



2011 CORPORATE RESPONSIBILITY REPORT

SANMAR®

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# A Message from Marty Lott



*“Social compliance isn’t just a business model, it should become a way of life.”*

Marty Lott,  
President - SanMar

This report is issued during our 40th anniversary year in business. I have many fond memories of the past 40 years and I am proud to have a strong company in place that encompasses four generations of family, continues to grow within the industry and truly values the customers we serve and talent we employ.

As part of our ongoing evolution as a business, I am very pleased to offer this report, our inaugural Corporate Responsibility Report. Our goal has always been to provide the highest level of customer service and to help our customers build their business. I believe that sharing this information regarding our operations is essential.

We have all faced economic challenges in the past year. Global pricing pressures and the US economic landscape have required us to all make critical and difficult decisions. Throughout this period, we remained committed to responsible business practices and are proud of the investments and improvements we have made towards achieving many of our goals.

This investment and our engagement with a number of customers and external experts helped us gain a deeper understanding of the issues, barriers and opportunities for improvements across our facilities and across our entire supply chain. Additional improvements are already underway and we look forward to sharing our progress in the years to come.

We hope you find this report useful. As always, we welcome your comments, input and ideas. These can be sent to [SanMarCSR@sanmar.com](mailto:SanMarCSR@sanmar.com).

Sincerely,

A handwritten signature in black ink that reads 'Marty Lott'.

Marty Lott, President



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# Executive Summary

Family owned and operated since 1971, SanMar believes in conducting business in a manner that is ethical, and environmentally and socially responsible. You can be confident that we are committed to promoting higher standards both within our business and within our industry.

Overall, we believe that there is increased awareness among employees and customers of the reputational and financial risks associated with Corporate Social Responsibility (CSR) and environmental sustainability practices. This report provides a snapshot of SanMar's CSR programs and efforts to date.

The aim of documenting and communicating our work is to show our commitment to these efforts and support increased dialogue among our employees, customers and stakeholders.

Our activities thread through all that we do and across all departments within our company. We have categorized each activity as Responsible Sourcing, Product Safety, Environmental Stewardship and Community Development.

## **RESPONSIBLE SOURCING**

SanMar is committed to ensuring production of our products meets legal and ethical standards. SanMar sets strong benchmarks through its Global Operating Principles, and proactively monitors suppliers for compliance. Our brands are participating members of the Fair Labor Association, a collaborative effort of socially responsible companies, colleges and universities, and civil society organizations to improve working conditions in factories around the world.

## **PRODUCT SAFETY**

SanMar works within the guidelines of the Consumer Product Safety Improvement Act, including sharing of General Conformity Certificates for all products imported to the U.S. In addition to adherence to our own Restricted Substances List, we maintain a Restricted Substances List similar to that developed by the American Apparel and Footwear Association (AAFA) and all SanMar apparel products meet all applicable U.S. legal requirements.

## **ENVIRONMENTAL STEWARDSHIP**

SanMar has many successful initiatives aimed at minimizing our impact on the environment. These include programs to conserve paper, packaging and energy, and promote recycling.

## **COMMUNITY DEVELOPMENT**

SanMar feels strongly about investing and participating in community events and programs, especially those in communities where our employees and customers live. Among other initiatives, we routinely hold and support charitable events within our facilities and provide our employees a charitable match program to support their own work within the community. A Customer Merchandise Donation Fund also supports our customers and their charitable efforts.

## RESPONSIBLE SOURCING



We have always believed in purchasing our products from long-term, reliable and responsible business partners. As our business and supply chain have grown, we have taken great care to ensure that these partners share our standards and operate in a legal and responsible manner. By making social responsibility fundamental to our sourcing decisions, we ensure our suppliers take our Global Operating Principles (see appendix) as seriously as we do.

We currently source from approximately seventy third-party factories in over 10 countries around the world, including Bangladesh, Cambodia, China, El Salvador, Haiti, Honduras, India, Sri Lanka, Tanzania, the Dominican Republic and Vietnam. While there are a number of challenging issues we face when sourcing across such a global supply chain, we believe that by monitoring conditions and engaging global and regional stakeholders, we can improve conditions impacting the lives of thousands of workers.

### MONITORING AND COMPLIANCE

SanMar and our external third-party service providers continually monitor and audit factories manufacturing our products to ensure they remain in compliance with legal requirements and standards outlined in our Global Operating Principles (GOP). We audit all factories producing our goods regardless of size or the volume of our orders.

All audit findings are reviewed with the factory's management and any required corrective action plans must be completed within 30 to 90 days. Depending on the nature and severity of the violations, we then perform remediation audits to confirm that appropriate steps have been taken to correct issues of noncompliance. If SanMar is unsatisfied with the remediation or with a supplier's commitment to operating to the standards of our GOP, all business with that facility will be terminated.

### DEALING WITH COMPLEX ISSUES

Our past work focused on establishing and communicating strong Global Operating Principles and conducting audits to enforce compliance. While these are critical aspects of our monitoring program, we increasingly work on getting to the root of the problems and designing activities to address these.

For instance, we set goals to establish grievance mechanisms, especially in China where a number of high-profile worker incidents have recently occurred. We also discuss production and planning issues with factory management to minimize overtime and to ensure sufficient rest time is provided on a daily and weekly basis.

Overall, we are confident that we have a well designed compliance program that protects our brands, meets and exceeds industry standards, and faces up to the challenges involved in working with factories and workers across our supply chain.

Key improvements to our program during the past year:

- We increased the number of face-to-face meetings with agents and factory management to understand how capacity and price pressures impact their ability to meet compliance standards.
- We continued to provide channels for workers at third party facilities to contact us directly and confidentially. We post secure and confidential phone numbers and email addresses at each factory to ensure that workers are not punished or prejudiced for using it or speaking out.
- In the case of factories with dormitories, we ensured that factory premises are well segregated and that physical barriers such as fences and proper security measures are in place to minimize the risk that children are located or allowed near production areas.
- We engaged a third party to study and report on legal minimum wages compared to industry wages and the wages set by a number of our third party factories. We expect to expand this work to help us better understand wage and benefit rates, especially in regions where wage pressures are significantly increasing.
- We incorporated several confidential interviews with local civil society organizations into our audit methodology to ensure our work appropriately identifies and assesses compliance risks at the local level.
- We engaged with Business For Social Responsibility (BSR), a global leader in corporate responsibility, to provide training for many of our third party factories. The training focused on effective communication with employees, including the implementation of grievance and employee assistance programs.
- We encouraged the use of worker committees to provide more effective means for them to communicate concerns and grievances with factory management.

#### OUR WORK WITH THE FAIR LABOR ASSOCIATION



**FAIR LABOR**  
ASSOCIATION<sup>™</sup>

Our brands are participating members of the Fair Labor Association (FLA), and we are proud to work with this unique organization that brings together multiple stakeholders, to improve the lives of thousands of workers around the globe. We are the only wholesale apparel company in the industry to align ourselves with this initiative.

The FLA requires us to establish internal systems to monitor workplace conditions. The FLA staff routinely reviews our progress and provides us with valuable guidance and advice during meetings with our staff at our offices and at FLA meetings and training events in the United States and abroad.

We also submit to a rigorous system of Independent External Monitoring (IEM) audits performed by FLA monitors. These audits are unannounced to SanMar or our third party factories and the results are reported publicly providing a level of transparency and independence to our program that we feel is critical to our program's overall success.

For more information on the FLA, please visit [www.fairlabor.org](http://www.fairlabor.org).

## PRODUCT SAFETY



SanMar takes great care to ensure that the materials used to manufacture our private label products are safe and meet our standards and specifications. We understand that product safety is a high priority for our customers. That's why we continually make significant and incremental investments in people and programs to ensure we meet legal requirements, as well as SanMar's additional voluntary safety standards.

### **COMPLIANCE WITH PRODUCT SAFETY LAWS**

The Consumer Product Safety Improvement Act (CPSIA) enhances current U.S. product safety laws and oversees hazardous substances and flammability requirements for general wear apparel. The law also requires the issuance of a General Conformity Certificate (GCC) for all products imported into the U.S. subject to safety regulations enforced by the Consumer Product Safety Commission.

We ensure that each applicable product imported by us is accompanied by a GCC and meets all testing requirements under the CPSIA. In keeping with our commitment to social responsibility, SanMar instituted a broad-level initiative to provide our customers with ready access to GCCs for all applicable private label products.

### **RESTRICTED SUBSTANCES LIST**

SanMar has established a Restricted Substances List (RSL) to provide specific guidance to our suppliers in the production of our products. The list closely follows that of the American Apparel and Footwear Association and is based on the legal requirements, as well as any additional restrictions SanMar has deemed below our standards for health and safety.

### **PRODUCT SAFETY TESTING**

Working with Intertek, a global leader in product testing, we have instituted a rigorous product testing program across our private label supply chain to verify that manufacturers are producing goods that meet our high standards and those of the CPSIA and other applicable legal requirements.

## ENVIRONMENTAL STEWARDSHIP



From droughts in Texas to floods in India, we continue to be reminded of the direct link between climate change and cotton prices, not to mention polyester and other inputs that affect our prices. We are also keenly aware of the importance of environmental standards to many of our customers and we believe we can make a dramatic impact by making relatively small changes to our operations, many of which make smart business sense.

In everything we do, we strive to reduce, reuse and recycle.

### REDUCE

- We initiated paperless initiatives across several of our departments to reduce needless paper.
- Food waste programs throughout our locations reduced the amount of food and packaging going to local landfills, and educated our employees to boost their recycling efforts on site and at home.
- Energy efficient light fixtures and motion detection sensors installed in all our new distribution centers ensure lights remain off until needed. This simple change cut this type of energy use in our facilities in Ohio, Texas and Florida.
- SanMar's At Home program currently supports over 230 customer care employees and sales representatives working remotely on company equipment. This year the program surpassed projections, with more than 37% of Preston office staff telecommuting—removing hundreds of cars from the roadways and freeing up approximately 12,000 square feet of office space.

### REUSE

- Wood waste, such as used or broken pallets, and other materials are reused as wood chips in gardens throughout our properties.
- Cardboard cartons are repeatedly reused, thereby minimizing the need for additional packaging materials. Once cartons can no longer be used, we recycle them. We recycled over 4.0 million pounds of cardboard during 2010.
- We donated unsold and discontinued merchandise to local charities keeping thousands of pounds of textiles out of landfills.

## **RECYCLE**

- SanMar strives to use no less than 10% post-consumer waste fibers in all catalogs. Most of our catalogs meet strict Forest Stewardship Council (FSC) certification standards. The FSC promotes sustainable forestry and helps decrease the negative effects of logging and water pollution.
- Our most eco-friendly catalog to date contains a minimum 30% recycled material. We aspire to increase our use of recycled materials and are proud to be part of the elite group of companies incorporating this level of recycled content in their catalogs.
- Electronic equipment and appliances no longer of use are recycled through local programs.
- SanMar offices use eco-conscious ink and paper products, which are then recycled. In addition, our facilities have several recycling and compost programs for employees, including a composting program for food waste and specially designed paper plates, cutlery and drinkware.

## **GREEN FABRICS**

SanMar is proud to offer an assortment of products made from green fabrics, including organic cotton, rayon made from bamboo, and a recycled polyester blend that utilizes post-consumer waste and fabric remnants. Our Green Fabric Guide, available on [sanmar.com](http://sanmar.com), showcases these fabrics and details the benefits they offer our customers and the environment. While many products in the industry are marketed as being “green,” our goal is to be as accurate and transparent with our claims as possible.

## COMMUNITY DEVELOPMENT



We believe in our ability to make meaningful and positive change, especially in the communities in which our customers and our employees live.

To direct our focus on initiatives and events that matter most to our customers and employees, we seek a collaborative approach to help foster a charitable and positive environment while gaining maximum results.

Key contributions during the year include the following:

### **SANMAR FUNDRAISING**

- SanMar partners with specific worthy causes each year. In 2010, we hosted our bi-annual blood donation drive at our Preston offices and distribution plant in partnership with the Puget Sound Blood Center. We also participated in a local Adopt-a-Family holiday program, helping to provide gifts for 11 families during the holiday season.
- SanMar makes a difference in each of the six communities we operate through Project Hunger, our annual food and fundraiser that benefits food banks in each of our local communities. For two weeks, teams in different locations compete to raise the most for their local food bank. SanMar then matches these employee contributions. In 2009, Project Hunger raised and distributed \$38,464 to our food bank partners. By 2011, our event hit a record-breaking \$39,937 in total donations and almost \$5,000 in food items.

### **HELPING OUR CUSTOMERS AND VENDORS**

- SanMar's Customer Merchandise Donation Fund supports our customers' charitable efforts in their communities through donations of apparel or accessories up to \$200. Working with our customers in these efforts, SanMar directly supported approximately 350 charities during 2010, including those organized or used to fundraise for the American Cancer Society, the American Red Cross, Boys and Girl's Club of America, Haiti Relief Fund, Habitat for Humanity, Home for Troops, Make-a-Wish Foundation, the Special Olympics and other charities providing essential support and services within our communities.
- In 2010, we answered the call of our Pakistan information technology vendor, JAB Solutions, to help in their donation of 50 hand pumps to Charsadda, Pakistan. These wells bring fresh drinking water to 750 families whose water sources were decimated by monsoonal rain and floods.

### **EMPLOYEE CHARITABLE MATCH PROGRAM**

SanMar encourages our employees to also give back. We will match employee charitable contributions up to \$250 per employee per year, to any recognized tax-exempt nonprofit charitable organization, as defined under section 501c(3) of the Internal Revenue Code.

In the years ahead, we will continue to support and collaborate with other charitable and community focused organizations.

### **PROMOTING A HEALTHY WORK ENVIRONMENT**

We promote a culture that recognizes the importance of a healthy work-life balance. Recognizing that happy and relaxed employees make better ambassadors for SanMar, we encourage initiative and participation by creating a casual environment that taps full employee potential.

We are also proud of our strong commitment to providing our employees with a variety of in-depth training programs. Some employees attend SanMar University for over one year, receiving extensive training in sales and customer service and our continuing corporate leadership training programs further this learning throughout an individual's career at SanMar. We believe this commitment to employee development provides each employee with the tools necessary to drive performance for the company and for their overall career development. We see this everyday by how engaged our employees are with our mission and our values.

## **APPENDIX:**

### **SANMAR'S GLOBAL OPERATING PRINCIPLES**

SanMar recognizes there are different legal and cultural environments in which factories operate throughout the world. SanMar requires all of our partners to abide by our Global Operating Principles (GOP). This includes all agents, vendors, manufacturers, factories, suppliers and subcontractors.

Our GOP are based on labor standards established by the International Labor Organization, and are consistent with the Fair Labor Association's Workplace Code of Conduct.

We require all factories to post our GOP statement in English and in local languages, and to provide appropriate training to workers to ensure our GOP and accompanying standards are shared – keeping factories and workers knowledgeable of our high expectations. Our posted GOP also provides workers with our confidential reporting hotline email and phone numbers.

Our GOP, presented below, has been translated into the local language of overseas workers and we enforce each specific code element at every facility manufacturing our products.

#### **LEGAL REQUIREMENTS**

SanMar expects its business partners to comply with all applicable laws, rules and regulations of the United States and those of the respective country of manufacture or exportation. All products must be accurately labeled and clearly identified as to their Country of Origin. The language to be used for purposes of notice, interpretation and the meaning of these guidelines shall be English.

#### **FORCED LABOR**

SanMar will not purchase products from Partners that use forced labor, prison labor, indentured labor or bonded labor. Partners must not utilize or purchase raw materials from business partners utilizing forced labor.

#### **CHILD LABOR**

SanMar Partners must certify they do not employ any person younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. Partners must maintain official documentation for each worker that verifies the worker's date of birth. In countries where official documents are not available to confirm exact date of birth, Partners must confirm age using an appropriate and reliable assessment method.

#### **HARASSMENT OR ABUSE**

SanMar will seek Partners who treat their employees with respect and dignity. We will not tolerate Partners who subject their workers to human rights abuses, including physical, sexual, psychological or verbal harassment or abuse.

#### **DISCRIMINATION**

SanMar recognizes and respects cultural differences within the business environment; however we seek Partners who do not discriminate in employment. Partners must employ, retain and compensate their workers based on each individual's qualification and performance on the job; rather than on personal characteristics or beliefs.

#### **HEALTH AND SAFETY STANDARDS**

SanMar seeks Partners who provide a safe and healthy work environment with all applicable laws regarding working conditions, including worker health and safety, sanitation, fire safety, risk protection, electrical, mechanical and structural safety.

Companies that provide residential facilities for their workers must meet all applicable laws and regulations related to health and safety. Living space per employee in the sleeping quarters must meet both the minimum legal requirement and the local industry standard.

## **WAGES, HOURS AND OVERTIME**

SanMar business Partners must provide wages and benefits that comply with all applicable laws and must pay the legally prescribed minimum wage or the prevailing industry wage, whichever is greater.

SanMar Partners must not require their workers to work more than 60 hours per week (or fewer hours if prescribed by local laws and regulations).

## **FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

SanMar Partners must respect the rights of their workers to choose or not to freely associate and to bargain collectively. Partners must not threaten, penalize, restrict, or interfere with workers lawful efforts to join associations of their choosing, including collective bargaining associations.

## **CARGO SECURITY**

SanMar Partners must certify that manufacturing and cargo handling facilities are secure and must implement supply chain security procedures designed to prevent the introduction of non-manifested cargo and contraband into the shipment. We expect each Partner to review and follow the U.S. Government's published Manufacturer Security Recommendations. These guidelines can also be found in the C-TPAT section on U.S. Customs' website [www.cbp.gov](http://www.cbp.gov).

## **TRANSSHIPMENT**

SanMar will not tolerate illegal transshipment. Illegal transshipment occurs when goods are misrepresented as being produced in one country when in fact they were produced or assembled in another country. No merchandise shall be transshipped to avoid quota or other restrictions.

## **ENVIRONMENTAL STANDARDS**

SanMar will only do business with Partners that comply with all local environmental laws.

## **DOCUMENT RETENTION**

All factory production records as outlined in SanMar's Document Retention Requirements must be maintained for a minimum of five (5) years after shipment of the merchandise to SanMar. SanMar reserves the right to periodically request production records which the factory is required to submit to SanMar within a given timeframe.

## **POSTING OF SANMAR'S GLOBAL OPERATING PRINCIPLES**

SanMar's Global Operating Principles must be posted in the languages of the workers and supervisors in all manufacturing facilities producing SanMar products. The Principles must be posted in various locations that are easily accessible to all employees and in areas that afford a certain degree of privacy.