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Ensuring Ethical Labor Practices in Taylor Guitars' Supply Chain

Summary

This report outlines Taylor Guitars' comprehensive approach to preventing forced labor within our supply chain. By outlining the company's policies, procedures, and initiatives, it demonstrates Taylor Guitars' commitment to upholding ethical standards and safeguarding human rights. Through diligent risk assessment, supplier engagement, 3rd party auditing and perpetual monitoring mechanisms, Taylor Guitars strives to mitigate the risk of forced labor and promote fair and responsible practices throughout its operations.

Introduction

Avoiding the use of forced labor is a cornerstone of ethical supply chain management, holding profound importance in modern business practices. It embodies a commitment to human rights and social responsibility. Fostering a culture of forced labor avoidance throughout Taylor Guitars' supply chain underscores our integrity and dedication to fair labor practices. It positions our company as a responsible global entity. Prioritizing forced labor avoidance not only safeguards workers' rights, but also strengthens the resilience and sustainability of our supply chain in an interconnected world.

Company Overview

Taylor Guitars is a renowned American guitar manufacturer recognized for its commitment to innovation, quality craftsmanship, and sustainable practices. Established in California in 1974 by Bob Taylor and Kurt Listug, Taylor has built a strong reputation as a leader in the musical instrument industry. Beyond its commitment to craftsmanship, Taylor Guitars is also deeply committed to sustainability, sourcing tonewoods responsibly and implementing eco-friendly practices throughout its manufacturing processes. *The Ebony Project* in Cameroon, Koa projects in Hawaii and Taylor's reuse of urban street trees in California are all prime examples of the resources and dedication the business contributes towards social and economic sustainability. In January of 2021, Taylor Guitars officially announced that it had transitioned into a 100% ESOP, granting full ownership of the business to its employees.



Supply Chain

Taylor's supply chain encompasses a large network of suppliers, manufacturers, distributors, and retailers spanning the globe. From sourcing raw materials such as wood, metal components, and electronics to assembling and crafting the instruments, the supply chain involves multiple stages of production and transportation. Taylor Guitars has two locations for manufacturing; a factory in El Cajon, California, and a factory in Tecate, Mexico, and has an office and warehouse in Amsterdam which distributes its products into Europe.

The sourcing which requires the most due diligence at Taylor is related to tonewoods. Many woods used to build guitars require tonal properties which cannot be found in the more abundant timbers used for general construction of products. For this reason, Taylor is tasked with sourcing much of its wood from foreign countries such as India, Cameroon, Belize, Spain, Fiji as well as Canada. Procuring from many of these countries necessitates thorough due diligence, and our business is committed to sourcing only from suppliers that meet our stringent vetting standards and policies. For example, in Cameroon, Taylor Guitars identified social and environmental risks associated with sourcing our ebony timbers. To address these concerns, we took the additional step of purchasing and operating the mill ourselves, ensuring better pay and resources for workers, fair labor practices and ethical business operations.

Other sourcing origins that Taylor Guitars uses for our guitar hardware, electronics, cases, and general manufacturing materials include Korea, Vietnam, Japan, and China. Taylor Guitars distributes its products globally, ensuring that musicians around the world have access to our high-quality instruments. To facilitate efficient and timely delivery across Europe and other regions, the company also utilizes a distribution facility and Taylor employed offices in Amsterdam, distribution through a 3PL in Japan, as well as hold a non-resident importer status in Canada.

Policy and Programs

California Transparency in Supply Chains Act:

<https://woodandsteel.taylorguitars.com/ca-transparency-in-supply-chains-act/>

As part of the Company's commitment to supply chain transparency, and in compliance with the California Transparency in Supply Chains Act, we make available our efforts to prevent and address human trafficking in our supply chain. The California Transparency in Supply Chains Act, enacted in 2009, requires major California companies to disclose such steps. As part of Taylor Guitars total effort to provide transparency in supply chain and maintain a transparent chain of custody, the Company conducts the following:



It is our practice to engage in verification of our direct materials supply chain for our key products to evaluate risks of human trafficking and slavery in countries we have identified as high risk. We reserve the right to and occasionally utilize third parties and supplier compliance statements for verification purposes. Taylor Guitars will conduct on-site visits to verify compliance as risk assessments and business needs are determined.

It is our practice to require direct suppliers to comply with the laws of the country or countries in which they are doing business. We use internal methods that may include site visits, business references, or supplier documentation to determine supplier risk in relation to illegal activities, including human trafficking and slavery. At our discretion, Taylor Guitars conducts on site visits to materials suppliers worldwide, with or without notice. Taylor Guitars would terminate a vendor found to violate slavery and trafficking laws. Employees and contractors would be reprimanded, up to and including termination, if found to violate Company standards.

Taylor Guitars staff that carry out the verification actions regularly discuss mitigating risks and best practices in due diligence covering illegal activities.

Tier 3 Customs Trade Partnership Against Terrorism (CTPAT)

Customs-Trade Partnership Against Terrorism (CTPAT) is a voluntary program led by U.S. Customs and Border Protection (CBP) aimed at strengthening international supply chains and improving border security. Launched in November 2001, CTPAT partners with businesses to protect the global supply chain from terrorism and other threats. Companies that join the program agree to implement specific security measures within their supply chains, undergo periodic validation by CBP, and maintain stringent security practices. In return, CTPAT members benefit from reduced border delays, a lower risk score, and a more cooperative relationship with CBP. This collaboration enhances the overall security of cargo entering the United States while facilitating smoother and more efficient trade operations.

As a member of the Customs Trade Partnership Against Terrorism (CTPAT) with Tier 3 status, Taylor Guitars demonstrates the highest commitment to supply chain security and social compliance. This elite status reflects our rigorous adherence to the most stringent security standards, ensuring the integrity and safety of our global supply chain. Achieving Tier 3 status involves comprehensive audits, continuous monitoring, and close collaboration with customs authorities, highlighting our dedication to preventing terrorism, forced and child labor, and ensuring the safe, efficient movement of our products across international borders.



Projects:

Ebony in Cameroon - <https://sustainability.taylorguitars.com/projects/ebony-in-cameroon-2/>

Transforming an Ebony Mill: The Crelicam Story

Ebony has long been a highly favored wood for makers of stringed musical instruments like guitars and violins. Its high density enables it to be finish-sanded to a smooth and durable surface, which is comfortable on the fingers, making it ideal for fingerboards. For guitars, its density also enables the solid, predictable seating of frets. At Taylor, we also use it for guitar components like bridges, headstock overlays, bridge pins and appointments like binding.

Purchasing a Mill

In 2011, Taylor agreed to purchase the Crelicam ebony mill in Yaoundé, Cameroon, in partnership with Spanish tonewood supplier Madinter. (Crelicam's previous owner had decided to retire.) One of the primary reasons we did this was to assume direct responsibility for our ebony supply chain. For a wood that was integral to most Taylor models, this vertical integration would help us ensure that the sourcing practices were legal, ethical, and more transparent.

Other Projects at Taylor can be found here:
<https://sustainability.taylorguitars.com/projects/>

Audits and Monitoring

At Taylor Guitars, we conduct annual internal audits of our supply chain to ensure compliance with our rigorous ethical standards. This process includes distributing a detailed supplier questionnaire annually to all our suppliers, performing comprehensive risk assessments, and conducting on-site visits to verify adherence to our policies. Additionally, being a validated tier 3 CTPAT member requires that our supply chain practices are audited in tremendous detail by U.S. Customs, annually, including a 6–8-hour, on-site validation every 4 years. Each purchase order we issue also contains strict contractual language prohibiting the use of forced or child labor, reflecting our dedication to fair and humane labor practices throughout our supply chain.



Purchase Order

By accepting this order, seller acknowledges that they have read, understood and accepted Taylor Guitars Terms and Conditions set forth at: [Taylor Guitars Supplier Terms and Conditions](#). This Purchase Order is governed by Taylor Guitars Terms and Conditions.

The United States prohibits the importation of merchandise mined, produced or manufactured, wholly or in part, in any foreign country by forced, indentured or child labor. Acceptance of this purchase order confirms you are in compliance.

Risk Assessment

Conducting an annual supply chain risk assessment involves a deep analysis of Taylor’s main suppliers. This analysis covers a wide range of supplier activities and measures such as; physical security and infrastructure, hiring and termination practices, forced labor and child labor mitigation efforts, and even cyber security and password practices. A matrix which reviews the mapping of the each cargo lane, a threat assessment, a vulnerability assessment, and any written actions needed for the supplier are recorded and submitted into US Customs for approval each year.

Below is list of suppliers and a threat assessment conducted for their various countries in February of 2024

Partner or Supplier	Country of Origin	Threat	Risk Rating	Source of information/Threat:
Crelcam	Cameroon	Human Trafficking, Terrorism, Socio_Economic Risks, Political Instability, Organized Crime, Corruption	3	https://www.verite.org/africa/explore-by-country/cameroon/
Fresh Air	Japan	Fraud, Theft, Drug Trafficking, Natural Disasters, Cyber Crimes	1	https://www.coface.com/Economic-Studies-and-Country-Risks/Japan https://www.knowyourcountry.com/japan1111 https://www.gov.uk/foreign-travel-advice/japan/natural-disasters https://www.iapantimes.co.jp/news/2020/10/23/business/corporate-business/japan-shionogi-cyberattack-data-breach/
Gemwood	India	Smuggling & Terrorism	3	https://www.knowyourcountry.com/india1111 ; https://mundo.sputniknews.com/asia/201806261079885470-complot-para-asesinar-a-primer-ministro-de-la-india/
Gentro Electronics Co	S. Korea	Economic Crimes; Terrorism, Cyber activity; Pandemic	2	https://www.knowyourcountry.com/northkorea1111
GRAPH TECH GUITAR	Canada	Forced Labor, Money Laundering, Drug Trafficking	2	https://www.worldvision.ca/no-child-for-sale/resources/supply-chain-risk https://www.knowyourcountry.com/canada1111
Hanchang Co.	S. Korea	Economic Crimes; Terrorism, Cyber activity; Pandemic	2	https://www.knowyourcountry.com/southkorea1111



J&N PEARL SHELL PRODUCTS	China	Smuggling, Human Smuggling, Terrorism, US-China Trade War	2	https://www.knowyourcountry.com/china111
Leavy's Leathers	Canada	Criminal Markets	1	https://www.knowyourcountry.com/canada
Madinter Trade, S.L.	Spain	Terrorism, Natural Disasters, Civil Unrest, Drug	2	https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Spain.html ; https://www.gov.uk/foreign-travel-advice/spain
Nimbo Tonwel	China	Smuggling, Human Smuggling, Terrorism, US-China Trade War	2	https://www.knowyourcountry.com/china111
QINGDAO ARTECSOUND CO LTD.	China Korea	Pandemic, Smuggling, Human Smuggling, Terrorism, US-China Trade War	2	https://www.knowyourcountry.com/china111
Reliance Musical Limited	Vietnam	Corruption, Drug & Human Trafficking, E-crimes, Pandemic	2	https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Vietnam.html ; https://opentoexport.com/article/overseas-business-risk-vietnam/
Reliance International	Taiwan	Money Laundering, Politics, Agricultural Threats	2	https://www.lexology.com/library/detail.aspx?g=13106537-434b-480e-84b3-382a58f065ae https://www.cbp.gov/newsroom/local-media-release/cbp-intercepts-threats-us-agriculture? ga=2.208264466.1611833266.1616619929-1477506983.1616619929 https://www.coface.com/Economic-Studies-and-Country-Risks/Taiwan
Riverworks	Belize	Terrorism, Financial Crime, Criminal Markets	1	https://www.knowyourcountry.com/belize
Shenzhen Fzone Technology Co., Ltd.	China	Smuggling, Human Smuggling, Terrorism, US-China Trade War	2	https://www.knowyourcountry.com/china111
Tab's Investments Company	Fiji	Economic Crimes; Gang Violence; Pandemic	1	https://www.gov.uk/foreign-travel-advice/fiji/terrorism ; https://www.knowyourcountry.com/fiji1111
Taylor Musical Instruments de Mexico	Mexico	Human Rights, Organized Crime & Terrorism; Bribery & Corruption	3	https://www.knowyourcountry.com/mexico1111 http://www.mexico.doingbusinessguide.co.uk/the-guide/what-are-the-challenges/



Supplier Visits and Audits

Taylor Guitars actively audits their suppliers to ensure ethical practices, worker safety, and human rights compliance through on-site supplier visits. During these visits, we use a detailed supplier visit checklist to collect necessary information, ensuring thorough evaluations. These checklists, along with accompanying photographs, are submitted annually to U.S. Customs to meet tier 3 CTPAT requirements.

In addition to supplier visits, Taylor Guitars sends out a comprehensive supplier questionnaire to further ensure compliance with ethical standards, annually. This questionnaire inquires about physical safety and security protocols, hiring and termination practices, measures to avoid forced and child labor, and adherence to local laws. By gathering this detailed information, Taylor Guitars reinforces its ongoing commitment to ethical sourcing and responsible supply chain management.

Remediation

It is fortunate that Taylor Guitars has not found any of their suppliers in violation of forced or child labor laws, thus not having any need for remediation measures to date. Taylor Guitars maintains a strict zero-tolerance policy towards forced and child labor. We feel this underscores our commitment to ethical practices. If any such violations were discovered, Taylor is well positioned to discontinue business with any offending supplier, certifying the integrity of our supply chain as well as setting a standard and illustrating our expectations as an ethical leader in our industry.

Training

Taylor Guitars emphasizes the importance of ethical practices and supply chain security by providing annual training to their employees. This training covers supplier requirements, ethical standards, and security protocols, ensuring that all team members are well-informed and aligned with the company's stringent expectations. General trainings on supply chain security for all new hires occur the first week of employment and then repeat annually. In addition to in-house training, Taylor Guitars hires a 3rd party consultant to conduct annual on-site training with all roles that are most sensitive to supply chain security and ethics. All training logs are recorded as an expectation of U.S. Customs in relation to Taylor's tier 3 CTPAT status requirements.



Conclusion

Taylor Guitars takes robust measures to avoid forced labor in their supply chain, demonstrating an unwavering commitment to ethical standards. Through regular supplier visits, comprehensive questionnaires, annual risk and threat analysis, and zero-tolerance policies, we ensure compliance and stand ready to swiftly address any noncompliance of our policies. These rigorous practices reflect Taylor Guitars' deep commitment to upholding human rights and ethical integrity in every aspect of their operations.



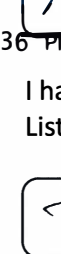

Approval and Attestation

In reference to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act).

Entity: Taylor-Listug, Inc.

Reporting Year:

In accordance with the requirements of the Act, and in particular section 11 thereof, the following undersigned individuals attest that they have reviewed the information contained in the report for the entity listed above. Based on their knowledge, and having exercised reasonable diligence, they attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name	Title	Date	Signature
Robert Taylor	Director	May 30, 2024 5/30/2024 2:12:53 PM PDT	I have the authority to bind Taylor-Listug, Inc. DocuSigned by: 
Kurt Listug	Director	May 30, 2024 5/30/2024 5:55:39 PM PDT	I have the authority to bind Taylor-Listug, Inc. DocuSigned by: 
Andrew Powers	Director	May 30, 2024 5/30/2024 12:18:36 PM PDT	I have the authority to bind Taylor-Listug, Inc. DocuSigned by: 
Patrick Urschel	Director	May 30, 2024 5/30/2024 12:10:21 PM PDT	I have the authority to bind Taylor-Listug, Inc. DocuSigned by: 
David Thomas	Director	May 30, 2024 5/30/2024 2:12:53 PM PDT	I have the authority to bind Taylor-Listug, Inc. DocuSigned by: 