

Material Issue

Talent Development



Strategies

TSMC 2020/2025 Goals

Achievements & Targets

Enable Self-directed Learning

Providing diverse learning resources, encouraging employees' self-directed learning, and applying their learning results to the workplace to enhance working effectiveness

- Over 60% of organizational learning or development programs are embedded the self-directed leaning mechanism 2020
- Support the training and development for employees of the new plant to achieve the missions of plant set-up, machine installation, or mass production 2020
- Increase the percentage of open positions filled by internal candidates via JOS or promotion to 65% 2020



5~10%
CAGR in Revenue Per Headcount

Target: Based on organizational needs, implement organizational and talent development projects to enhance working effectiveness



92%
Completion rate of pre-training for Taiwan assignees

Target: Continuously support employees in Nanjing site to accomplish the missions



63.4%
Percentage of open positions filled by internal candidates

Target: 63%



10~15%
CAGR in Profit Per Headcount

Target: Based on organizational needs, implement organizational and talent development projects to enhance working effectiveness



100%
Completion rate of orientation for Nanjing newly recruited employees

Target: Continuously support employees in Nanjing site to accomplish the missions



Increase the percentage of self-directed leaning mechanism to 50% in organizational learning or development programs



100% support the training for employees of the new sites to achieve the missions of plant set-up, machine installation, or mass production



Increase the percentage of open positions filled by internal candidates via JOS or promotion to 64%



640,000 hours

In 2017, TSMC provided nearly 640,000 hours of training and a total of nearly 550,000 attendees participated. We spent over NT\$64 million on the learning and development for employees

Enable Self-directed Learning

In view of the rapid advancement in technology, TSMC encourages employees to follow the Company's growth, organizational needs and individual performance requirement, go into multiple learning activities of unlimited time, places, and forms, and transfer the outcomes to the workplace to enhance their effectiveness. At the same time, we gather more energy for the Company to grow and uplift the society. This is TSMC's long-term goal for talent development.

In 2017, the compound annual growth rate (CAGR) in revenue per employee reached 5-10%. The CAGR in profit per employee was as high as 10-15%. It shows that the Company's investments in organization development and

people development resulted in substantial benefits. In the future, in addition to encouraging employees to actively implement self-directed learning, the self-directed learning mechanism will be incorporated into the learning and development programs in response to organizational needs and performance requirements.

Learning and Development

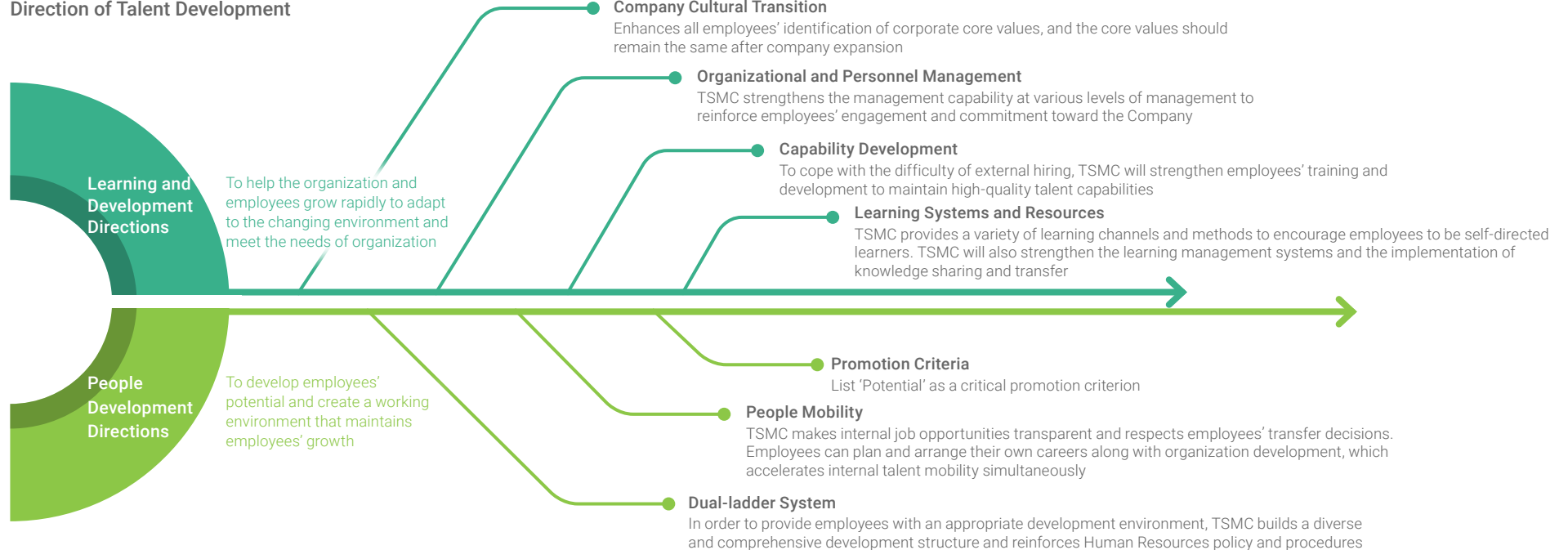
Employee's learning and development is an integral and critical factor for the growth of a company, and it should be 'goal-oriented, planned and disciplined'. TSMC is committed to cultivating a continuous and diverse learning environment, and established 'TSMC Employee Training and Education Procedure' to ensure that the Company's and individuals'

development objectives can be achieved through the integration of internal and external training resources.

TSMC provides individual development plans (IDPs) which are tailored to individual job requirements, performance assessment results^{Note}, and career development needs. Based on this, the Company plans and organizes the annual training plan. In 2017, TSMC provided nearly 640,000 hours of training and a total of nearly 550,000 attendees participated. On average, each employee attended over 13.1 hours (coaching during the work and employees' self-directed learning were excluded) of training and TSMC spent over NT\$64 million on the learning and development for employees.

Note: The performance appraisal was conducted in the middle of the year and at the end of the year, and the assessment rate was 100% in 2017

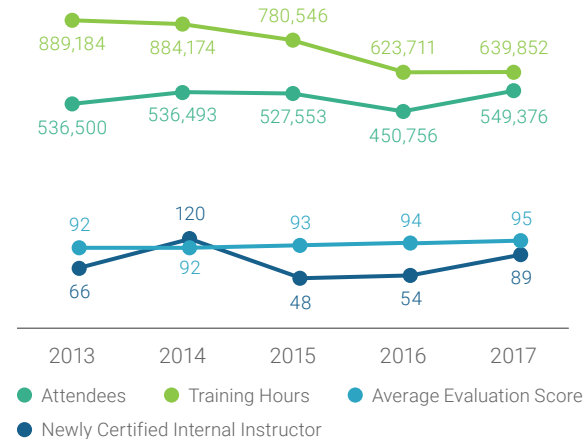
Direction of Talent Development



To ensure the quality of the courses, we measure the training effectiveness through questionnaires and pre- and post-assessment mechanisms to continuously improve the quality. As the quality of the course improved year by year, the average score of trainees' evaluation (course content, instructor, administration and effectiveness) increased to 95 points in 2017.

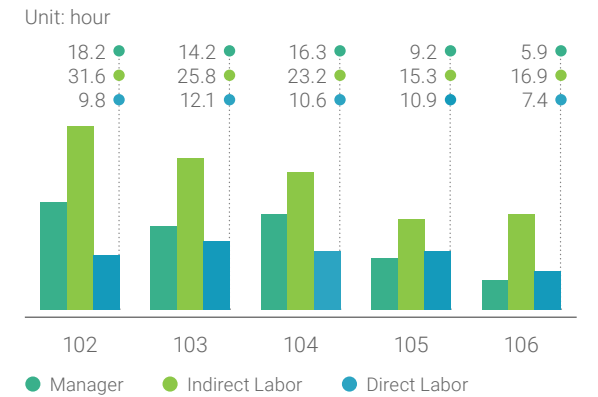
In addition to the training or learning and development activities implemented in accordance with the annual training plan, TSMC also plans annual learning and development key projects in response to organizational training or development needs. The top three key learning and development focuses in 2017 were as follows: people management capability enhancement for first-line managers, organization and talent development programs, and new site training.

2013-2017 Training Index



Note: The data scope of attendees, training hours, and the newly certified internal instructors came from Taiwan, China, Japan, Korea, Europe and North America. Due to the difference of training systems, the average evaluation score does not include North America

Average Training Hours of Manager, Indirect Labor and Direct Labor



2017 Key Focuses of Learning and Development

Icon	Focus	Ratio of attendees over full-time employees	Achievements
	People Management Capability Enhancement for First-line Managers Streamline the people management capabilities required for first-line managers to perform their management responsibilities	11.0%	<ul style="list-style-type: none"> Enhance the personnel sensitivity of first-line managers in Operations, so as to reduce the risk of people and issue management. There was 89% completion and the ROI of the training reached 96 points
	Organization and Talent Development Timely resolve organizational issues and enhance employees' working effectiveness	2.9%	<ul style="list-style-type: none"> Completed a total of 32 programs which provided substantial benefits to organizations and employees in meeting performance, decision making, communication, and project management, and so forth Organizational development programs received positive feedbacks from the users. For example, vice president of Quality and Reliability said that he clearly felt in various meetings that his staff made great strides in communication skills that showed in 'Stating clearly with full picture and attractive content' after the implementation of the 'Storytelling Capability Enhancement Project'. The increased management capabilities also reduced the time to handle customer issues by 10%
	New Site Training Implement training for employees located in Nanjing to enable the organization and personnel to complete tasks in the new sites	1.6%	<ul style="list-style-type: none"> Carried out the pre-training for Taiwan assignees, the orientation and the core value in-depth training for Nanjing newly recruited employees to accelerate their adaptation to the new jobs The complete training of personnel enabled employees in Nanjing site to get ready in time and started to install machines in September of 2017 The timeline of mass production in Nanjing will be ahead of schedule by more than one quarter

The Nanjing Site Transplanted Taiwan's Experiences

The Progress of Mass Production will be Substantially Ahead of Schedule by More Than One Quarter

The first batch of employees hired by TSMC (Nanjing) completed the off-site training in Taiwan and declared to complete the missions before returning to Nanjing.

In order to facilitate the smooth construction of the Nanjing site, and put the personnel in place in the shortest time, Human Resources transplanted the training experiences from headquarters to support employees in Nanjing to quickly upgrade their capabilities to achieve the missions of the Nanjing site. The training includes: pre-training for Taiwan assignees, new comer orientation for Nanjing newly recruited employees, and Core Value in-depth training for the first batch of employees hired in Nanjing.

The solid training enabled employees in the Nanjing site got ready in time and stated to install machines in September of 2017. Additionally, learning management system and e-Learning platform were built up as plan to enable self-directed learning.

Training Program for Nanjing Employees



Pre-training for Taiwan Assignees

Taiwan assignees to Nanjing

- Strengthen assignees' awareness of TSMC Code of Conduct and Proprietary Information Protection
- Accelerate assignees' adaptation to the environment



Training Effectiveness

Completion rate: 92%
ROI: 91 points



New Comer Orientation

Nanjing newly recruited employees

- Accelerate new hires' adaptation to the environment and assist them in acquiring the needed skills

Completion rate: 100%
ROI: 98 points



Core Value In-depth Training

First batch of employees hired by Nanjing site

- Help employees apply TSMC Core Values in their daily work

Completion rate: 100%
ROI: 96 points



Tasks of 2018

People Management Capability Enhancement for First-line Manager

Enhance organizational and people effectiveness with Organizational and Talent Development Project

Execute training for employees located at Fab 18 in Tainan

People Development

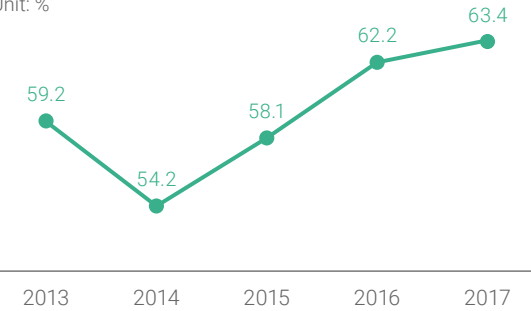
In order to retain internal talents, TSMC provides a diverse and comprehensive people development structure for employees, and strengthens the 'Dual Ladder System' so that employees can get appropriate development based on their attributes and expertise in managerial, technical or professional fields. Moreover, under the principals of making internal job opportunities transparent and respecting employees' transfer decisions, the Company encourages employees to plan and arrange their own career path along with organization development.

For the promotion system, TSMC believes that the most important factor to consider is potential. Therefore, 'Potential' of an employee is set as an important item when conducting promotion assessment.

In 2017, the percentage of open positions filled by internal candidates reached 63.4%, an increase of 1.2 percentage points over the previous year. In the future, the Company will continue to strengthen the dual-ladder development system and implement internal transfer management so that by the year of 2018, the percentage of open positions filled by internal candidates will be increased to 64%.

2013-2017 Percentage of Open Positions Filled by Internal Candidates

Unit: %



2017 Key Focus of People Development



Dual-ladder System

Build a diverse and comprehensive people development structure and reinforce Human Resources policy and procedures to provide employees an appropriate development environment



People Mobility

Respect employees' transfer decisions, and encourage employees to take initiative to plan and arrange their own career path, which accelerates internal talent mobility simultaneously



Promotion Criteria - Potential

Emphasize the importance of employee's potential in the promotion system to enhance the quality of promotion decision-making



Achievements

- Clearly define the difference of managerial/technical/professional manager, and apply the definition to performance appraisal and development process
- Provide differentiated training programs for managerial/technical/professional managers
- Regularly promote technical staff to academicians/ commissioners of TSMC Academy to encourage the career development of technical staff
- Make internal job opportunities transparent and define the principle of transfer in related procedures. Through clear internal communication to managers, help them understand the regulations and put the regulations into effect
- Define the meaning of 'potential', identify the assessment approach, and set it as a promotion criterion
- Establish a guidebook for promotion process and assist managers to evaluate employees' potential for promotions