



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](#) (GOP) 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 provides some discretionary income, each supplier shall work with SanMar to take appropriate actions that seek to progressively realize a level of compensation that does. As part of SanMar's efforts to ensure decent wage practices at our tier-one factories, not complying with the full payment of at least the minimum wage is a zero-tolerance issue. To continue as an active factory for SanMar, they must pay minimum wages in full compliance with local regulations. Requirements on payment of overtime hours, social insurance, and other legally mandated benefits are also clearly communicated in SanMar's GOP and Compliance Benchmarks and are continuously monitored through our Factory Monitoring Program.

Legal Compliance with 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 wages 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 years from 2022 to the end of 2023, there was one violations related to minimum wage. The finding was in relation to delay in implementing the new minimum wage set by the Karnataka government in India. Through SanMar's remediation process, the violation was

resolved, and workers were paid their full legal wages which met the minimum wage. With all the remediations now complete, 100% of factories producing SanMar products have paid legal minimum wages to all their workers.

Fair Compensation Benchmarking:

Fundamental to SanMar's approach to 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 families 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, prenatal care, etc. which are also included in the living wage data calculation.

Data Collection:

Since 2016, SanMar has been using the FLA wage collection tool to gather data from our strategic suppliers as part of a pilot project. The initiative began with three factories in 2016 and expanded to 30 tier-one factories across 16 countries in 2020. In 2022, we continued collecting wage data from the same 16 countries and increased the sample size to 40 tier-one factories. The sample size was further expanded to 54 factories across 16 countries in 2023. The [FLA's wage data dashboard](#) allows us to easily identify disparities between living wages and existing wages in specific factories. This enables us to work more effectively towards closing these gaps. In addition to the FLA's wage data dashboard, SanMar has also developed an internal dashboard to analyze and visualize data more effectively for our internal teams.

Reviewing and reporting:

SanMar has conducted an analysis of the wage data collected and used it to create a [fair compensation blueprint](#). This blueprint is an action plan that prioritizes progress towards a living wage. We have involved our internal stakeholders such as our global sourcing team, as well as external stakeholders like the FLA and our suppliers. We plan to continue evolving our fair compensation blueprint by carrying out more in-depth analysis of the wage data collected and increasing the sample size. We will also work alongside factory unions and worker representatives where possible in this process.

In 2022, SanMar engaged with the Anker Research Institute and sponsored a [Living Wage Reference value study in Honduras](#). In October 2022, SanMar also joined [the Anker Research Institute Corporate Sponsorship program](#) which financially supports the Anker Research Institute. Through this program, the Anker Research Institute can sustain the future for groundbreaking research on living wages. SanMar will continue to engage with other third-party organizations who are subject matter experts at a regional level including other 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 annually publish updates about our action plan and progress towards a living wage.

Responsible Purchasing Practices:

SanMar is committed to maintaining fair and responsible purchasing practices (RPP). We understand the impact our actions can have on the working conditions of those on the factory floor, and we strive to influence positive change. The apparel industry has recognized the importance of [improving buyers' planning and purchasing practices](#), as this can directly support improvements in worker wage levels. At SanMar, we work closely with the Fair Labor Association (FLA) and participate in [Better Buying's rating cycle](#) to receive feedback on our sourcing and purchasing practices. We use this feedback to improve how we work with our suppliers and factories. We are dedicated to maintaining orders and commitments with our suppliers to ensure job security for workers. Our Global Sourcing and product team receives regular training on responsible purchasing practices to keep them informed about how our actions can impact the living wage gap. We believe in fostering strong, fair partnerships with our factories and are committed to helping our vendors succeed.