pose a threat to the workplace, TSMC has a dedicated corporate ESH organization which constantly monitors emerging infectious diseases around the world, assesses any potential impact on the workplace, and provides a strategic response plan. New influenza has become an extremely important issue in recent years, and TSMC not only protects the health of employees, but also encourages them to apply their prevention knowledge at home so they can enjoy peace of mind at work.

•TSMC Novel Influenza Response & Prevention Plan

The "TSMC Novel Influenza Response & Prevention Plan" is based on our past experience with epidemics such as SARS in 2003 and H1N1 new influenza in 2009. This plan also integrates prevention plans by the World Health Organization, the U.S. Centers for Disease Control, the Taiwan Center for Disease Control's "Novel Influenza Combat Plan", Singapore's "Influenza Pandemic Preparedness and Response Plan", as well as consultations with domestic epidemiological experts and distinguished medical doctors.

If a major outbreak of novel influenza occurs, TSMC's Senior VP of Materials Management and Risk Management will convene a disease prevention committee to hold regular response and prevention meetings. The committee will monitor global epidemiological developments and coordinate preparations. If Novel Influenza cases occur in Taiwan, TSMC will initiate a new set of procedures in accordance with the stage of the epidemic to abate its impacts on employees and operations.

The disease prevention committee monitors global epidemic status, employee disease prevention education, stockpiling of disease prevention materials, kitchen disease prevention management, leave and travel management, case management, notification and medical assistance, procedures for mask wearing and hand washing, supplier/contractor and visitor prevention control, body temperature measurement procedures, work-at-home plans, routine disinfection of the work environment, reduced meeting frequency, medical waste treatment, and other preventive measures.



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• Collaboration with Subsidiaries and Suppliers on Novel Influenza Prevention

To reduce the impact of H1N1 on overseas subsidiaries such as TSMC China, WaferTech, and TSMC North America, TSMC also convenes overseas coordinators to immediately initiate prevention procedures and announces appropriate responses based on changes in the pandemic. In addition, TSMC requires that suppliers set disease prevention policies and establish contingency plans for major labor shortages during the peak period of the pandemic.

• Continuous Monitoring of Seasonal Influenza Threat

Seasonal influenza (such as H1N1, H3N2, type A or type B flu) or other infectious diseases (e.g. tuberculosis, typhoid fever) may become a highly contagious risk and affect employees. TSMC will continue to control a variety of infectious diseases workplace risks, learn from its experience, avoid over- or under-reaction, and maintain a constant level of epidemic prevention. TSMC uses various methods to enhance the knowledge of individual employees on epidemic prevention, and encourages employees to use this information to protect the health of their families.

6.4.5 Sharing TSMC's Safety and Health Management Experience

TSMC's ESH team dedicates itself to minimizing risks to TSMC, and shares its rich management experience with the semiconductor industry, suppliers and society.

Supply Chain: TSMC reduces accidents and improves contractor ESH management through audit and assistance programs. Our close cooperation with companies in our supply chain over the past several

years has begun to yield results as some suppliers have started to embed ESH management models into their own systems, providing additional protection to laborers.

High-tech Industries: TSMC believes safety and health are universal values in society. TSMC openly shares its safety and health experience through the Safety and Health Committee of the Allied Association for Science Park Industries.

6.4.6 Strengthening Industry-university Partnership in Improving Workers' Health

In 2011, TSMC and the NTU College of Public Health set up the Labor Health Forum for the business community to discuss occupational health issues. The forum has become a major annual event in this field for enterprises in Taiwan. To 2014, TSMC jointly held 4 Labor Health Forums with NTU College of Public Health. We invited enterprises including China Steel Corp., CPC, Innolux Corp., Uni-President Corp., the Taiwan Environmental and Occupational Medicine Association and the Taiwan Association of Occupational Health Nurses to be co-sponsors of the event. In 2015, TSMC transferred the responsibility of forum sponsor to Innolux. The purpose is to spread out the advocacy of labor health in enterprises. In the fifth forum, all joint organizers conducted sharing and discussion on special topics for healthy workplaces and different methods arising from different industries' cultures. We also invited professors and experts to make general introductions and summaries of the topics. In order to enhance participation, the Labor Health Forum was held in Kaohsiung, and Kaohsiung Medical University was also invited to organize the forum.

TSMC believes that employees are a company's most important asset, and promoting the physical and mental health of workers as well as creating a happy workforce is a company's responsibility. TSMC has worked for a long period of time to build a friendly workplace, protect its employees' safety and health, promote gender equality, and raise worker effectiveness. At the same time, TSMC's employees have also shown their dedication to the company and boosted TSMC's competitiveness by doing so. This mutual support truly exemplifies TSMC's core value of "commitment". By creating an opportunity for experience sharing and dialogue between industry, government, and scholars, TSMC aims to improve its health management and provide a healthier working environmental for all workers.

TSMC not only builds a friendly workplace in which TSMC colleagues can work comfortably and efficiently, but also helps to make our society a healthier and more progressive place through mutual learning and cooperation.



In the 5th Labor Health Forum, all joint organizers shared and discussed on special topics for healthy workplaces and different methods



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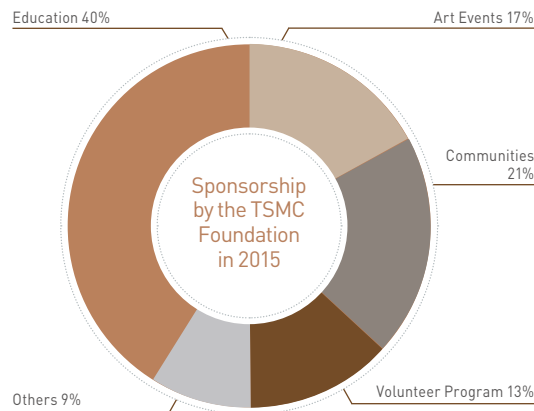
6.5.1 TSMC Education and Culture Foundation

The TSMC Education and Culture Foundation (TSMC Foundation) is led by TSMC Vice Chairman F.C. Tseng, who serves as the Foundation's Chairman. Established in 1998 to coordinate the Company's financial sponsorship as part of its efforts in corporate social responsibility, the Foundation devotes its resources to education, promotion of the arts and cultural events, community building, and the employee Volunteer Program.

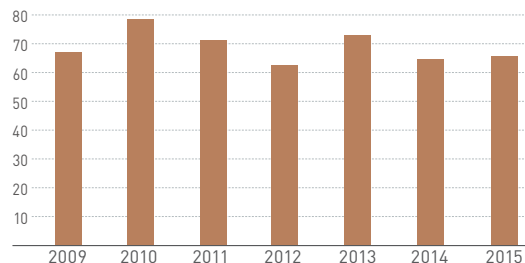
In 2015, the TSMC Foundation contributed NT\$68 million to its long-term projects for arts promotion and humanity education. In this year the Foundation continued to support multiple educational programs including sponsorships of National Tsing Hua University's (NTHU) "Rising Sun Project" and National Central University's (NCU) "Sunflower Project" to aid underprivileged students with financial support for them to have a good chance for further study in top-notch universities. Also the Foundation continued to collaborate with the Center for the Advancement of Science Education (CASE) of the Taiwan University to hold the "TSMC Science Talk Cup" Competition. This contest encourages senior high school students to absorb scientific knowledge, strengthen their ability of expression and communication, and inspire their interest to explore science.

In addition to the various educational programs, the Foundation is keen to promote the arts. This year the Foundation again sponsored the world-renowned orchestra, the Royal Concertgebouw Orchestra, after the orchestra's last visit in 2006, and, with the National Symphony Orchestra, jointly produced the opera Fidelio. Both of these orchestras provided the Taiwan people with extraordinary performing arts. With contributions such as these, the Foundation hopes to lead the trend of promoting the arts and enriching the spiritual life of society in general.

The Expense of the TSMC Foundation in 2015: \$68,411,049.00 NTD



Sponsorship by TSMC Foundation 2009 ~2015 Unit: NT\$Million



Issues of Concern for the TSMC Foundation and Our Four Commitments



TSMC is dedicated to being a leading Taiwan corporate citizen and is an active sponsor of education and cultural activities. To maximize the impact of our contributions, TSMC established the TSMC Education and Culture Foundation (the TSMC Foundation) in 1998. Currently, F.C. Tseng, TSMC Vice Chairman, serves as Chairman of the Foundation, which pioneered various projects to provide our resources to society.

The TSMC Foundation's main concern is education, as we believe education is the most basic and important foundation for a nation. Nurturing talent requires cultivation of both professional knowledge and knowledge of arts and humanities. Therefore the TSMC Foundation fulfills its long-term commitment to education and culture through four main focal points: Developing Talent, Promotion of Arts and Literature, Community Building, and the Volunteer Program.

The TSMC Foundation also established a website www.tsmc-foundation.org to offer the public online lectures, information on activities, and details of the Foundation's projects.



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6.5.1.1 Commitment to Education

Education is the most important priority for the progress of a nation. The TSMC Foundation tailors its various programs to target a whole range of educational needs at different age levels. As a leader of Taiwan's knowledge-based industry, TSMC regards cultivating talented people for society as a core responsibility. Thus, the TSMC Foundation tailors various programs to target a whole range of education needs at different age levels.

The Primary School Level — Narrowing the Gap in the Educational Resources between Rural and Urban Areas and Promoting Arts Appreciation

As society changes rapidly, the gap between rural and urban areas in educational resources is growing wider. The TSMC Foundation continues to invest resources in various education programs. By sponsoring the "Hope Reading Program" donating books to the schools in remote townships, supporting the Boyo Foundation providing after-school assistance for underprivileged elementary and middle school children, and holding the "TSMC Aesthetic Tour" and "TSMC Science Tour" that takes children to art museums and science museums, the Foundation hopes to narrow the gap and ensure that our children all have an equal chance to be well-educated.

• TSMC Aesthetic Tour, TSMC Science Tour, and TSMC Children's Art Education Center

The TSMC Foundation has always placed equal emphasis on inspiring children's interest in arts and in science. The Foundation launched the TSMC Aesthetic Tour in 2002, and the TSMC Science Tour in 2010. To bridge the urban-rural gap, the "TSMC Aesthetic Tour" and "TSMC Science Tour" takes children from remote townships to visit the

National Palace Museum, Taipei Fine Arts Museum, National Taiwan Science Education Center, National Museum of Natural Science, and National Science and Technology Museum. Over the last 12 years, more than 94,000 students from remote townships have participated in these tours to cultivate their appreciation of art and experience the fascination of science.

The Foundation's long-term contribution to promoting arts has been recognized by the Taipei Fine Arts Museum (TFAM). In 2009, TFAM invited the TSMC Foundation collaborate in the construction of a "Children's Art Center". Following six years of dedicated efforts by its architects, the center was inaugurated on Children's Day in 2014. Since its opening, the Center has had over 363,000 visitors. The Foundation continues to collaborate with TFAM to convey Center's intention to harness the energies of many areas of Taiwan to further the goal of art education.

• Supporting Hope Reading Program and the Boyo Foundation

Since 2004, TSMC has sponsored the Hope Reading Program initiated by the CommonWealth Educational Foundation. This program is a campaign to narrow the gap in educational resources between rural and urban areas caused by disparities in wealth. By providing books to children in remote and underprivileged areas of Taiwan, TSMC hopes to promote literacy and inspire interest in reading among these children so that they will have good books to read and have the opportunity to one day leave poverty behind through education. Through the Hope Reading Program, the TSMC Foundation donates 100 wonderful books to 170 elementary schools and 30 junior high schools in remote areas each year. In this project, literary academic representatives, authors, and teachers are invited to choose newly published picture books,

storybooks, and young adult novels for these children. Since 2004, the Foundation has already donated over 230,000 books to support school library resources, and cultivating reading habits for children.

In addition to donating books to the schools of remote townships, the TSMC Foundation supported the Boyo Social Welfare Foundation to train teachers and provide after school assistance for underprivileged children. By providing educational resources and a positive environment for learning, the Foundation hopes to keep underprivileged children out of a cycle of perpetual poverty.

Founded in 2002, the Boyo Foundation trains local college students and members of ethnic minority communities to work at our tutoring centers and provide after-school assistance for underprivileged elementary and middle school children who are low academic achievers. To develop good learning habits, the students attend classes for 2-3 hours each weekday night.

Focus is placed on English and mathematics, the subjects that typically cause students the most difficulty. The programs are totally free. Currently, there are 11 educational centers, and over 1,976 elementary and junior high students are currently attending our tutoring sessions. Through this collaboration, the TSMC Foundation hopes to help the children improve academically and stay out of poverty.

The High School Level — Nurturing Science and Humanities

At the high school level, TSMC emphasizes the need for a balanced education in both science and the humanities. The Foundation holds scientific contests, science talent camps, and humanity activities with innovative and versatile campaigns for cultivating young peoples' potential in science and appreciation of the humanities.



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•The “TSMC Science Talk Cup” Competition

Reading is critical for studying science, and writing as well as oral presentation are essential skills for scientific intellectuals. To achieve those educational ideals, the TSMC Foundation sponsors the Center of the Advancement of Science Education of National Taiwan University at National Taiwan University to hold the “TSMC Science Talk Cup” Competition, the first competition in scientific story telling by incorporating four major capacities of listening, speaking, reading and writing into this innovative contest.

The TSMC Cup Scientific Story Telling Competition is targeted at young people aged from 15 to 18 nationwide to inspire their interest in science and to train them to deliver short talks on scientific concept and knowledge.

This year the topic of the competition was focused on “light” to echo the International Year of Light and Light-based Technologies, announced by the United Nations. Through the different stages of the Competition, including reading professional literature regarding food and agriculture development, writing essays on their reading, and delivering a short scientific talk, contestants from senior high schools both build their capacity for logical thinking, argumentation, and presentation skills, while learning about topics of concern in society.

•Scientific Talents Camps

To nurture talented young scientists, the Foundation continued to sponsor the Wu Chien-Shiung Science Camp, the Wu Ta-Yu Science Camp, and the Madame Curie Chemistry Camp. These camps provide talented students with the opportunity to hold discussions with world-class scientists with the goal of inspiring students and helping them realize their potential.

2015 was the eighteenth anniversary of the Wu Chien-Shiung Science Camp. In this year the camp invited Prof. Samuel C.C. Ting, the President of Academia Sinica, Dr. Wong Chi-huey, Prof. Wilson Ho and Prof. Daniela Rhodes. Four world-class scientists gathered to speak to 123 gifted youths from all countries in Asia and 42 science teachers for one week.

The central theme of the 14th Wu Ta-yu Science Camp this year was “Stem Cell and Life: Current Status and Future Perspective of Regenerative Medicine”. Senior undergraduate or 1st year graduate students, including 55 from Taiwan, 20 from Mainland China, 5 from Hong Kong, and 1 from Macau (a total of 81) were admitted to this camp. In addition, nine high school teachers were also invited to attend the camp. Six distinguished scholars in medicine were invited as the master speakers, including Prof. Kerry Atkinson (Honorary Professor, University of Queensland Centre for Clinical Research), Prof. Cheng-Ming Chuong (Professor of Pathology, University of Southern California), Prof. Setsuko Hashimoto (President & CEO, CellSeed Inc.), Prof. Koichi Nakayama (Professor and Chairman, Department of Regenerative Medicine and Biomedical Engineering, Faculty of Medicine, Saga University), and Prof. Joseph Wu (Director of Stanford Cardiovascular Institute & Professor of Medicine and Radiology). In addition, fifteen professors from domestic universities also attended the camp to share their research experience and introduce the current status of extreme medicine research in Taiwan. The program included a keynote speech, several master lectures and discussion sessions, introduction to domestic research activities, brainstorming, introduction to frontier topics, and a talent show. It is expected that such a camp activity will bring to these students and teachers an invaluable opportunity to get in contact with the distinguished masters as well as the chance to interact with each other.

This year the Foundation continued to sponsor the Madame Curie Chemistry Camp. A total of 120 students and 30 science teachers from senior and junior high schools gathered to listen to speeches by top-notch masters to inspire their interest in chemistry.

•The Sponsorship of Taiwan International Science Fair

To strengthen Taiwan’s science education and broadening high school students’ perspectives, the National Taiwan Science Education Center (NTSEC) established a science fair in 1991 to select domestic students for international competition. In 2002, the fair was named the Taiwan International Science Fair (TISF), and in addition to selecting outstanding domestic scientific research, the event also invited overseas participants, who are increasing each year, for young talent to exchange academic knowledge and share their learning experiences.

Each year the NTSEC selects nearly 70 works, and from there selects students to represent Taiwan in science fairs held in the United States, the Netherlands, Europe and Asia.

This year the TSMC Foundation sponsored the “TSMC Award” to support two Taiwan groups to participate in the International Science and Engineering Fair (ISEF) in Netherlands. One team earned a gold medal and the second earned the bronze medal. Miss Fu-yi Hsieh from the Gung-guan junior high school of Miaoli presented the project “Monitoring the Seismic Reduction and Vibration Resistance of sCable Cars”. Miss Hsieh observed that cable cars shut down when earthquakes occur, and experience severe shaking due to the sudden stop. Through experimentation, she found that adding springs to the cable car can effectively reduce shaking time. the severe shaking of the cable cars, caused by the sudden stop of the closing electricity for the safety when the earthquakes happens. Miss Hsieh research found out to add the sponge on the cable to effectively reduce the severance of



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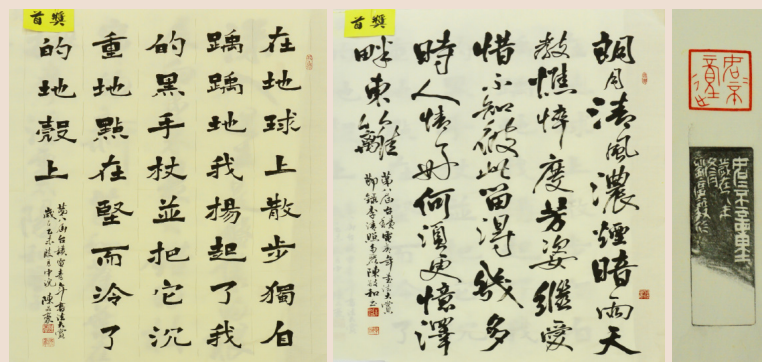
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the shaking. Her careful observations and the s rigorous experiments allowed this project to stand out from the field of 108 competitors and receive the honor of a gold medal.

• TSMC Youth Literature Award and Youth Calligraphy Competition

In addition to cultivating science talents, the Foundation also holds activities in arts and literature for Taiwan's youth. Among our cultural activities, the "TSMC Youth Literature Award" has been the most influential in Taiwan society. Since the award was instituted in 2004, 3,004 novels, 3,352 poems, and 257 book reviews (only in the first year of the competition) were entered in this competition. The submitted works have become more sophisticated and diverse each year. Numerous former winners continue to gain prizes in other competitions and submit new works to newspapers and magazines.

The Winning Works of 2016 TSMC Calligraphy Competition



- The First Prize of Standard Calligraphy/Chen Ping-howl of Hai-chin Industrial School
- The First Prize of Curving Calligraphy/Chen Gin-Ho of Wen-shen Senior High School
- The First Prize of Seal-Carving/Liu Quan-I of The Institution of Painting and Calligraphy of National Taiwan University of Arts

The art of calligraphy is a distinguished legacy of Chinese culture. To preserve this art in the modern era of technology, the TSMC Foundation encourages young people to learn calligraphy and continue this artistic tradition. In addition to the contest, the Foundation also organized various campaigns to cultivate student and public appreciation of calligraphy for eight consecutive years. This year the Foundation invited students to experience the art of carving. The Foundation also continued to bring educational resources in calligraphy to campuses, holding three workshops to showcase the history and modern application of this traditional art. The TSMC Foundation hopes to encourage younger generations to appreciate traditional Chinese art through calligraphy.

College Level — Supporting the Underprivileged

At the college level, the TSMC Foundation sponsors professorships and scholarships to both raise the academic level of universities and provide underprivileged students with an opportunity to enter top-tier institutions. In addition to infusing financial resources, the Foundation regularly organized all kinds of lectures to enrich the students' humanity. And to encourage the promotion of literacy, the Foundation also holds the TSMC Literature Award to offer a stage for youth who are devoted to the writing of novels.

• "Morris Chang Chair" Professorship and Scholarships

At the college level, for cultivating the talents for the country, the Foundation endowed "Morris Chang Chair" professorships for supporting the College of Technology Management of NTHU to invite renowned scholars to enhance academic research. The TSMC Foundation also sponsored the "Rising Sun Plan" of NTHU and the "Sunflower Plan" of NCU to address the unbalanced allocation of educational resources caused by the gap between rich and poor communities. This plan provides underprivileged students a chance to enter leading universities with lower grade limits and scholarships.

• TSMC Literature Novel Award

To encourage young writers and promote Chinese literary works, the TSMC Foundation holds the TSMC Literature Novel Award with *INK Magazine* on alternate years. As the extension of the TSMC Youth Literature Award, the TSMC Literature Award encourages writers under 40 to create Chinese novels between 60,000 words and 80,000 words. The winner not only gains the prize but also has the chance to be published *INK Magazine*.

The TSMC Literature Award has gradually shaped the paradigm and made an influence in Chinese literary society. The 3rd TSMC Literature Award organized the jury group from among the most important Chinese



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writers and literature critics in Taiwan and China, including Tian-shing Zhu, I-chun Ro, Yang Zhao, Yu-chen Gin, and Wei-chen Su to choose three great works from 100 works in total. This competition offers young writers an excellent forum to showcase their gifts and expose readers to the new generation of writers.

6.5.1.2 Promotion of Arts and Chinese Classics

The TSMC Education and Culture Foundation is devoted to the promotion of arts and culture. Over the years, the Foundation has pioneered several innovative approaches and received positive feedback from the public, prompting many companies to join our efforts. In addition to actively assisting prominent Taiwanese art groups to gain recognition on the international stage, TSMC also provides support for performances held in Taiwan by arts groups from around the world, giving the Taiwanese a chance to appreciate the world's finest performances at home. Continuing to promote Chinese Classics and philosophies, the Foundation produced broadcasting programs and lectures for preserving the wisdom of Chinese Ancestors and Masters.

• Sponsoring Royal Concertgebouw Orchestra

Since 2006 the Foundation has sponsored Royal Concertgebouw Orchestra to visit Taiwan. Led by the prominent conductor, Gustavo Gimeno, the orchestra recently presented two symphonic classics: Beethoven's Pastoral and Tchaikovsky's Pathétique. The Foundation also collaborated with the National Theatre and Concert Hall to create an exhibition tracing the Orchestra's history in the Concert Hall lobby, to invite 100 remote townships students to attend the concert, and to organize a live broadcast of the concert on the Arts Plaza, attracting an audience of over 5,000.

• Sponsoring NSO Opera Series "Fidelio"

In addition to inviting international orchestras, the TSMC Foundation also supported Taiwan Arts performing arts groups. Besides the Hsin-

chu Arts festival of regular invitations, the Foundation continued to sponsor the National Symphony Orchestra to collaborate with Zurich Opera Theatre to present Beethoven's one and only opera, Fidelio. This exquisite opera production not only astonished the audience but, more importantly, provided Taiwan performing arts groups with invaluable international theater production experience.

• The Chinese Classic Broadcasting Program "Analects in Hsin's View"

The TSMC Foundation has a long-term commitment to promote Chinese Traditional Classics. Through lectures, broadcast programs and audio books, the Foundation relives the Classics that enable audiences to easily understand traditional Chinese philosophy and wisdom. Since 2008, the TSMC Foundation has invited Professor Hsin Yih-yun to produce Chinese Classics broadcast programs on the IC Radio Broadcasting Station. The programs are extremely popular and followed by Chinese audiences all over the world. Following The Analects of Confucius Part I, the Chuang-tzu, the Mo-tzu, and Professor Hsin continued the Analects of Confucius Part II. By completing this production, Professor Hsin hopes the audience can gain a better understanding and appreciation of this classic.

• Humanity Lectures and Literature Salon

In addition to the broadcasting program, the Foundation also held innovative lectures with unique decorations and arrangements to narrow the gap between the audience and the speakers, and let the audience feel the appeal of the Classics. Dream of Red Chamber Lectures delivered by Professor Huang Yi-Long were conducted in tea banquets so participants could feel the atmosphere of an oriental salon. The Foundation also invited Professor Li Hon-chi, Emeritus Professor of New York University, to introduce the audience to the Protestant Reformation Era in a coffee shop.

The Foundation also encourages the reviving of the historical. Following the literature salon of Taipei Story House, the Foundation collaborated with United Daily and Sun Yun-Suan Memorial Museum to hold a literature salon, named the Friday in Moonlight. Through regular book readings by authors, the spirit of the humanities has been instilled in the physical structure of this heritage site. These events allow artists and writers to come together in old homes filled with history. They have also given the edifice itself a new lease on life, and the audience can learn more about the life of Dr. Sun Yun-Suan.

6.5.1.3 Community Building by Art – TSMC Hsin-chu Arts Festival

The Foundation has long played the role of "fine arts planter" to spread the seeds of fine arts to the community through continuous art activities. At TSMC's site communities, Hsinchu, Taichung and Tainan, the Foundation annually organizes "Hsinchu Arts Festival" to present a broad spectrum of performances to meet the communities' interests in art.

The theme of the 2015 TSMC Hsin-chu Arts Festival was Hero. The Foundation invited top artists to share their heroic way to achieve goals by theatrical arts, music, poetry and video. Promoting Chinese theatrical arts is always the main objective of the Festival. Therefore, the Festival invited the Xin-Xin Nanguan Ensemble, the GuoGuang Opera Company and Professor Huang Yi-Long to introduce audiences to the beauty of Chinese Traditional Arts by Nanguan Music, Chinese Opera and History. The Festival also organized a variety of marvelous concerts by prestigious musicians, including the English cellist Steven Isserlis, French classical pianist Jean-Efflam Bavouzet, and the National Symphony Orchestra. The German laureate conductor Gunther Herbig and the Armenian violinist Sergey Khachatryan, the winner of the 2005 Queen Elisabeth Music Competition, performed Beethoven's Classic Symphony Eroica and Max Bruch's First Violin Concerto, prompting a standing ovation from the entire audience.



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Also in 2015, the Hsin-chu Arts Festival made a major effort to uplift the community through the power of the arts. The festival facilitated a connection between NTCH (National Theater-Concert Hall) Opera Workshop Artists and the Taiyen Music School to perform the children's opera *Sleeping Beauty*. All box office income was donated to Taiyen Music School for cultivating aboriginal students' musical talent. To celebrate the Dragon Boat Festival, the Hsin-chu Arts Festival organized a unique concert at Hsinchu Park by inviting renowned poets, Cheng Chou-yu, Lin Yangmin and Hsu Huei-chih. The closing concert combined sand paintings by Chuang Min-Da and a performance of the Taiwan String Orchestra to salute the four seasons. All in all, the Festival arranged a total of some 30 activities and attracted 20,000 attendees.



■ In 2015 the TSMC Hsin-chu Art Festival arranged a total of some 30 activities and attracted 20,000 attendees.

6.5.2 TSMC Volunteer Program

Long-term Commitment to Chosen Service Themes

TSMC values corporate citizenship, and our Volunteer Program, under the leadership of Sophie Chang (Su-feng Chang), persists in the objective of "long-term commitment to chosen service themes," and encourages our employees to participate in volunteer activities with joy and wisdom. Through volunteer activities, we hope to lead the way for our employees to strike a fulfilling balance between their work and life.

The TSMC Volunteer Program coordinates many forms of volunteer services. Employees of our Company and our affiliated companies, as well as their family members, are invited to participate in related activities under the Program, including the TSMC Volunteer Docent Program, TSMC Books Reading Volunteer Program, TSMC Energy Saving Volunteer Program, TSMC Community Volunteer Program, TSMC Ecology Volunteer Program, and TSMC Fab/Division Volunteer Program.

- The TSMC Volunteer Docent Program recruits employee volunteers to serve as docents on weekends and holidays at the "World of Semiconductors" exhibition hall in the National Museum of Natural Science, Taichung. They introduce semiconductor science and technology to museum visitors in a way that is easy to understand. As of 12/31/2015, a total of 6,971 volunteers have taken part in this program, accumulating more than 69,001 hours.
- TSMC Book Reading Volunteers read stories to students in remote elementary schools in Hsinchu, Taichung and Tainan. Stories and books are supplements for limited educational resources in these rural areas, expanding the children's minds, ideas, and thoughts. Since 2004, the program has recruited 3,136 volunteers, accumulating a total of over 48,555 hours.
- TSMC Energy Saving Volunteers are employees with expertise in energy conservation, which they use to help assess energy-saving solutions for schools and provide suggestions on possible improvements. Their services cover schools in Taipei, Hsinchu, Taichung, Tainan and Kaohsiung, providing suggestions on electrical safety and energy saving. At present, the team consists of 60 energy-saving experts who strive to preserve the limited energy that the earth has to offer.



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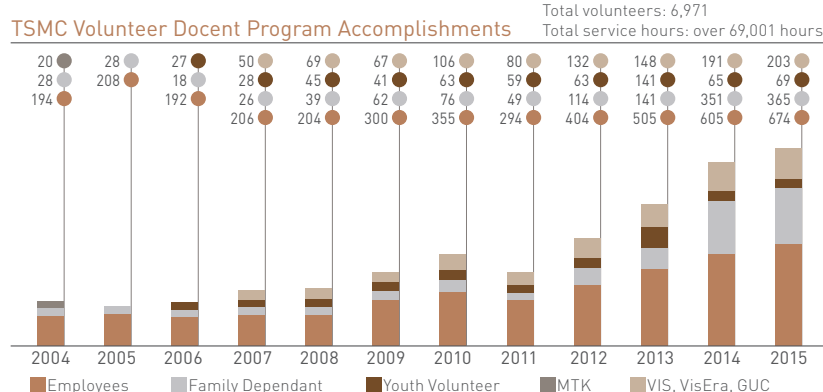
- TSMC Community Volunteers regularly visit the elderly at the Hsinchu Veterans Home and the children at the St. Teresa Children's Center. This program has recruited more than 1,963 volunteers, accumulating a total of over 22,010 service hours.
- TSMC Ecology Volunteers serve the Taichung Fab 15 Ecology Park, Tainan Jacana Ecology Education Park, and the Hsinchu Fab 12B Ecology Park. They invite students from remote schools to take ecological tours and educate them about indigenous Taiwan plant and animal species. In 2015, a total of 581 volunteers donated their time to the cause of environmental protection.
- TSMC Fab/Division Volunteers are devoted to causes such as environmental protection, promotion of energy consumption reduction, caring for the disadvantaged, promotion of education, helping farmers and workers, and charitable donations on the Fab/Division level.

6.5.2.1 TSMC Volunteer Docent Program: Promoting Science Education

Volunteers from the Docent Program provide services for "The World of Semiconductors" exhibition at the Taichung Museum of Science. They lead visitors on tours of the exhibition. With their lively introductions, visitors can better understand the significance of semiconductors and how they have helped build the world in which we live in. The docents' enthusiasm and professionalism have been highly praised by visitors; the group has continuously been recognized as an "Outstanding Volunteer Team" by the National Museum of Science.

In addition, our Volunteer Program invited the Hope Workshop, which is affiliated with the Taichung Private Soundhome Integrated Intelligence Development Center, to launch the "Happy Life Pass Card" for "The World of Semiconductors" exhibition. This project is expected to provide jobs for the hearing impaired and give them a chance to start an independent life.

In 2004, Mediatek Inc. was invited to join the TSMC Docent Program after donating a facility for exhibitions. Twenty Mediatek volunteers joined the program in 2004.



- 2015 TSMC Volunteer Docent Program Training Camp
- Volunteers serve as docents at the "World of Semiconductors" exhibition hall in the National Museum of Natural Science, Taichung



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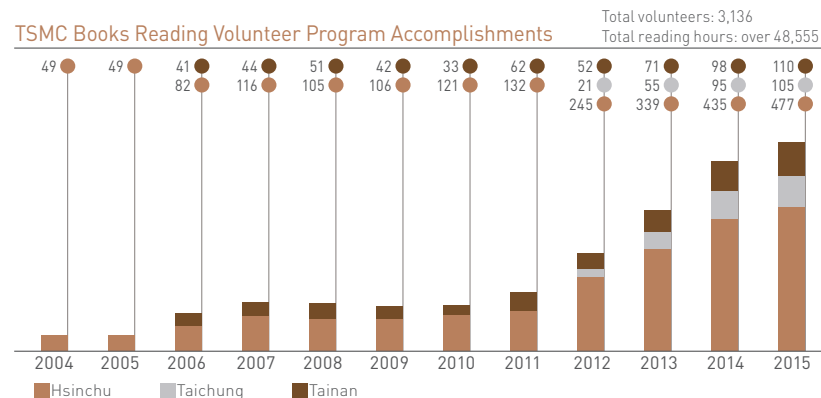
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6.5.2.2 TSMC Books Reading Volunteer Program: Spreading Seeds of Knowledge

The TSMC book reading volunteer program is made up of employees and their families. In alliance with the Commonwealth Group, volunteers read books sponsored by the Hope Reading Program to students of elementary schools and encourage them to make the most of the learning resources available.

Besides reading stories in both Chinese and English, volunteers engage students in other interactive activities to stimulate the students' interest in reading. For example, the volunteers prepare plays for special holidays to combine reading with everyday life, so that the children will see reading as part of their life.

The volunteers' selfless work is greatly appreciated by the schools and the children. Since the establishment of our Book Reading Volunteer Program 10 years ago, TSMC's Volunteer Program has strived to improve the book reading service in remote areas and build a habit of reading. As of 2015, we have provided services to eight remote schools.



■ Book reading activities in Song-Lin elementary school
■ Book reading activities in Ci-Wei elementary school

6.5.2.3 TSMC Energy Saving Volunteer Program: Loving and Preserving the Earth

TSMC recruited employees with expertise in energy conservation to start the Energy-Saving Volunteer Program, and has provided schools in Taipei, Hsinchu, Taichung, and Tainan and Kaohsiung areas with professional consulting services. Through inspection and communication, the team helps to develop energy-saving plans for schools to improve energy efficiency.

As of 2015, TSMC Energy Saving Volunteer Program has devoted more than 1,100 hours in serving schools in Taipei, Hsinchu, Taichung, Tainan, and Kaohsiung in need of energy conservation. Acting with the ideas of "love the Earth with environmental protection, take care of Taiwan with energy conservation," the energy saving volunteers also traveled to the Penghu University of Science and Technology, which is located on an island lacking many natural resources. Highly affirmed by the school for their great attitude, excellent performance and professional abilities, the energy saving volunteers will continue to contribute to society by directly serving schools. 2014 also marked the first time the volunteers supported a large-scale teaching hospital, the National Cheng Kung University Hospital, by providing suggestions on electrical safety and energy saving. In 2015, we expanded our service to Taipei Veterans General Hospital, Yang Ming Hospital, and China Medical University Hospital.



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- The energy-saving program helps to develop energy-saving plans for hospitals
- The energy-saving program helps to develop energy-saving plans for schools

6.5.2.4 TSMC Community Volunteer Program: Caring for the Disadvantaged

TSMC Community Volunteers focus on serving the elderly of the Hsinchu Veterans Home and the children of the St. Teresa Children Center, and hold regular activities to closely connect the elderly veterans, children and volunteers. So far, a total of more than 2,813 volunteers have participated, and they have served more than 22,010 hours.

Volunteers at Hsinchu Veterans Home: Volunteers visit the elderly at the Hsinchu Veterans Home regularly with two separate themes:

- **Glee Club:** The volunteers design activities that do not require much action for the elderly with disabilities in the health care center of the Veterans Home. They sang for the elder veterans, interacted with them through games, or invited them to sing karaoke together and let the joy spread through cheerful melodies.
- **Art Workshop:** In the art workshops, the volunteers and the elderly participate in interesting art projects such as rock painting. In 2014, volunteers held an art workshop to teach participants how to handcraft photo albums. Seniors both enjoyed the experience of creating art and also grew closer with our volunteers while working on the projects and chatting.

Volunteers at St. Teresa Children Center: Volunteers visit the Children Center and give the children timely care and companionship. They participate in activities including:

- **One-on-one Care:** On the monthly "St. Teresa's Family Day," volunteers spend the weekend with children. Sometimes they go on a weekend tour, while other times they stay at the Children Center and study together.
- **Health Education Seminars:** Our Volunteer Program specially cooperates with the National Taiwan University Hospital in planning interesting health education courses for the St. Teresa Children's Center. The entertaining courses provide the kids with more information about health, dental care and other health issues.

Two Holiday Volunteer activities were held in July and August 2015 when TSMC Community and Fab/Division Volunteers invited the children they served in the Book Reading Volunteer Program and long-term companionship from Hsinchu, Taichung, and Tainan to "Leofoo"

and "EDA" theme parks. With well-designed activities, these children from remote areas spent a wonderful holiday together. In 2014, there were 469 volunteers working closely with children and the elderly through regular activities.



■ 2015 TSMC Holiday Volunteer Event



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■ 2015 TSMC Double 9th Festival Volunteer Event
■ 2015 TSMC Community Volunteer Program Training Camp

6.5.2.5 TSMC Ecology Volunteer Program: Prompting Environmental Preservation

TSMC is devoted to the protection of our environment. We reserve land for ecological projects at every new fab, and apply multilevel ecological engineering methods which include planting native tree species and bird/butterfly-attracting plants, providing habitats and foraging places for animals. These are aimed at creating an environment and protecting the environment around the fab.

The TSMC Ecology Volunteer Program recruits employees who are highly interested in ecological environments to introduce rich eco-environment knowledge to children and adults from rural villages and

neighboring areas. The ecology volunteers have contributed much effort to environmental protection. Our service locations are listed as follows:

- **Taichung Fab 15 Ecology Park Docent:** In 2015, 110 employees participated in this group, and we invited more than 200 students and teachers from five elementary schools to visit our ecology park in Taichung.
- **Hsinchu Fab 12B Ecology Park Docent:** With 237 employees joining the group, we invited more than 300 students and teachers from 10 elementary schools to visit our ecology park in Hsinchu.
- **Tainan Jacana Ecology Park Docent:** Our Volunteer Program recruited 237 employees and their family members to serve as volunteer docents at the Jacana ecology education park on weekends and holidays.



■ 2015 TSMC Ecology Volunteer Program Training Camp at Hsinchu
■ Eco docents introduce rich eco environment and knowledge to children from neighboring schools
■ 2015 TSMC Ecology Volunteer Program Training Camp at Tainan

6.5.2.6 TSMC Fab/Division Volunteer Program

Employees on the Fab/Division level devoted themselves to various welfare activities for causes such as "Strengthening Environment Protection," and "Caring for the Disadvantaged" to meet TSMC Corporate Social Responsibility Policy.

These included environmental protection, promotion of energy conservation, caring for the disadvantaged, promotion of education, help for farmers and workers, and charitable donations.

Strengthening Environment Protection

• Environment Protection

In 2015, besides making our manufacturing facilities' ecological surroundings a teaching material for environmental protection, we invited schools and disadvantaged groups to visit. The volunteers held a charity bazaar selling water chestnuts from the Guantian Jacana Park, and used the earnings to fix and replace telescopes in the park in order to improve the quality of the eco-tours. In Tainan, the volunteers helped reactivate the water purification plant on Monuments Mountain and held cultural and environmental tours, bringing new life to the historical site.

• Energy and Water Conservation

We organized interactive and interesting field trips for students from the schools near downstream of Zeng-wen Dam to promote water conservation. In addition, we held seminars on energy consumption and power reduction to share our knowledge, green building technology, and energy saving accomplishments. Through these efforts, we hope to protect our environment together with other corporations.

Caring for the Disadvantaged

• Long-term Companionship

Volunteers helped to repair and maintain the old houses of people in need, provided daily supplies and necessities, and offered warm companionship. In 2015, the employees provided used cameras for



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children living in remote areas, leading them to see the world in a different way through the camera lens. Volunteers also donated school lunch fees to children in Kuskus tribe, and helped promote the culture of old ballads. They also supported the Hui-Ming School for the Blind and an underprivileged baseball team. One project led students from the St. Francis Xavier Home for Girls to learn skills, and developed their interests in handicrafts and baking. Employees of the Company are dedicated to giving a hand to people in need to help them move toward a brighter future with dignity.

•Promotion of Education

TSMC employees devoted their time to education; they have guided studying programs at Fu-Xing Elementary School in a remote area of Hsinchu County. Volunteering workers have also spread the seed of education further to Xi-Wei Elementary School. The volunteers donated books and collected second hand books in hopes of inspiring the children's interest in reading. They also provided school work guidance to strengthen learning.

•Help for Farmers and Workers

In 2015, TSMC volunteers helped low-income farmers process water bamboo shoots and stringing oysters for sale, and collaborated with the Formosa Charity Group to build dorms and classrooms and an orphanage. Volunteers also raised funds and resources to repair an abandoned elementary school, making the renovated space able to accommodate more people in need.

•Charitable Donations

Charity bazaars and group purchases were held in fabs periodically and, in the belief that even a small donation will make a difference, the accumulated profits were donated to charities. For instance, employees purchased goods from charities as mid-autumn festival gifts, and the revenue was donated to the Hui-Ming School for the Blind.



■ Volunteers led the children to learn handcraft and baking

6.6 Social Dimension Special Topics

TSMC i-Charity

"TSMC i-Charity" is an interactive online platform launched in 2014 for employees to proactively take part in philanthropic activities and give back to society. The intranet opens a channel for TSMC employees to propose charing projects, share results, suggest new ideas and participate in philanthropic events directly in a timely manner.

In 2015, NT\$18 million in contributions were received from over 9,600 participating employees. The following table shows the detailed information:

Project Title	Participating Employees	Contribution Amount
Charity Bazaar of Stamps	290	NT\$140,000
Re-layout of Kuang-Ron Elementary School's Library	443	NT\$630,950
Caring Project of the Injured of Formosa Fun Coast Explosion	6,737	NT\$14,545,459
Caring Project for 3 hearing impaired pre-school children	170	NT\$228,300
Construction project for Shan-hu branch of Po-Shan Elementary School	630	NT\$920,594
Caring Project for the Special Education Center at Chu-nan	1,330	NT\$2,524,211

With this interactive platform, TSMC hopes to sustain its commitment to society, and encourages its employees to join efforts to care for and give back to society in every way possible.

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CSR Performance Summary

Key Indicators		2011	2012	2013	2014	2015
Economic	Revenue (Billion NT\$)	427	507	597	763	843
	Net Income (Billion NT\$)	134	166	188	264	307
	Income Tax Expense (Billion NT\$)	11	16	27	38	44
	R&D Expenditures (Billion NT\$)	34	40	48	57	66
	Capital Expenditures (Billion NT\$)	214	246	288	289	258
Environmental	Greenhouse Gas Emission (Tons CO ₂ equivalent/8" Equivalent-Layer)	0.00953	0.00933	0.0089	0.0082	0.00846
	Greenhouse Gas Emission (Tons CO ₂ equivalent)	3,996,631	4,606,119	5,222,778	6,356,130	6,670,291
	Scope 1	1,375,110	1,563,306	1,716,174	2,113,858	2,027,645
	Taiwan Sites	1,051,254	1,291,662	1,443,218	1,655,498	1,566,662
	Overseas Sites	323,856	271,644	272,956	458,360	460,983
	Scope 2	2,580,521	3,042,814	3,506,970	4,242,258	4,642,646
	Taiwan Sites	2,345,625	2,738,598	3,211,022	3,939,172	4,315,766
	Overseas Sites	275,898	304,216	295,948	303,086	326,880
	Energy Consumption (TJ – including electricity, nature gas and diesel)	18,374	21,019	23,773	28,683	32,095
	Direct Energy Consumption (TJ – including nature gas and diesel)	1,159	1,194	1,349	1,522	1,639
	Indirect Energy Consumption (TJ – electricity)	17,215	19,825	22,424	27,161	30,456
	Water Consumption (Million m ³)	27.5	29.2	33.2	38.2	37.5
	Taiwan Sites	24.3	25.8	29.7	34.9	34.0
	Overseas Sites	3.2	3.4	3.5	3.3	3.5
	Process Water Recycling Rate (Taiwan Sites) (%)	84.6	86.5	86.8	87.6	87.3
	Process Water Saving (Taiwan Sites) (Million m ³)	37.7	53.4	52.7	56.2	65.4
	Waste Generated (Metric Tons)	97,980	129,921	149,951	208,211	291,900
	General Waste Generated (Metric Tons)	29,270	37,459	47,336	66,462	137,524
	Taiwan Sites	25,523	33,158	42,180	61,026	132,427

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Key Indicators		2011	2012	2013	2014	2015
Environmental	Overseas Sites	3,747	4,301	5,156	5,436	5,097
	Hazardous Waste Generated (Metric Tons)	68,710	92,462	102,615	141,749	154,376
	Taiwan Sites	67,588	90,596	101,100	140,024	152,164
	Overseas Sites	1,122	1,866	1,515	1,727	2,212
	Waste Recycling Rate (%)	88.32	90.89	91.36	92.59	94.67
	Taiwan Sites	89.65	91.83	92.19	93.06	95.08
	Overseas Sites	73.23	79	78.74	79.25	78.94
Social	Numbers of Employee	33,669	37,149	40,483	43,591	45,272
	Employee Training Hours	795,448	779,442	889,184	884,174	780,546
	Safety - Injury Frequency Rate (Taiwan Sites) <i>Note: Safety - Injury Frequency Rate=Injury NumberX1,000,000/Total hours worked</i>	0.22	0.24	0.25	0.36	0.47
	Safety - Injury Severity Rate (Taiwan Sites) <i>Note: Safety - Injury Severity Rate= Lost Work DaysX1,000,000/Total hours worked</i>	1.97	5.19	1.34	3.48	5.12
	Charity Donation (Million NT\$)	152	76.4	95.2	99	64.8



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ASSURANCE STATEMENT

Introduction

DNV GL Business Assurance Co. Ltd. Taiwan (DNV GL) has been commissioned by the management of Taiwan Semiconductor Manufacturing Company Ltd. ("TSMC" or "the Company") to carry out an assurance engagement on the Company's 2015 Corporate Social Responsibility Report (the Report) against the Global Reporting Initiative's Sustainability Reporting Guidelines Version G4 2015 (GRI G4), and the DNV GL Protocol for Verification of Sustainability Reporting (VeriSustain®. www.dnvgl.com/assurance/reporting/verification.html).

The management of TSMC is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing this work is to the management of TSMC only and in accordance with terms of reference agreed with the Company. The management of TSMC are the intended users of this statement. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

Scope of Assurance

The scope of work agreed upon with TSMC included the following:

- The verification of qualitative and quantitative sustainability performance reported in the Report prepared by TSMC based on GRI G4 guidelines, covering social, environmental and economic indicators, for the period of 12 months ending on 31 December 2015 and covering data on the company's head-office as well as overseas offices, subsidiary and the manufacturing sites in Taiwan, China, the United States.
- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in the Sustainability Reporting Guidelines GRI G4.
- Evaluation of principles as per DNV GL VeriSustain Protocol and performance information with a **Moderate** level of assurance, according to the DNV GL Protocol VeriSustain.
- Evaluation of the disclosed information in the Report, both General and Specific Standard Disclosures, in accordance with Comprehensive reporting requirements covering the systems, and the processes which TSMC has in place for adherence to the reporting principles set out in GRI G4.

Our verification has not covered data and information related to the financial and Green House Gases data. The data and information of financial data and Green House Gases emission/reduction data has been acquired from the certified balance sheet and GHG Inventory report. The verification was conducted based only on the Chinese version Report.

Verification Methodology

The verification was conducted by DNV GL on March 2016, by suitably qualified and experienced professionals, and in accordance with the DNV GL Protocol VeriSustain.

The Report has been evaluated against the following criteria:

- Application of the principle of Inclusion and Materiality as per GRI G4;
- Adherence to additional principles of Responsiveness, Completeness and Neutrality, as set out in DNV GL's Protocol VeriSustain.
- Adherence to principles and requirements of the GRI G4 for a Comprehensive option.

During the assurance engagement, we have taken a risk-based approach, meaning that we concentrated our verification efforts more on the issues of high material relevance to TSMC's business and its stakeholders. We have challenged the statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls. In doing so, we have:

- Reviewed the approach to stakeholder engagement and its materiality determination process;
- Examined and reviewed documents, data and other information made available to DNV GL by TSMC;
- Visited the head-office and 3 production sites located in Taiwan;
- Conducted interviews with 50 company representatives, including senior managers, line manager and employees of various functions of the company, as well as NGOs involved in TSMC philanthropic activities;
- Consulted with external stakeholders to understand their viewpoint about economic, social and environmental performances of TSMC;
- Performed sample-based reviews of the mechanisms for implementing the Company's own corporate responsibility-related policies, as described in the Report;
- Performed sample-based checks of the processes for generating, gathering and managing the quantitative and qualitative data included in the Report.

Conclusions

In our opinion, based on the scope of this assurance engagement, the TSMC 2015 Corporate Social Responsibility Report provides an accurate and fair representation of the level of implementation of related Corporate Social Responsibility (CSR) policies, and meets the content requirements of the GRI G4, i.e.,

- **General Standard Disclosures:** We reviewed the General Standard Disclosures reported in this Report and we are of the opinion that the reported information generally meets the reporting requirement for 'in accordance' – Comprehensive based on GRI G4 and the reason for non-disclosure is explained.
- **Specific Standard Disclosures:** We reviewed the Specific Standard Disclosures reported in this Report and we are of the opinion that the reported information generally meets the disclosure requirement for 'in accordance' – Comprehensive based on GRI G4 covering Generic Disclosures on Management Approach (DMA) and Performance Indicators for identified material Aspects.

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This Assurance Statement is based on the information made available to us and the engagement conditions described above. Hence, DNV GL can not guarantee the accuracy or correctness of the information. DNV GL can not be held liable for any party relying on acting upon this Assurance Statement.
 此保證聲明係根據我們所獲得之資訊及上述之保證條件所編製。因此，DNV GL 不能保證資訊之準確性或正確性，亦不能對任何依賴或依據此保證聲明而採取行動之任何人士負責。

ASSURANCE STATEMENT

We have evaluated the Report's adherence to the VeriSustain principles on a scale of 'Good', 'Acceptable' and 'Needs Improvement':

Inclusivity: Acceptable. The Company has identified the expectations of stakeholders through internal mechanisms in dialogue with different groups of stakeholders. The key CSR issues identified through this process are reflected in the Report.

Materiality: Acceptable. The process developed internally has not missed out any significant, known material issues, and these issues are fairly covered in the Report. A methodology has been developed to evaluate the priority of these issues.

Responsiveness: Good. The Company has adequately responded to stakeholder concerns through its policies, CSR Committee, and management systems, and this is reflected in the Report.

Completeness: Good. The Report covers performance against the GRI G4 core indicators that are material within the Company's reporting boundary. The information in the Report includes the company's most significant initiatives or events that occurred in the reporting period.

Neutrality: Good. DNV GL considers that the information contained in the Report is balanced. The emphasis on various topics in the Report is proportionate to their relative materiality.

Finally, the Company has developed its own data management system for capturing and reporting its CSR performance. In accordance with Moderate level assurance requirements, we conclude that no systematic errors were detected which causes us to believe that the specified CSR data and information presented in the Report is not reliable.

Limitations

This statement is based upon the application of sample principles and professional judgment to certain facts, with resulting subjective interpretations. Professional judgments expressed herein are based upon the facts currently available within the limits of the existing data, scope of work, the budget and time schedule. Therefore we cannot provide guarantees that further relevant aspects may not arise in the future which were not known to us during the investigation.

Opportunities for Improvement

The following is an excerpt from the observations and opportunities reported back to the management of TSMC. However, these do not affect our conclusions on the Report, and they are indeed generally consistent with the management objectives already in place.

- Enhancing stakeholder engagement process to positively communicate with stakeholders, to collect the key issues.
- Enhancing the materiality review process to objectively identify more specific CSR issues with more scientific methodology. It should be considered that the non-significant issues should not be included in this report.
- The management approach can be improved to involve with each aspect. Especially for social aspects, it is suggested to establish specific objectives' targets for continuous performance improvement.

DNV GL's Competence and Independence

DNV GL is a global provider of sustainability services, with environmental and social assurance specialists working in over 100 countries. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or entity would make based on this Assurance Statement.

For DNV GL - Business Assurance Group



Johnny Wu
Lead Verifier



David Hsieh
Sustainability Service Manager,
Greater China

DNV GL Business Assurance Co. Ltd.,
Taiwan, R.O.C. - 29 April 2016
Statement Number: 00001-2016-ACSR-TWN

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Index	Description	Report Contents or Explanation	Page	Material Aspect? [Y/N]	3rd Party Verification? [Y/N]
STRATEGY AND ANALYSIS					
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	TSMC CSR Policy 1. Overview: Letter from Our CSR Committee Chairperson	3 5	NA	Y
G4-2	Provide a description of key impacts, risks, and opportunities	1. Overview: Letter from Our CSR Committee Chairperson	5	NA	Y
ORGANIZATIONAL PROFILE					
G4-3	Report the name of the organization	4.1 Company Profile	34	NA	Y
G4-4	Report the primary brands, products, and services	4.1 Company Profile	34	NA	Y
G4-5	Report the location of the organization's headquarters	4.1 Company Profile	34	NA	Y
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	1. Overview: Report Scope and Profile 4.1 Company Profile	8 34	NA	Y
G4-7	Report the nature of ownership and legal form	4.1 Company Profile; Please refer to 2015 TSMC Annual Report (II) Financial Statements: (http://www.tsmc.com.tw/chinese/investorRelations/annual_reports.htm)	34	NA	Y
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	4.1.2 Market/Business Summary; Please refer to 2015 TSMC Annual Report: (http://www.tsmc.com.tw/chinese/investorRelations/annual_reports.htm)	34	NA	Y
G4-9	Report the scale of the organization	4.1 Company Profile 4.1.5 Financial Highlights 6.1.1 Stable and Healthy Workforce Please refer to 2015 TSMC Annual Report: (http://www.tsmc.com.tw/chinese/investorRelations/annual_reports.htm)	34 40 88	NA	Y
G4-10	Report the total number of employees by various categories	6.1.1 Stable and Healthy Workforce	88	NA	Y
G4-11	Report the percentage of total employees covered by collective bargaining agreements	No employees in covered by collective bargaining agreements.		NA	Y
G4-12	Describe the organization's supply chain	4.2.2 Supplier Management; Please refer to 2015 TSMC Annual Report: (http://www.tsmc.com.tw/chinese/investorRelations/annual_reports.htm)	43	NA	Y

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G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	The data of 2 new fabs in Taiwan were added in 2015		NA	Y
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	3.5 Risk Management; Please refer to 2015 TSMC Annual Report: 6.3 Risk Management or 2015 Form 20-F"Item 3. Key Information — Risk Factors"	31	NA	Y
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	4.3 EICC Membership TSMC adopts the EICC Code of Conduct	48	NA	Y
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	4.1.1 An Introduction to TSMC : Membership in Industry Associations 4.3 EICC Membership	34 48	NA	Y
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	2. Stakeholder Engagement: Identification of Key Topics for Stakeholders and Boundaries	20	NA	Y
G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organization has implemented the Reporting Principles for Defining Report Content	2. Stakeholder Engagement	16	NA	Y
G4-19	List all the material Aspects identified in the process for defining report content.	2. Stakeholder Engagement	16	NA	Y
G4-20	For each material Aspect, report the Aspect Boundary within the organization, report any specific limitation regarding the Aspect Boundary within the organization	2. Stakeholder Engagement	16	NA	Y
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, report any specific limitation regarding the Aspect Boundary outside the organization	2. Stakeholder Engagement	16	NA	Y
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	There is no restatements of information		NA	Y
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	The data of 2 new fabs in Taiwan were added in 2015		NA	Y
STAKEHOLDER ENGAGEMENT					
G4-24	Provide a list of stakeholder groups engaged by the organization	2. Stakeholder Engagement	16	NA	Y
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	2. Stakeholder Engagement	16	NA	Y
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	2. Stakeholder Engagement	16	NA	Y

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G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	2. Stakeholder Engagement	16	NA	Y
REPORT PROFILE					
G4-28	Reporting period (such as fiscal or calendar year) for information provided	1. Overview	4	NA	Y
G4-29	Date of most recent previous report (if any)	1. Overview	4	NA	Y
G4-30	Reporting cycle (such as annual, biennial)	1. Overview	4	NA	Y
G4-31	Provide the contact point for questions regarding the report or its contents	2. Stakeholder Engagement	16	NA	Y
G4-32	Report the 'in accordance' option the organization has chosen, the GRI Content Index for the chosen option, the reference to the External Assurance Report, if the report has been externally assured	1. Overview: Report Assurance	8	NA	Y
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	1. Overview: Report Assurance	8	NA	Y
GOVERNANCE					
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	3.1 Governance Structure 3.1.4 Corporate Social Responsibility Committee	24 26	NA	Y
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	3.1 Governance Structure 3.1.1 Board of Directors: Board Responsibilities 3.1.4 Corporate Social Responsibility Committee	24 24 26	NA	Y
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	3.1 Governance Structure 3.1.1 Board of Directors: Board Responsibilities 3.1.4 Corporate Social Responsibility Committee	24 24 26	NA	Y
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	2. Stakeholder Engagement 3.1.4 Corporate Social Responsibility Committee	16 26	NA	Y
G4-38	Report the composition of the highest governance body and its committees	3.1 Governance Structure	24	NA	Y

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G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	3.1.1 Board of Directors: Board Structure	24	NA	Y
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	3.1.1 Board of Directors: Election of Directors 3.1.2 Audit Committee 3.1.3 Compensation Committee 3.1.4 Corporate Social Responsibility Committee	24 25 26 26	NA	Y
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders	3.1.1 Board of Directors: Board Structure 3.1.1 Board of Directors: Avoiding Conflicts of Interests 3.1.2 Audit Committee Please refer to 2015 TSMC Annual Report: -2.4.1 Information Regarding Board Members -4.1.4 Major Shareholders -4.1.8 Related Party Relationship among Our 10 Largest Shareholders -5.3.4 Raw Materials and Supply Chain Risk Management-Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement -5.4 Customer Trust-Customers that Accounted for at Least 10% of Annual Consolidated Net Revenue -8.1 Subsidiaries Please refer to Consolidated Financial Statements for 2015: -Note 43-Additional Disclosures -Note 43-Additional Disclosures - Table 6 (Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital)	24 25 25	NA	Y
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	3.1.1 Board of Directors: Board Responsibilities 3.1.4 Corporate Social Responsibility Committee	24 26	NA	Y
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	Please refer to 2015 TSMC Annual Report: 3. Corporate Governance "Continuing Education/Training of Directors" and "Continuing Education/Training of Management" in 2015.		NA	Y

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G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice	There is no evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics		NA	Y
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	3.1.1 Board of Directors: Board Responsibilities 3.1.2 Audit Committee 3.5 Risk Management	24 25 31	NA	Y
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	3.1.1 Board of Directors: Board Responsibilities 3.1.2 Audit Committee 3.5 Risk Management	24 25 31	NA	Y
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	3.1.1 Board of Directors: Board Responsibilities 3.1.2 Audit Committee 3.5 Risk Management	24 25 31	NA	Y
G4-48	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	This report is reviewed and approved by the Company's functional heads and Chairperson of the Corporate Social Responsibility Committee (Chief Financial Officer)		NA	Y
G4-49	Report the process for communicating critical concerns to the highest governance body	3.1.4 Corporate Social Responsibility Committee	26	NA	Y
G4-50	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	TSMC CSR Policy 1. Overview: Letter from CSR Committee Chairperson 2. Stakeholder Engagement: CSR Committee Role and Responsibilities 2. Stakeholder Engagement: CSR Management Approach 3.1.4 Corporate Social Responsibility Committee	3 5 17 18 26	NA	Y

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G4-51	Report the remuneration policies for the highest governance body and senior executives. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	3.1.1 Board of Directors: Directors' and Executive Officers' Compensation 3.1.3 Compensation Committee Please refer to 2015 TSMC Annual Report: -2.4.2 Remuneration Paid to Directors -2.5.2 Compensation Paid to CEO, President and Vice Presidents -2.5.3 Employees' Compensation Paid to Management Team -5.5 Employees-Section "5.5.4 Compensation"	25 26	NA	Y
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	3.1.3 Compensation Committee	26	NA	Y
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	3.1.3 Compensation Committee	26	NA	Y
G4-54	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country	We do not publicly disclose this confidential information		NA	N
G4-55	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country	We do not publicly disclose this confidential information		NA	N
ETHICS AND INTEGRITY					
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	3.2 Code of Ethics and Business Conduct 3.3 Regulatory Compliance	26 28	NA	Y
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	3.2 Code of Ethics and Business Conduct 3.3 Regulatory Compliance	26 28	NA	Y

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G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	3.2.3 Reporting Channels and Whistleblower Protection	27	NA	Y
CATEGORY: ECONOMIC					
ASPECT: ECONOMIC PERFORMANCE					
G4-DMA	Generic Disclosures on Management Approach	2. Stakeholder Engagement	16	Y	Y
G4-EC1	Direct economic value generated and distributed	4.1.5 Financial Highlights 6.2.4 Benefits - Safeguarding Employees' Rights Appendix: TSMC CSR Performance Summary	40 97	Y	Y
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	5.1.1.1 TSMC's Climate Change Response Strategy	58	Y	Y
G4-EC3	Coverage of the organization's defined benefit plan obligations	6.2.4 Benefits - Safeguarding Employees' Rights	97	Y	Y
G4-EC4	Financial assistance received from government	4.1.5 Financial Highlights - we disclose the major financial assistance received from government	40	Y	Y
ASPECT: MARKET PRESENCE					
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	This is not a material aspect, and is not disclosed in this report		N	N
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	This is not a material aspect, and is not disclosed in this report		N	N
ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-EC7	Development and impact of infrastructure investments and services supported	6.6 Social Participation	122	N	Y
G4-EC8	Significant indirect economic impacts, including the extent of impacts	4.2.2 Supplier Management 6.6 Social Participation	43 122	N	Y
ASPECT: PROCUREMENT PRACTICES					
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	4.2.2 Supplier Management	43	Y	Y
CATEGORY: ENVIRONMENTAL					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension	55	Y	Y

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ASPECT: MATERIALS					
G4-EN1	Materials used by weight or volume	5.1.4.1 Source Reduction – Raw Materials Usage Reduction	69	N	Y
G4-EN2	Percentage of materials used that are recycled input materials	TSMC doesn't use recycled process input materials		N	Y
ASPECT: ENERGY					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension	55	Y	Y
		5.1.1.1 TSMC's Climate Change Response Strategy	58		
G4-EN3	Energy consumption within the organization	5.1.2 Energy Management: Energy Use Status	63	Y	Y
G4-EN4	Energy consumption outside of the organization	5.1.5 Green Products: We have disclosed our product carbon footprint	74	Y	Y
G4-EN5	Energy intensity	5.1.2 Energy Management	62	Y	Y
G4-EN6	Reduction of energy consumption	5.1.2 Energy Management: Energy Saving Measures	65	Y	Y
G4-EN7	Reductions in energy requirements of products and services	5.1.5 Green Products	74	Y	Y
ASPECT: WATER					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension	55	Y	Y
		5.1.3 Water Resource Management	66		
G4-EN8	Total water withdrawal by source	5.1.3 Water Resource Management: Total Water Usage	67	Y	Y
G4-EN9	Water sources significantly affected by withdrawal of water	Our operations are compliant with the Environmental Impact Assessment requirements of the Science Parks. There are no significant effects to water sources by withdrawal of water		Y	Y
G4-EN10	Percentage and total volume of water recycled and reused	5.1.3 Water Resource Management: Water Saving Achievements and Process Recycling	68	Y	Y
ASPECT: BIODIVERSITY					
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	WaferTech in the US has 8 acres of enhanced wetlands in its site. Our fabs in Taiwan and China are compliant with the Environmental Impact Assessment of the Science Park, and no significant impacts to biodiversity		N	Y
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	WaferTech in the US has successfully completed a 10-year wetlands mitigation project in 2007, where 29 acres of wetlands are in a permanent preservation area, including 8 acres of enhanced wetlands. Our fabs in Taiwan and China are compliant with the Environmental Impact Assessment of the Science Park, and no significant impacts to biodiversity		N	Y

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G4-EN13	Habitats protected or restored	WaferTech in the US has successfully completed a 10-year wetlands mitigation project in 2007, where 29 acres of wetlands are in a permanent preservation area, including 8 acres of enhanced wetlands. Our fabs in Taiwan and China are compliant with the Environmental Impact Assessment of the Science Park, and no significant impacts to biodiversity		N	Y
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	There is no IUCN Red List species and national conservation list species with habitats in areas affected by TSMC's operation		N	Y
ASPECT: EMISSIONS					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension 5.1.1.1 TSMC's Climate Change Response Strategy	55 58	Y	Y
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	5.1.1.2 Greenhouse Gas Inventory	60	Y	According to GHG emission report verified by the 3rd party
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	5.1.1.2 Greenhouse Gas Inventory	60	Y	According to GHG emission report verified by the 3rd party
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	5.1.5 Green Products: Leading Suppliers to Complete Product Carbon Footprint and Water Footprint	77	Y	Y
G4-EN18	Greenhouse gas (GHG) emissions intensity	5.1.1.2 Greenhouse Gas Inventory	60	Y	Y
G4-EN19	Reduction of greenhouse gas (GHG) emissions	5.1.1.3 Climate Change Mitigation: GHG Emission Reduction	61	Y	Y
G4-EN20	Emissions of ozone-depleting substances (ODS)	TSMC doesn't use Motreal Protocol Class I & II ODS		Y	Y
G4-EN21	NOX, SOX, and other significant air emissions	5.1.4.3 Air Pollution Control: Air Emissions Record	72	Y	Y
ASPECT: EFFLUENTS AND WASTE					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension 5.1.4 Pollution Prevention	55 69	Y	Y
G4-EN22	Total water discharge by quality and destination	5.1.4.2 Water Pollution Control	69	Y	Y
G4-EN23	Total weight of waste by type and disposal method	5.1.4.4 Waste Reduction and Resource Recycling	72	Y	Y

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G4-EN24	Total number and volume of significant spills	There is no significant spills in all TSMC fabs in 2015		Y	Y
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	There were no imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII in 2015		Y	Y
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	TSMC's treated wastewater is discharged to the Science Park wastewater treatment plant, there is no significant environmental impact		Y	Y
ASPECT: PRODUCTS AND SERVICES					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	5.1.5 Green Products	74	Y	Y
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	5.1.5 Green Products: Product Packing Materials Management and Reduction	77	Y	Y
ASPECT: COMPLIANCE					
G4-DMA	Generic Disclosures on Management Approach	5. Environmental Dimension 5.1.6 Environmental Regulation Compliance	55 77	Y	Y
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	5.1.6 Environmental Regulation Compliance	77	Y	Y
ASPECT: TRANSPORT					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	This is not a material aspect, and is not disclosed in this report		N	N
ASPECT: OVERALL					
G4-EN31	Total environmental protection expenditures and investments by type	5.2.2 Environmental Cost and Benefit: Environmental Accounting	81	N	Y
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	4.3 EICC Membership All suppliers are required to sign an agreement and agree to be bound by TSMC's Supplier Code of Conduct before they could do business with TSMC	48	Y	Y
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	4.3 EICC Membership	48	Y	Y

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ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS					
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	There were no grievances about environmental impacts filed in 2015		N	Y
CATEGORY: SOCIAL					
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK					
ASPECT: EMPLOYMENT					
G4-DMA	Generic Disclosures on Management Approach	6.1 Right People with Shared Vision and Values	88	Y	Y
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	6.1.2 Recruiting the Right People	89	Y	Y
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	6.2.4 Benefits - Safeguarding Employees' Rights	97	Y	Y
G4-LA3	Return to work and retention rates after parental leave, by gender	6.2.4 Benefits - Safeguarding Employees' Rights	97	Y	Y
ASPECT: LABOR/MANAGEMENT RELATIONS					
G4-DMA	Generic Disclosures on Management Approach	6.3 Employee Engagement	98	Y	Y
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	We don't have collective agreements		Y	Y
ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
G4-DMA	Generic Disclosures on Management Approach	6.4 Building the Best Safe and Healthy Work Environments	100	Y	Y
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	6.4 Building the Best Safe and Healthy Work Environments	100	Y	Y
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	6.4 Building the Best Safe and Healthy Work Environments: Disabling Injuries Statics	100	Y	Y

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G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	TSMC's critical health risk operations include noise, ion-radiation, lead, dimethylformamide, n-hexane, arsenic, manganese and its compounds, dust, chromic acid and its salts, nickel and its compounds, mercury and its inorganic compounds. Fab ISEPs report workers of related operations to accept specific annual health exam and categorized health management if necessary		Y	Y
		Regarding high risk groups, such as work-induced cerebral and cardiovascular diseases, ergonomic hazards, maternal health, are instituted hierarchy management measures in order to minimize or eliminate the risks			
G4-LA8	Health and safety topics covered in formal agreements with trade unions	We don't have health and safety topics covered in formal agreements with trade unions		Y	Y
ASPECT: TRAINING AND EDUCATION					
G4-DMA	Generic Disclosures on Management Approach	6.1.4 The Engine of Employee Growth	92	Y	Y
G4-LA9	Average hours of training per year per employee by gender, and by employee category	6.1.4 The Engine of Employee Growth	92	Y	Y
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	6.1.4 The Engine of Employee Growth The Company provides programs for upgrading employees skills and facilitating continued employability. There is no related transition assistant programs for career endings resulting from retirement or termination of employment	92	Y	Y
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	6.1.4 The Engine of Employee Growth	92	Y	Y
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	3. Corporate Governance 6.1.1 Stable and Healthy Workforce	23 88	N	Y
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN					
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	6.1.3 Competitive Compensation Program to Reward People for Long-term Contribution	91	N	N
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y

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G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	4.3 EICC Membership All suppliers are required to sign an agreement and agree to be bound by TSMC's Supplier Code of Conduct before they could do business with TSMC	48	Y	Y
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	4.3 EICC Membership TSMC follows through defined risk assessment, audit, and gap closure process	48	Y	Y
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS					
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	3.3.4 Reporting Channel	29	N	Y
SUB-CATEGORY: HUMAN RIGHTS					
ASPECT: INVESTMENT					
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We undergo a reputation screening (including reputation on human rights) when we choose our investment partners. In addition, we also will conduct due diligence on our investment partners to assess their regulatory compliance (including compliance of human rights)		N	Y
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	6.1.4 The Engine of Employee Growth	92	N	Y
ASPECT: NON-DISCRIMINATION					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	There was no discrimination incidents, the Company's related procedure for prevention and management listed as below: 6.1.2 Recruiting the Right People 6.3.2 Open Communication Channels, Unobstructed Employee Participation, Harmonious Labor Relations	89 99	N	Y
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	There were no operations identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights. The Company's related procedure for prevention and management listed as below: 6.3.2 Open Communication Channels, Unobstructed Employee Participation, Harmonious Labor Relations	99	Y	Y

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ASPECT: CHILD LABOR					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	There were no operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor. The Company's related procedure for prevention and management listed as below: 6.1.1 Stable and Healthy Workforce	88	Y	Y
ASPECT: FORCED OR COMPULSORY LABOR					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	There were no operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.The Company's related procedure for prevention and management listed as below: 6.1.1 Stable and Healthy Workforce	88	Y	Y
ASPECT: SECURITY PRACTICES					
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	This is not a material aspect, and is not disclosed in this report		N	N
ASPECT: INDIGENOUS RIGHTS					
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	This is not a material aspect, and is not disclosed in this report		N	N
ASPECT: ASSESSMENT					
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	This is not a material aspect, and is not disclosed in this report		N	N
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	4.3 EICC Membership All suppliers are required to sign an agreement and agree to be bound by TSMC's Supplier Code of Conduct before they could do business with TSMC	48	Y	Y
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	4.3 EICC Membership TSMC follows through defined risk assessment, audit, and gap closure process	48	Y	Y

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ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS					
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	3.3.4 Reporting Channel	29	N	Y
SUB-CATEGORY: SOCIETY					
ASPECT: LOCAL COMMUNITIES					
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Our operations are compliant with the Environmental Impact Assessment requirements of the Science Parks. There are no significant effects to local community and environment		N	N
G4-S02	Operations with significant actual and potential negative impacts on local communities	Our operations are compliant with the Environmental Impact Assessment requirements of the Science Parks. There are no significant effects to local community and environment		N	N
ASPECT: ANTI-CORRUPTION					
G4-DMA	Generic Disclosures on Management Approach	3.3 Regulatory Compliance	28	Y	Y
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<p>TSMC assesses anti-corruption risk based on function rather than geographical region. Our assessment approach includes the following:</p> <ol style="list-style-type: none"> 1. A task force, including the Legal, Internal Audit, and Procurement departments, is organized to engage an independent third party to perform an anonymous annual supplier survey in the third quarter each year to assess the ethical climate corporation-wide 2. Internal Audit interviews top management in the fourth quarter each year to collect/ assess potential risks, including anti-corruption risks 3. All divisions perform a Control Self Assessment (CSA) annually to assess risks and the effectiveness of controls, including awareness of and compliance with the business code of conduct 4. The TSMC external and internal websites provide links to an ombudsman system to investigate reported cases related to irregularities or corruption <p>Based on 2015's supplier survey, interviews with top management, CSA Reports received from each division and a review of the complaints received through the ombudsman system and the results of investigations conducted accordingly, the corruption risk is appropriately controlled and no significant corruption risk was identified</p> <p>3.3 Regulatory Compliance</p> <p>3.3.5 Major Accomplishments: Anti-Corruption Program Enhancement</p>	28 29	Y	Y

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G4-S04	Communication and training on anti-corruption policies and procedures	3.3 Regulatory Compliance	28	Y	Y
G4-S05	Confirmed incidents of corruption and actions taken	3.3 Regulatory Compliance The Company had no incidents of corruption reported which were treated as plausible in 2015	28	Y	Y
ASPECT: PUBLIC POLICY					
G4-S06	Total value of political contributions by country and recipient/beneficiary	3.3.6 Others: Political Contributions	30	N	Y
ASPECT: ANTI-COMPETITIVE BEHAVIOR					
G4-S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	The Company had no legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation		N	Y
ASPECT: COMPLIANCE					
G4-DMA	Generic Disclosures on Management Approach	3.3 Regulatory Compliance	28	Y	Y
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	3.3.6 Others: Regulatory Compliance Result In 2015, the Company complied with the Taiwan Securities Trading Act, Company Law and relevant labor and environmental laws and regulations. TSMC is disputing a minor NT\$40,000 fine issued by the labor authority for the alleged underpayment of employees' overtime because of an inconsistency between the claimed overtime and actual hours worked by the employee in question. TSMC believes there is no basis for the fine and has appealed to the competent authority	30	Y	Y
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-DMA	Generic Disclosures on Management Approach	4.2.2 Supplier Management	43	Y	Y
G4-S09	Percentage of new suppliers that were screened using criteria for impacts on society	4.3 EICC Membership All suppliers are required to sign an agreement and agree to be bound by TSMC's Supplier Code of Conduct before they could do business with TSMC	48	Y	Y
G4-S010	Significant actual and potential negative impacts on society in the supply chain and actions taken	4.3 EICC Membership TSMC follows through defined risk assessment, audit, and gap closure process	48	Y	Y
ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY					
G4-S011	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	3.3.4 Reporting Channel	29	N	Y

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Index	Description	Report Contents or Explanation	Page	Material Aspect? [Y/N]	3rd Party Verification? [Y/N]
SUB-CATEGORY: PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY					
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	TSMC is not an end-product manufacturer. This is not a material aspect, and is not disclosed in this report		N	N
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	The Company had no incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		N	Y
ASPECT: PRODUCT AND SERVICE LABELING					
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	TSMC provides customers product composition information upon requests		N	N
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	The Company had no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		N	Y
G4-PR5	Results of surveys measuring customer satisfaction	4.2.1 Customer Service and Satisfaction	42	N	Y
ASPECT: MARKETING COMMUNICATIONS					
G4-PR6	Sale of banned or disputed products	We don't have any sale of banned or disputed products in 2015.		N	Y
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	We don't have any incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes in 2015.		N	Y
ASPECT: CUSTOMER PRIVACY					
G4-DMA	Generic Disclosures on Management Approach	4.2.1 Customer Service and Satisfaction	42	Y	Y
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	We don't have any substantiated complaints regarding breaches of customer privacy and losses of customer in 2015.		Y	Y
ASPECT: COMPLIANCE					
G4-DMA	Generic Disclosures on Management Approach	3.3 Regulatory Compliance	28	Y	Y
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	We don't have any significant fines for non-compliance with laws and regulations concerning the provision and use of products and services in 2015.		Y	Y

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Category	10 Principles	Related CSR Report Section	Page(s)
Human Rights	Businesses should support and respect the protection of internationally proclaimed human rights;	4.3 EICC Membership 6. Social Dimension	48 86
	Make sure that they are not complicit in human rights abuses	3.2 Code of Ethics and Business Conduct 4.3 EICC Membership	26 48
Labor	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	6.3.2 Open Communication Channels, Unobstructed Employee Participation, Harmonious Labor Relations	99
	The elimination of all forms of forced and compulsory labor;	6.3.2 Open Communication Channels, Unobstructed Employee Participation, Harmonious Labor Relations	99
	The effective abolition of child labor; and	6.1.1 Stable and Healthy Workforce	88
	The elimination of discrimination in respect of employment and occupation.	3.3 Regulatory Compliance	28
Environment	Businesses should support a precautionary approach to environmental challenges;	5. Environmental Dimension	55
	Undertake initiatives to promote greater environmental responsibility; and	5. Environmental Dimension	55
	Encourage the development and diffusion of environmentally friendly technologies	5.1.5 Green Products	74
Anti-Corruption	Businesses should work against corruption in all its forms, including extortion and bribery	3.2 Code of Ethics and Business Conduct	26



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