

TAIWAN SEMICONDUCTOR MANUFACTURING CO. LTD.

TICKER:
NYSE: TSM

MARKET CAPITALIZATION:
US\$ 118 billion

HEADQUARTERS:
Taiwan

8 OUT OF 20

Company’s Overall Ranking

52 OUT OF 100

Company’s Overall Score

Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) provides average disclosure of its approach to mitigating forced labor risks in its supply chain, ranking eighth on the benchmark. TSMC exhibits strong supply chain forced labor management systems and has risk assessment and purchasing practices that are aimed at addressing human trafficking and forced labor risks in its supply chain. The company also discloses a robust corrective action plan process to remedy suppliers’ violations of its supply chain standards. To reduce its exposure to the risk of forced labor and human trafficking in its supply chain, TSMC is encouraged to integrate its supply chain standards in contracts with its suppliers, strengthen its approach to recruitment practices in its supply chain, and engage suppliers’ workers on issues related to forced labor and their labor rights more broadly.

THEME LEVEL SCORE

Commitment and Governance	80 out of 100
Traceability and Risk Assessment	75 out of 100
Purchasing Practices	50 out of 100
Recruitment	17 out of 100
Worker Voice	13 out of 100
Monitoring	78 out of 100
Remedy	50 out of 100

LEADING PRACTICES

None.

NOTABLE FINDINGS

Commitment and Governance: TSMC’s Supplier Code of Conduct is based on the Electronic Industry Citizenship Coalition (EICC) Code of Conduct and the UN Guiding Principles on Business and Human Rights. Its in-house EICC task force, which is comprised of representatives from its supply chain, operations, human resources, environment, safety and health, public relations, investor relations, customer service and legal divisions, is responsible for enforcing the Code in its supply



chain. The EICC task force reports to two Senior Vice Presidents who respectively lead the Supply Chain Division and CSR Committee.

Traceability and Risk Assessment: The company uses the EICC Self-Assessment Questionnaire to detect any forced labor risks in its supply chain. It also considers geographic and product risks in the overall suppliers' risk assessment process. As a result, TSMC discloses that it has identified that its suppliers in China and Malaysia have higher risk for potential non-compliance with the company's forced labor requirements.

Purchasing Practices: Prior to entering into contracts with suppliers, TSMC's management committee reviews prospective suppliers' willingness to endorse its Supplier Code of Conduct. The supplier's application is denied if there is evidence that the supplier is engaging in unacceptable labor practices. Notably, the company recognizes that its fluctuating demand can result in negative labor practices in its supply chain. To prevent this, TSMC provides a six-month rolling forecast for items it regular purchases and one-year notice for new items, allowing suppliers to establish new capacity, if necessary.

OPPORTUNITIES FOR IMPROVEMENT

Integration into Supplier Contracts: To improve its performance, the company may consider integrating its Supplier Code of Conduct, which addresses forced labor, into its supplier contracts.

Recruitment: TSMC may consider disclosing a policy that requires recruitment agencies in its supply chain to uphold workers' rights. It may also request its suppliers to disclose to it the names of the recruiters that they use. Furthermore, the company is encouraged to conduct regular audits of recruitment agencies in its supply chain to detect any forced labor risks and disclose outcomes of those audits.

Worker Voice: TSMC is encouraged to communicate its forced labor policies directly to workers in its supply chain. To further strengthen its approach towards workers' empowerment in its supply chain, the company may consider engaging workers outside of the context of the factories in which they work. Additionally, the company may also consider disclosing evidence of the implementation of a trusted grievance mechanism that allows suppliers' workers to raise their concern without fear of retaliation.

COMPANY PROVIDED ADDITIONAL DISCLOSURE:

[Yes.](#)