

## **Contents**



#### **PEOPLE**

We aim to improve the lives of workers around the world who create our products and in the neighborhoods we call home.



#### **PRODUCT**

We create quality products with safety and longevity in mind and in an ethical, responsible and sustainable manner.



#### **PLANET**

We are a champion of the environment, committed to a greener workplace and an efficient supply chain.

04	LETTER FROM JEREMY
05	WHO WE ARE
07	CORPORATE RESPONSIBILITY AT SANMAR
11	PEOPLE &
<b>13</b>	RESPONSIBLE SOURCING
<b>2</b> 1	CULTURE AND BENEFITS
<b>25</b>	COMMUNITY
<b>29</b>	PRODUCT T
<b>30</b>	QUALITY
31	PRODUCT SAFETY
<b>33</b>	SUSTAINABILITY
<b>35</b>	PLANET
<b>36</b>	ENERGY
41	WATER
<b>43</b>	WASTE
<b>45</b>	WHAT'S NEXT
<b>47</b>	2020 GOALS



## **Letter from Jeremy**

My father started SanMar in 1971 when he saw a need to deliver quality t-shirts. His personal mantra was to always tell the truth and be nice, something that continues to shape our company today. I quite literally grew up in the business and saw us evolve from a t-shirt company to the country's largest supplier of imprintable apparel.

We've grown a lot over the past four decades, and today we're proud to employ more than 4,000 people in the United States at our eight distribution centers and home office. Manufacturing our products has also created steady, meaningful work for thousands of people around the world. We take our responsibility to employees and sourcing partners seriously and strive to make a difference in each of the communities where our products are sourced, sold and shipped.

Our products have the power to build connections, unite teams and communities, spark brand awareness and inspire. We know the people who buy our products trust us to provide apparel and accessories that are ethically, responsibly and sustainably sourced. We're proud of the progress we've made and are focused on improving transparency and assessing the environmental impact of our products.

When we first began outlining our approach to corporate responsibility, we realized that much of what it means to be a responsible business is already woven into our SanMar Family Values. Today we are more passionate than ever about living our values by supporting our communities, delivering sustainable products and taking action to reduce our environmental impact. We are still charting our corporate responsibility efforts and know there is much work ahead. We are committed to continuing to make thoughtful choices and a positive impact.

In this report we share our successes and challenges and take a look at where we want to grow and how we want to improve in the coming years. It's important to us to continue to learn how to be a better company and how to be a better corporate citizen in this global economy.

I'm proud of our family roots and the family-focused company SanMar remains today. I take great pride in working alongside my father, my brother and all SanMar employees to build a company that our children and our children's children will be proud of.

Thank you for joining us on this journey. I'd love to hear your thoughts on our responsibility efforts and what's important to you. We're all in this together and one step at a time, we'll get there.

Regards,

JEREMY LOTT, OWNER AND PRESIDENT SANMAR CORPORATION





## Who We Are

Family-owned and -operated since 1971, today SanMar employs more than 4,000 people nationwide and offers an assortment of apparel brands and accessories to unite people and connect teams, groups and communities. While we're headquartered just outside of Seattle in Issaquah, Washington, we consider our home to be all the communities in the United States where we have a presence.









2017 CORPORATE RESPONSIBILITY REPORT



# Corporate Responsibility at SanMar

Our SanMar Family Values are at the heart of all we do. We strive to make a difference every day in the lives of our employees and the people who make our products around the world. We're committed to investing in each other and supporting all of our employees, helping them to grow and thrive in their chosen career paths. We deliver quality products, IT support and marketing tools to help our customers grow their businesses, passionately serving their varying and unique needs. As an industry leader, we're proud to do the right thing when making each and every business decision. Our founder, Marty Lott, instilled a vision early on that treating each other with respect and dignity is paramount and that life is too short to not be nice.



Our commitment to corporate responsibility combines all of our SanMar Family Values, driving us to support the **people** who create, ship and sell our apparel and accessories; to deliver quality, sustainable **products** that are ethically and responsibly sourced; and to do the right thing for our **planet**.

As a family-owned and -operated company, we are proud to bring our family values to our work at home and across the globe. We believe that business done well has the power to do good.











# SanMar's Commitment to Conscious Impact

As a premier supplier of imprintable apparel, we understand our role in the industry and the responsibilities that come with it. Most of our 60,000 customers are American small businesses who embroider, screen print or otherwise decorate shirts, bags, caps, jackets and accessories for end users. Whether it's jerseys for youth soccer and baseball leagues, t-shirts for the local 5K fun run or polos to outfit a business staff, our customers provide clothing and accessories to meet their clients' needs. They rely on SanMar to supply them with high-quality apparel that enables them to stay competitive in their markets.

With that in mind, SanMar is committed to ensuring that wherever we are present we

are being stewards of the community and of the environment. We are constantly evaluating the impact of our operations and are striving to be a driver for positive change throughout our supply chain.

We're excited to share the work we've accomplished to date and where we plan to go next. This report covers our corporate responsibility efforts from 2016 to 2017. We've organized our work into three areas: People, Product and Planet. Ultimately, our efforts are interconnected, with the goal to provide economic opportunity and meaningful work, while reducing our environmental impact and continuing to deliver safe, high-quality products to our customers.





## Responsible Sourcing

The mission of SanMar's responsible sourcing program is to promote worker well-being, support vibrant communities and reduce our environmental impact. We aim to produce all SanMar products in a way that provides economic opportunity for workers while ensuring safe working conditions and strict adherence to local, national and international labor laws. We work with suppliers who share our values to be stewards of the community and the environment, and actively support their efforts. We also engage with multi-stakeholder initiatives to seek out opportunities for collaboration and to stay aware of the latest issues impacting our industry. We are an Accredited Participating Company of the Fair Labor Association (FLA), a Quality Certification Alliance Accredited Company and a member of the Sustainable Apparel Coalition.

One way we ensure our suppliers meet our values is adherence to our rigorous Social Compliance Standards and Global Operating Principles. These Principles are based on labor standards established by the International Labour Organization and in accordance with FLA's Code of Conduct. All factory selection and vetting is based on these Principles as well as the presence of management systems that ensure social compliance and environmental stewardship.



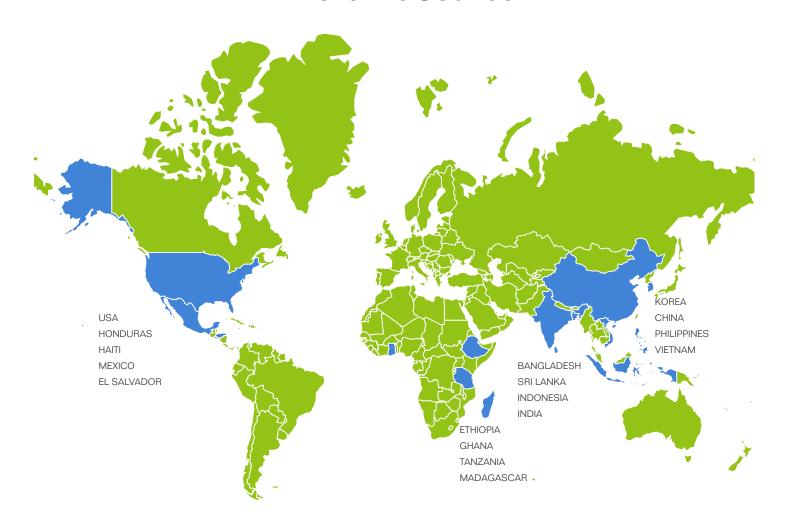


#### SPOTLIGHT: TANZANIA

When SanMar began sourcing products in Africa, it opened a lot of doors previously closed to women. Women lined up at the factory every week for work that promised a steady stream of income, job security and the opportunity to create a better life for themselves and their family. Today, women make up 80% of the staff at the factory in Tanzania that produces many SanMar products. When more women work, economies grow and communities benefit from this growth. Women in the workforce are better able to support themselves and their families with job security and a stable income, education for their children and increased access to health care. We worked closely with the supplier while the factory was getting started to provide hands-on training to workers and supported factory management to ensure proper systems were in place. The impact on the community has been remarkable, too, with businesses opening up to support this new and evolving economy.



### Where We Source









2017 CORPORATE RESPONSIBILITY REPORT

## **Supplier Relationships**

The relationships that we've built with our suppliers are an important part of our responsible sourcing program. By building meaningful, collaborative relationships, we are able to work together to make improvements across multiple areas: quality, production, social compliance and environmental management. We strive to be good partners and support the continuous improvement through training and development.

We have achieved improvements in performance by nurturing trusting relationships with our suppliers and investing in the success of our supply chain partners. Because we are in it for the long-term, we can spend the time and energy necessary to make sustainable improvements.



# 1/3 of our suppliers IN BUSINESS WITH SANMAR FOR OVER A DECADE

## **Factory Monitoring Program**

We believe in purchasing our products from long-term, reliable and responsible suppliers. As our business and supply chain have grown, we have taken great care to ensure that these suppliers share our standards and operate in an ethical and responsible manner.

We aim to support the continuous improvement of our suppliers. We do this through our factory monitoring program, which includes third-party verification, factory training and engagement with multi-stakeholder initiatives. Our third-party verification of our Global Operating Principles is rigorous and further strengthened by the independent monitoring of certain factories by the FLA. Factories that are selected for monitoring are chosen at random by the FLA without any prior knowledge to either the factory or to SanMar. We believe this creates a high level of accountability and transparency at the factories that manufacture our products.

97%
OF OUR FACTORIES

43% of factories

**SAW IMPROVEMENTS FROM PREVIOUS AUDIT** 

<sup>\*</sup> During our 2016-17 audit cycle of private label manufacturers. Note: all new factories are audited before production begins.

## **Factory Monitoring Program**

In addition to the monitoring activities of the FLA, both our compliance team and independent third-party auditors perform periodic announced and unannounced compliance audits at the facilities of each supplier involved in the production of our proprietary products. Should we discover that any remediation is required, our compliance team works closely with the supplier and the facility to ensure that timely corrective actions are taken, including appropriate monitoring and verification.

We are proud of our affiliation with the FLA and continue to work with them and other socially responsible companies to evaluate and develop improved and comprehensive human rights policies, supplier monitoring and training programs, worker hotline channels and other best practices aimed at ensuring full compliance throughout the supply chain of our private label products.





### **Supply Chain Disclosure**

SanMar is committed to conducting business in a socially responsible manner. This includes recognizing that we have a responsibility toward ensuring that slavery and trafficking do not occur in our supply chain. We seek to operate in compliance with the highest standard and all applicable national laws wherever we do business and to respect and support international principles aimed at preventing and eradicating trafficking and slavery, as described in the 2000 United Nations "Palermo Protocol" and the 1926 Slavery Convention.

The 2010 California Transparency in Supply Chains Act, which became effective January 1, 2012, requires companies such as SanMar to disclose our efforts to eradicate slavery and human trafficking from our supply chain. Our Global Operating Principles address forced labor, child labor, harassment or abuse, discrimination, wages, freedom of association and more to protect against the risks associated with the trafficking and slavery of workers.

### Accredited Participating Company of the FAIR LABOR ASSOCIATION

In November 2012 the Fair Labor Association (FLA), a collaborative effort of socially responsible companies, colleges and universities, recognized SanMar for its dedication to the Fair Labor and Responsible Sourcing Principles when it accredited our compliance program. Among our many obligations as an Accredited Participating Company, we have demonstrated our commitment to:

- Uphold the FLA's Code of Conduct and establish systems to identify and remedy ethical violations.
- Work with the FLA to develop and improve social compliance systems that flag issues and lead to sustainable solutions when workers are at risk.
- Monitor our supply chain partners to ensure they meet strict labor standards.

For a complete list of the Fair Labor and Responsible Sourcing Principles that guide our sourcing activities and the FLA's Workplace Code of Conduct, please visit the FLA website at www.fairlabor.org.













## **Culture and Benefits**

#### THE SANMAR CULTURE

Our SanMar Family Values are woven into everything we do, each and every day. We invest in each other and provide training opportunities to help all our employees succeed. We make a difference in all of our communities and support our employees' charitable efforts.

#### **WORK-LIFE BALANCE**

As a family-owned and -operated business, we understand and embrace work-life balance. After work, our employees can be seen heading out to play softball or coach their kid's soccer team.

#### **INVESTING IN EACH OTHER**

Our company culture encourages innovation and empowers team members to be creative. We believe that happy employees reach their potential and grow with the company.

#### SUPPORTING HEALTHY CHOICES

We offer on-site gyms at our headquarters and at several of our distribution centers to support a fit lifestyle. At our home office, our café partners with a local farm to provide healthy, organic options and fresh, seasonal produce.

#### **BRINGING THE TEAM TOGETHER**

We regularly celebrate our successes together with fun events for the whole team. We take pride in an open-door culture where anyone is welcome to drop in at anytime to discuss anything.

#### BE YOURSELF!

We promote a casual work environment where employees can express their individuality and creativity. We sell casual clothing and encourage our employees to wear our styles – often available for sale at a deep discount – or similar clothing.





## **Veteran Hiring Initiative**

SanMar is committed to supporting veterans and military members as they serve our nation and as they transition to joining civilian teams.

Service members often have unique training that lends itself to leadership, team building, organizational commitment and working in diverse cross-cultural settings. We value these skills and plan to double our military hiring in the coming year.

Our Military Hiring Initiative includes partnering with both U.S. Military Pipeline and Hire Heroes USA, participation in military recruitment events and educating our recruiting teams about the value that military experience brings to the workplace.

**US MILITARY PIPELINE** 



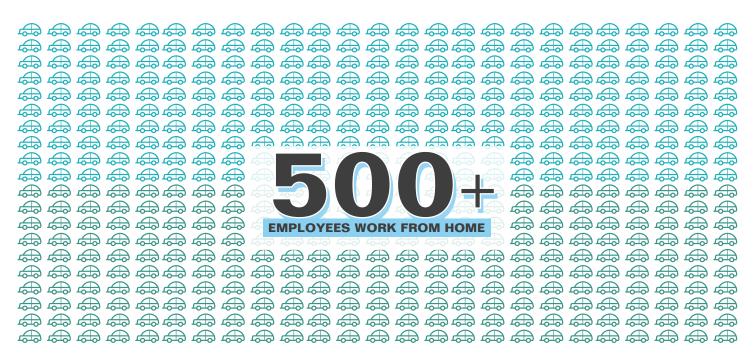
#### **Benefits**

SanMar is proud to offer comprehensive benefits for all of our regular employees who work at least 20 hours per week, including a competitive salary and bonuses, as well as medical, dental and vision plans. We also want our employees to be able to plan for the future and offer a 401(k) with company match, life insurance and a flexible spending program. We strive to make SanMar a great place to work by providing a diverse, laid-back atmosphere with flexible schedules and opportunities to come together at monthly employee events.

### **Work-from-home Program**

We take pride in truly offering a great work-life balance for hundreds of our employees. One way we support these efforts to find that balance is with our work-from-home program. What started in 2006 with a handful of customer care center employees taking their phones and computers home has evolved into a robust telecommuting program that removes hundreds of cars from the roads each day.

As of 2016, more than 500 employees in SanMar's credit, sales and IT departments work from home, exchanging their daily commute for more time with their families. SanMar was an early pioneer in the work-from-home world and continues to innovate in how we reach and engage with our employees to keep them connected while keeping them at home.







#### SPOTLIGHT: HONDURAS

SanMar is proud to work with suppliers who support their community. In Honduras, SanMar works closely with a nearby orphanage in San Pedro Sula to provide financial support, clothing, food, books and regular English lessons.

Additionally, SanMar helps to coordinate medical brigades as part of the Touching Hands Project to the Ruth Paz Clinic in San Pedro Sula. These brigades occur twice annually and provide hand surgery and hand therapy to adults and children in underserved communities in and around San Pedro Sula.

Our supplier is making a huge impact in their community through their involvement in the Honduras 2020 development plan. One of the goals of the program is to offer textile workers the opportunity to own their own homes in sustainable communities. These communities include recreational areas, parks and schools, sports facilities, places of worship and easy access to public transport. The goal is to build 50,000 affordable homes and provide grants to help workers in the garment sector invest in their future.















## **Community**

Our teams take pride in giving back to their communities and helping out their neighbors in need. In 2016 and 2017, SanMar employees at our home office and eight distribution centers held multiple events to raise money for local charitable organizations and volunteered in their local communities.







2017 CORPORATE RESPONSIBILITY REPORT







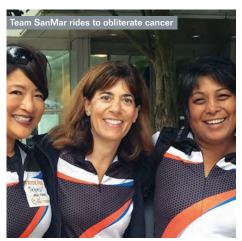
\$300,000+

raised, supporting

100+ organizations

nationally









## 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 2016, SanMar and its employees donated \$36,000 through its Employee Charitable Match Program.

When major disaster strikes around the world, SanMar regularly increases its company match, allowing employee donations in the wake of hurricanes, floods and other natural calamities to go even further.

#### **Customer Merchandise Fund**

The SanMar Customer Merchandise Donation Fund is designed to support SanMar customer's charitable efforts in their communities through donations of apparel or accessories. In 2016, we received 626 total requests, resulting in more than \$43,000 donated in our customers' communities nationwide. SanMar feels strongly about its corporate stewardship and is pleased to support our customers in their charitable efforts.







## Quality

SanMar is committed to delivering quality products to our customers by providing consistent workmanship, color and performance with each order. We provide our suppliers with hands-on training to support the continuous improvement of their quality assurance processes. By supporting our suppliers, we've seen improvements in quality and color and have reduced waste.

We recognize that durability is an important factor both in meeting our customer's needs and for product sustainability. We are working to increase the lifespan of our products through product development and quality tests. By increasing the life of the garment, we can reduce our impact.

#### **QUALITY CERTIFICATION ALLIANCE**

SanMar's compliance and process improvement efforts have been recognized by the Quality Certification Alliance (QCA), a promotional products accreditation organization that verifies company practices to consistently provide quality, compliant and socially responsible promotional products into the marketplace. As a QCA Accredited Company, SanMar is dedicated to improving our internal processes and to effectively detect and deter unsafe or non-compliant product before it enters the supply chain. We are also committed to complying with the rigorous QCA standards, which are based upon a combination of state and federal laws, international standards and industry-accepted best practices.

For more information about the QCA, please visit www.qcalliance.org.



#### **Product Safety**

SanMar is fully committed to complying with U.S. product safety legislation. We have implemented policies and procedures to ensure our products are designed, manufactured and tested in compliance with applicable regulations and industry best practices, such as:

- All children's products have a permanent tracking label.
- General Certificates of Conformity and Children Product Certificates are accessible 24/7 on SanMar.com for private label products that fall under the guidelines of the Consumer Product Safety Commission (CPSC).
- Third-party testing is maintained according to CPSC requirements and is available for applicable products upon request.

We take a collaborative approach with our suppliers and closely monitor production under our private labels against the benchmarks we've set through our Product Safety Testing Program. This allows us to verify that products meet our high standards and applicable regulatory requirements in the United States. During production we require our suppliers to provide new testing every six months and ensure the test reports meet the baseline requirements set by the CPSC, such as CPSC-approved third-party testing facilities and new testing upon changes to the material or supplier. We regularly review and update our processes in our commitment to continuous improvement and we are diligent in communicating those improvements and expectations to our supply chain.

SanMar has adopted the Restricted Substance List developed by the American Apparel and Footwear Association (AAFA). Suppliers are required to adhere to the restrictions and bans listed in the AAFA Restricted Substance List for private label products manufactured for SanMar.

We closely monitor regulatory and industry developments in product safety and regularly participate in industry-specific trainings to stay informed of requirements and best practices.

Please visit SanMar.com to access General Certificates of Conformity, Children Product Certificates and additional information about our Product Safety Testing Program.



## **Sustainability**

In 2017, SanMar joined the Sustainable Apparel Coalition (SAC), a group of nearly 200 global brands, retailers, manufacturers, government, nonprofit environmental organizations and academic institutions committed to improving supply chain sustainability in the apparel, footwear and textile industries. As part of its SAC membership, SanMar will use the group's sustainability measurement tool, the Higg Index, to measure sustainability performance.

The Higg Index is a groundbreaking suite of tools that allows brands and facilities to measure performance throughout the supply chain. SanMar will perform annual self-assessments and encourage suppliers to use the Facilities module. We will use the Higg Index to develop and track progress toward our sustainability goals. For our facilities, it offers a powerful resource to develop environmental management systems and implement improvements that can reduce their impact in terms of energy, emissions, water and waste.





### **Energy**

Our facility and supply chain teams actively analyze our energy usage at our home office and distribution centers, looking for ways to reduce our impact. Across our distribution centers, we saw an average of 3% reduction in fuel use (natural gas and propane) in 2016. Our home office reduced its fuel use by 6%. By implementing energy-saving practices and switching to energy-efficient light fixtures in some locations, we saw a 4% decrease in electricity usage – an equivalent savings to taking 154 cars off the road for one year.

#### 2016 DECREASE IN FUEL AND ELECTRIC USE



We also recognize the impact we have by moving people and goods around the world. At our home office we have implemented web-based trainings for our nationwide sales team to reduce the amount of air travel required for training purposes and in 2016 saved an estimated 306,630 miles. Our sales and credit teams participate in a work-from-home program that saves an estimated 5.7 million passenger car miles per year.

We are constantly looking for ways to ensure our product arrives quickly and efficiently while reducing our environmental impact. In 2016, our logistics team improved our container utilization rate by 0.88% by shipping containers an average of 87.93% full. This effort saved nearly 103,000 nautical miles, which translates to roughly 473 gallons of bunker fuel - a savings of 4.2 metric tons of CO2e. In addition, many of our carriers take advantage of environmentally friendly fuel options.

**CAR MILES** 5.7 million saved



**SEA MILES** 103,000 million saved



AIR MILES 306,630 miles saved



Domestically, we use intermodal transportation to optimize for fuel efficiency and on-time delivery. We also ship with carriers who have green initiatives and/or are SmartWay Partners. The U.S. Environmental Protection Agency's (EPA) SmartWay® program helps companies advance supply chain sustainability by measuring, benchmarking and improving freight transportation efficiency. In 2016, 99.89% of FTL and LTL shipments shipped with SmartWay carriers. All parcel shipments moved with a carrier with green practices.

Finally, our Pack Separately, Ship Together program, which batches individual shipments bound for the same destination, reduces the number of trucks picking up from our distribution centers each day.

99.89% of FTL and LTL shipments shipped with SmartWay carriers



100% of parcel shipments moved with carriers with green practices



In 2016, we engaged a consultant to perform an energy-efficiency assessment of our home office in Issaquah, Washington. The assessment included a comprehensive review of our lighting, heating, cooling and ventilation systems to identify opportunities for improvements. The assessment and subsequent investigation phase, which was performed in 2017, identified 10 energy-efficiency improvements, four of which were initiated during and immediately after on-site testing. We are continuing to implement the remaining energy-efficiency improvements in 2017-18 and are closely monitoring savings achieved as a result.





#### SPOTLIGHT: HONDURAS

We are proud to work with suppliers who are actively working to improve their environmental performance. Our partner in Honduras has implemented several innovative practices and new technologies to reduce their impact.

They are a pioneer in the renewable energy sector in Honduras and have built renewable energy plants to power their facilities. At their biomass plant, King Grass is grown and harvested, and using anaerobic digesters, is combusted to generate electricity and heat.

The textile plant uses innovative dyeing and washing technology that has resulted in an estimated annual savings of 900 million liters of water and 6,300 metric tons of  $\rm CO^2$ .

In addition, a recently installed solar project has allowed the factory to further reduce their impact.









CORPORATE RESPONSIBILITY REPORT



#### Water

SanMar recognizes that water is a critical issue of our time. We strive to conserve water in our operations at our home office and our distribution centers. We encourage conservation by our employees and have invested in water-saving improvements to our facilities such as automatic faucets and low-flow toilets and are making changes to landscaping to reduce our water consumption. In 2016, we saw an average 8% increase in water consumption, so we still have work to do.

We also realize that our greatest impact comes from the production and use of our products. Cotton cultivation has the biggest impact, both from the quantity of water needed to grow the crop and from pesticide run-off on local water systems. The next largest impact stems from textile production. Water and chemicals used to dye and finish textiles are estimated to contribute 20% of all industrial water pollution.

These issues and more are why SanMar is committed to using the Sustainable Apparel Coalition's Higg Index to evaluate our processes and support the improvement of our factories' environmental management systems. We're proud to already be working with suppliers who are investing in innovative technologies to conserve water use at their facilities and recycling water used in dyeing and finishing processes.



#### Waste

We are always looking for ways to reduce waste in our operations. We have compost and recycling programs in place at our facilities across the U.S., have seen huge savings from reusing cartons at our distribution centers and have launched several successful paperless initiatives.

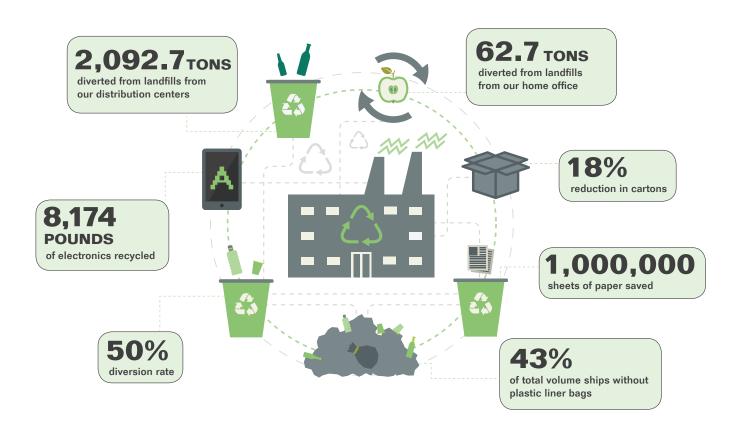
Through our recycling program, we diverted an estimated 2,092.7 tons of waste from landfill at our distribution centers. In our home office, we have a 50% diversion rate and have diverted 62.7 tons from landfill through recycling and compost.

From 2015 to 2016, we saw an 18% reduction in the number of cartons used by our distribution centers and have only increased annual carton use by 3% from 2012 to 2016, while adding two new warehouses.

Through various paperless initiatives, we saved an estimated one million sheets of paper in 2016. We continue to upgrade our technology and encourage our teams to take advantage of e-sign when possible.

We recycled 8,174 pounds of electronics through our corporate recycling program and employee events held in 2016.

We have further reduced waste in the way we ship our products. We do not use wood pallets in our ocean containers and did not use plastic liner bags in 43% of our total 2016 container volume.







# 2020 Goals

As we look to the future, we're setting ambitious goals for ourselves so that we can continue to be a force for good.

#### TRAINING AND DEVELOPMENT

Provide learning and development opportunities.

We are offering employees the programs and skill development they need to be successful and grow in their careers here at SanMar and beyond.

#### RESPONSIBLE SOURCING

Support the continuous improvement of our factories.

We are working with our factories to go beyond compliance and help them improve.

#### **COMMUNITY**

Increase our impact in the community.

We are increasing our annual giving and providing more opportunities for employees to give back.

#### **WOMEN AND CHILDREN**

Improve access to training and economic opportunity.

We are connecting women to resources to drive economic growth in the communities where we source our products.

#### **TRACEABILITY**

Map our value chain.

We are looking deep into our supply chain to increase traceability.

#### SUSTAINABLE PRODUCTS

Grow our sustainable product offering.

We are assessing the impacts of our products and designing with sustainability in mind.

#### SUSTAINABLE OPERATIONS

Separate business growth from our environmental impact.

We are making changes across the organization so that as we grow, our impact does not.

#### INNOVATION

Move the needle.

We are investing in innovation and embarking on high-impact projects.

## SANMAR

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