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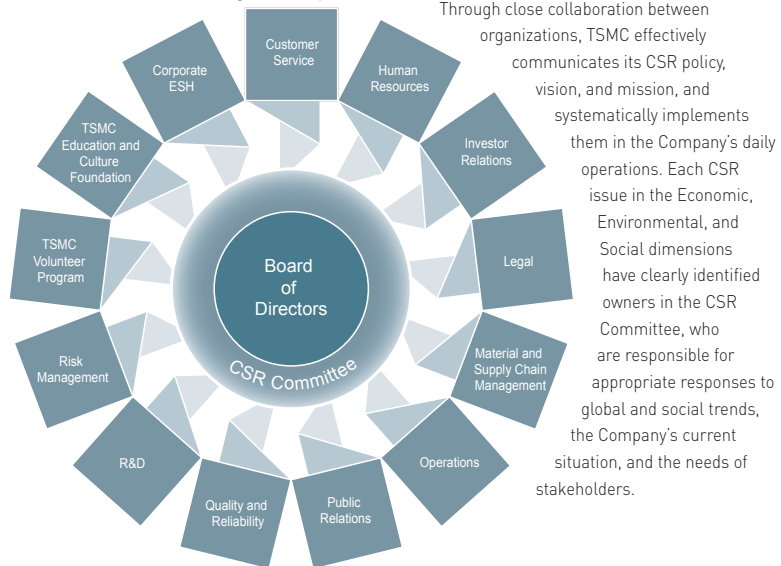
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TSMC emphasizes the rights of its stakeholders, and integrates the efforts, new developments, and future directions of the Company's corporate social responsibilities through the CSR Committee led by the CFO. The CSR Committee is comprised of committee 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 Employees 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 Customers Society Suppliers Investors
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

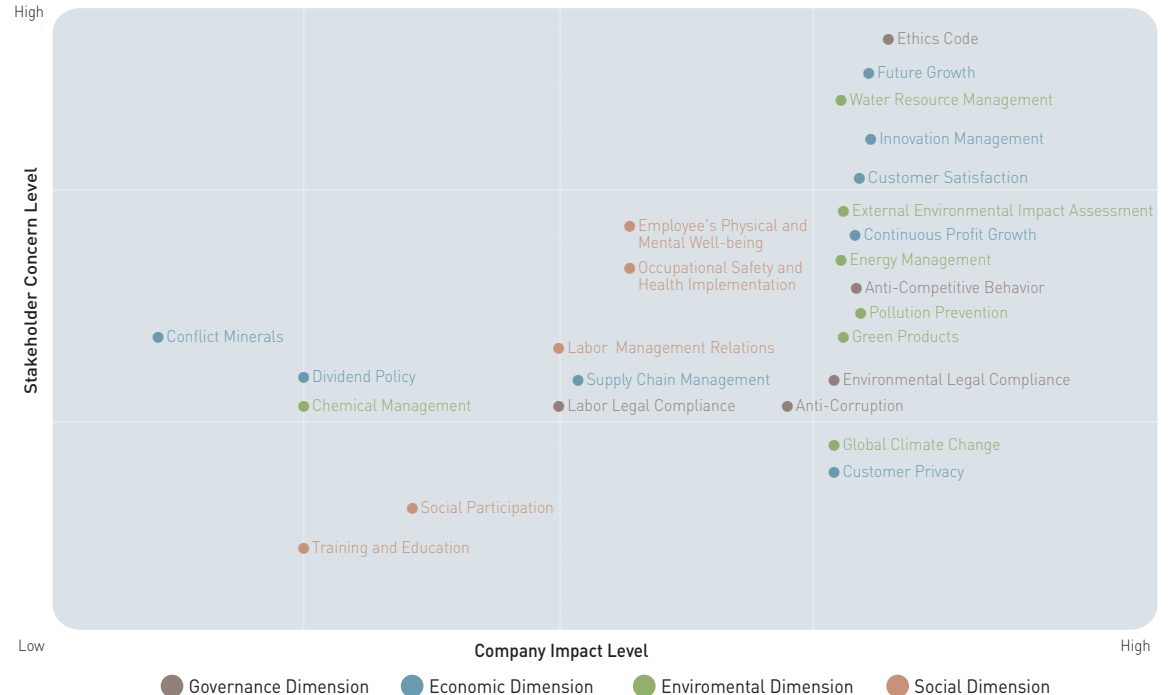




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Three Major Focuses for Sustainable Development

“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	Boundary/G4 Aspect	Within the organization				Outside of the organization		
		TSMC	Subsidiaries			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
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			Customer	Supplier	Community
			TSMC China	WaferTech	Other Subsidiaries			
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 Cherng 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.