3. Stakeholder Engagement

TSMC pursues sustainable operations and establishes multiple transparent and effective communication channels with stakeholders. These channels help TSMC understand their needs and expectations, which serve as important references for our CSR policy and plans. In 2011, TSMC formed a CSR committee led by Volunteer Program President Ms. Sophie Chang and Senior Vice President Lora Ho. TSMC’s CSR committee include representatives from Customer Service, Human Resources, Investor Relations, Legal, Material and Supply Chain Management, Operations, Public Relations, Quality and Reliability, R&D, Risk Management, Corporate ESH, and the independent TSMC Education & Culture Foundation. These representatives participate in our CSR quarterly meeting and compile stakeholders’ concerns through various channels, communicate with them, and ensure implementation of appropriate initiatives and programs responsive to those interests and concerns.

In 2012, we included CSR in the Board meeting agenda at the first time. Our annual CSR achievements and projects will be reported in the Board meeting periodically so as to be an importance reference for decision making.

Stakeholder Management Objectives
TSMC applies a “Plan-Do-Check-Act” model to 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, customers, suppliers, shareholders and investors, non-profit and non-governmental organizations, communities, governments, external survey organizations, and media.

- Stakeholder and Its Concerned Topics Analysis: 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. We then prioritize concerns according to their impact on the company. Stakeholders’ concerns are divided into significant, secondary and general topics to be included in key annual projects.

- **Stakeholder Related Projects:** TSMC’s CSR-related units incorporate the results of the analyses described above into their daily work, annual plans, or cross-functional projects as a key reference for the company’s sustainable development strategy.

- **Stakeholder Engagement and Measurement:** TSMC and its stakeholders have differing levels of interactions according to priority so as to use company’s resource efficiently and to create win-win relationships. In the interaction process with TSMC’s stakeholders, we have set up various key performance indexes (KPI) for continuous improvement through periodical review.

TSMC also contacts stakeholders actively to understand their expectations and to help them understand our efforts and performance. In addition to the multiple communication channels mentioned above, all persons or organizations can contact responsible people through the TSMC website http://www.tsmc.com/english/contact_us.htm, or submit questions or recommendations to our CSR taskforce through our CSR mailbox (csr@tsmc.com).

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.

### Key Performance Indexes for Stakeholder Engagement

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>KPI</th>
<th>Reviewing Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>- Occupational Injury and Illness Statistics</td>
<td>Monthly</td>
</tr>
<tr>
<td></td>
<td>- Disabling Injury Frequency Rate</td>
<td></td>
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<tr>
<td></td>
<td>- Disabling Injury Severity Rate</td>
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<td></td>
<td>- Dining satisfaction</td>
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<tr>
<td></td>
<td>- Employee training satisfaction</td>
<td></td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>- Customer satisfaction</td>
<td>Annually</td>
</tr>
<tr>
<td></td>
<td>- TSMC environmental performance (Water usage, power usage, waste quantity, greenhouse gas emissions)</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td>Scoring for supplier quality, delivery and sustainability through audit, questionnaire or periodical meetings</td>
<td>Quarterly</td>
</tr>
<tr>
<td><strong>Shareholders &amp; Investors</strong></td>
<td>- TSMC stock price</td>
<td>Daily, Quarterly</td>
</tr>
<tr>
<td></td>
<td>- TSMC revenue and profit</td>
<td></td>
</tr>
<tr>
<td><strong>External Survey Organizations</strong></td>
<td>TSMC awards, TSMC sustainability score as rated by external survey organizations (includes economic, social and environmental performance)</td>
<td>Annually</td>
</tr>
</tbody>
</table>

### Stakeholder Materiality Analysis

1. Eco Preservation
2. Dividend Policy
3. Social Welfare
4. Human Right
5. Trade Secret Protection
6. Employee Communication
7. Customer Partnership
8. Manager Leadership
9. People Retention
10. Work Flow
11. Indirect Environmental Impact
12. Environmental Accounting
13. Employee Recognition
14. Recruiting
15. Response to Organization Change
16. Individual Development
17. Waste Management
18. Supply Chain Management
19. Green Product
20. Energy/Resource Usage
21. Pollution Prevention
22. Company’s Competitiveness
23. Future Growth
24. Safety & Health
25. Employee-employer Relationship
26. Greenhouse Gas Reduction
27. Continuous Increase of Profit
29. Semiconductor Prospect
30. Corporate Governance
31. Legal Compliance
## Summary for TSMC Stakeholders Engagement in 2012

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Communication Channels</th>
<th>Topics of Concern</th>
<th>TSMC Activities and Focus Points in 2012</th>
</tr>
</thead>
</table>
| Employees   | • Announcements        | • Corporate governance | • Succeeded in creating diverse job opportunities for disabled people. By the end of 2012, TSMC had hired 319 disabled persons, a 74% increase compared with 2011.  
• Human resource representatives | • Legal compliance | • Women's care projects to provide a worry-free working environment: In 2012, we rolled out our Women's Care Campaign aimed at pregnant employees. by consolidating internal resources, we have organized a variety of programs and activities, including support groups, healthy meal selections, an online shopping platform, resource kit, and more. We also reinforced communication and education of managers and improved the physical environment to create a more comfortable work environment.  
• Regular/Ad-hoc communication meetings | • Labor relations | | • Completed annual customer satisfaction survey  
• Employee suggestion channels, such as immediate response system/HR employee suggestion box/wellness center/wellness website | • Salary and benefits | • Completed 15 supplier surveys for “conflict minerals”. All suppliers declared they did not source from conflict areas.  
• Corporate website/email | • Occupational health and safety | |  |
| Customers   | • Annual customer satisfaction survey | • Green product | |  
• Customer quarterly business review meeting | • Conflict mineral survey | |  
• Customer audits | • Proprietary information protection | |  |
| Suppliers   | • Supplier quarterly business review meeting | • Supply chain management | • TSMC held the 2012 TSMC Supply Chain Sustainable Development and Risk Management Forum, inviting waste treatment and recycling contractors for first time to show our concern for the sustainable development of our waste management-related suppliers.  
• Supplier questionnaire survey | • Environmental Safety & Health (ESH) management | • Completed 56 supplier sustainability surveys or audits. All were compliant with our sustainability requirements.  
• Supplier on-site audit | • Legal compliance | |  
• Annual supply chain management forum | | |  |
| Shareholders & Investors | • Annual Shareholder Meeting | • Semiconductor industry outlook | • Combined quarterly investor conference with telephone conference call beginning Jul. 2012, achieving the goal of providing consistent and up-to-date information.  
• Participation in conferences held by foreign investment companies, and face-to-face meetings | • TSMC’s competitive advantage | • Emphasized the growth momentum and competitive advantage brought by rapid expansion of 28nm capacity.  
• Responding to analysts’ questions through phone calls and email | • Growth potential | • Emphasized TSMC’s niche and growth potential under the mobile computing trend.  
• Publishing annual report, US SEC form 20-F, CSR report, disclosing important news through Taiwan Stock Exchange or company website | • Continued improvement in profitability | • Explanation of capital requirements and dividend policy needed for future growth momentum.  
• Completed annual customer satisfaction survey | • Dividend policy | |  
• Communication meetings or public hearings on regulations | • Water resource management | • After an enthusiastic response in 2011, TSMC collaborated once again with the National Taiwan University College of Public Health to host the second Forum on Workers’ Health, inviting more than 300 representatives from government, industry, and academia to join.  
• 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 | • Green product | |  
• Face-to-face meetings | • Energy and water saving | |  |
| Community /Non-profit/ Governmental Organizations | • Promotion of Science Education project in TSMC Education & Culture Foundation (ECF) | • Science talent cultivation | • Held 9 volunteer training sessions  
• Promotion of Appreciation for Arts project in TSMC ECF | • Art and culture promotion | • Held a one-day holiday volunteer activity  
• TSMC Hsin-Chu Art Festival | • Domestic and community art and culture development | |  
• Volunteer activities | • Volunteer services | |  
• Corporate website/email | • Global climate change | |  
• Government-sponsored conferences | • Ecological preservation | |  |
| External Survey Organizations | • Questionnaire surveys | • Global climate change | • Recognized by the Dow Jones Sustainability Indexes (DJSI) as the semiconductor sector leader for the second year since 2010, and named to the DJSI World and DJSI Asia Pacific indexes for a twelfth consecutive year.  
• Corporate website and email | • Water resource management | |  
• Awards and competitions | • Ecological preservation | |  
| Media | • Press conferences | • Economic status and operational growth | • Collaborated with Commonwealth Publishing Group to publish two books to share our green building experiences.  
• Interviews | • New fab planning and expansion | |  
• Press releases | • Employee recruitment | |  |