



SanMar's Commitment to Fair Compensation

Definition:

The United Nations and its International Labour Organization (ILO) have declared [living wage](#) a basic human right. SanMar is committed to ensuring that the people who make our products are treated with dignity and respect. Our commitment includes fair compensation, the principle that every worker has a right to compensation for a regular week that is sufficient to meet the worker's basic needs and provide some discretionary income which, for example, can be used to pay for medical costs, towards education, and transportation. [SanMar's Global Operating Principles](#) outline our standard and [SanMar's Factory Compliance Benchmarks](#) provide details of our compensation and benefits requirements.

SanMar Requirement:

SanMar suppliers must pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each supplier shall work with SanMar to take appropriate actions that seek to progressively realize a level of compensation that does.

Legal Compliance to Wage and Benefits:

The starting point for achieving a living wage is ensuring suppliers meet all legal requirements for wages and benefits. We seek out suppliers who share our values and who demonstrate respect for human rights, including providing legally required wages and benefits. To ensure that all SanMar products are manufactured according to our responsible sourcing standards, all suppliers and factories are required to participate in SanMar's Factory Monitoring Program.

Our Factory Monitoring Program is designed to ensure that factories producing SanMar products uphold workers' rights on wage and benefits such as minimum wage, overtime wages and legally required benefits. If violations of these rights are found, we require remediation and verify compliance through our robust and timely remediation process. In the auditing year of 2019 to 2020, 100% of factories producing SanMar products paid legal minimum wages to all their workers.

Fair Compensation Benchmarking:

Fundamental to SanMar's approach on Fair Compensation has been our work with the Fair Labor Association's (FLA) [fair compensation strategy](#). The FLA launched the strategy in 2015 with the development of a new tool to benchmark current wage levels, understand high-risk compensation issues, and compare compensation across countries, factories and against benchmarks like poverty lines and living wage estimates. As part of our fair compensation commitment, SanMar adopted the [Anker Methodology](#) because it works with local people and organizations to estimate the cost of a basic but decent lifestyle for a worker and their family in a particular region. This approach, which requires transparency and detailed research, leads to estimates of living-wage benchmarks that are solid,

credible and increases acceptance by stakeholders. Many of our factories provide all the workers with in-kind benefits like meals, transportation, medical support, pre-natal care etc. which is also included into the living wage data calculation.

Data Collection:

Since 2016, SanMar has been utilizing the FLA wage collection tool to collect data from our strategic suppliers as part of the pilot project. We started with three factories in 2016 and in 2020, collected wage data from 30 tier one factories across 16 countries. In 2022, SanMar will continue with wage data collection and analysis for our suppliers in regions where the living wage estimate data is available. The [FLA's wage data dashboard](#) makes it easier for us to find differences between living wages and existing wages in specific factories, so we can work more effectively to close those gaps.

Reviewing and reporting:

SanMar has analyzed the wage data collected and is using it to develop our [fair compensation blueprint](#), an action plan that prioritizes living wage progress. This will be a consultative process involving our internal stakeholders, including our global sourcing team, and external stakeholders like the FLA, our suppliers and factories, and where possible engage with the factory unions and worker representatives. SanMar will also look to engage with other subject matter experts at a regional level including civil society organizations.

Our approach towards a living wage and its progress will be reviewed annually by the global sourcing team and the compliance team. SanMar will periodically publish updates about our action plan and progress towards a living wage.

Responsible Purchasing Practices:

A core component of SanMar's commitment to our suppliers is our Responsible Purchasing Practices, which recognize the role SanMar can play in influencing working conditions on the factory floor. Recently, the apparel industry has recognized that [improvement in buyers' planning and purchasing practices](#) can support progress in worker wage levels at the factory level. Through SanMar's continued work with the FLA, as well as our annual participation in [Better Buying's rating cycle](#), we have received actionable feedback on our sourcing and purchasing practices, and we continue to employ these insights to how we work with our suppliers and factories. During the COVID-19 pandemic, SanMar has worked hard to ensure we maintain orders and commitments with our suppliers and in turn making sure workers have job security. SanMar believes in strong, fair partnerships with our factories and we want to make sure we're doing everything we can to help our vendors succeed.