

Social Compliance

In 2010, the California Legislature passed The California Transparency in Supply Chain Act of 2010 (SB 657). This new piece of legislation requires manufacturers and retailers of goods with annual worldwide gross receipts over \$100 million to provide consumers with information regarding their efforts to eradicate slavery and human trafficking from their supply chains.

ILO Conventions define that human trafficking can take many forms, including but not limited to forced and child labor.

- → ILO Convention on Forced Labour, No. 29;
- → ILO Convention on Abolition of Forced Labour, No. 105;
- → ILO Conventions on the Worst Forms of Child Labour, No. 182.

Gildan's Code of Conduct, which was originally implemented in 2005 and was most recently updated in 2012, directs our activities at each of our operating locations. It clearly states our position on a wide range of labour practices.

Our Code of Conduct is based on the ILO conventions and its associated compliance benchmarks. The referenced ILO conventions address forced labour, child labour, wages and benefits, working hours, harassment and abuse, as well as health and safety. Working conditions are monitored at each of our owned and contracted facilities producing our products. Gildan's labour compliance program is accredited by the Fair Labor Association (FLA), and as such all company-owned facilities and those of our manufacturing contractors are subject to the FLA's rigorous monitoring, remediation and verification system. The FLA accredits, monitors and uses internal auditors to conduct unannounced verifications. Gildan was the first vertically-integrated apparel manufacturer to have its social compliance program accredited by the FLA.

Please read below for details on how Gildan complies with each points of the California Transparency in Supply Chain Act.

1. Company engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery by its contractors.

Gildan evaluates the potential risks associated in its supply chain by conducting an evaluation of potential contractors prior to any sourcing agreements through the use of its pre-sourcing assessment. This assessment helps guide our business decisions and relationships with the manufacturing contractors we use.

These assessments are designed to ensure that, at a minimum, all facilities manufacturing our products comply with our strict Code of Conduct, local and international laws, and the codes which we adhere to, including those set forth by the Worldwide Responsible Accredited Production (WRAP) and the Fair Labor Association (FLA). All the aforementioned codes and standards include strict provisions with regards to forced and child labour such as human trafficking and slavery. When external suppliers are used, they must also adhere to these codes. This is a requirement for conducting business with Gildan.

To ensure that we meet or exceed our strict Code of Conduct requirements, we conduct a series of independent internal and third party audits each year, ensuring our commitment to responsibility for our employees, customers and other stakeholders. In 2015, 337 monitoring audits were performed; 202 were conducted by Gildan's internal auditors or by external auditors working on our behalf and 135 were conducted by external auditors under the direction of the FLA, ILO Better Work Programme, WRAP or by our own customers. For more information regarding Gildan's auditing process, please refer to point 2 below.

2. Company conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.

Gildan's goal is to visit 100% of its manufacturing facilities annually. In addition, we audit manufacturing facilities for third-party contractors at least once in an 18-month period.

Effective since the 2014 fiscal year, Gildan implemented a new policy in which all of the audits conducted at our own facilities are unannounced audits. Audits at third-party manufacturing facilities will continue to be unannounced audits. The majority of the audits are conducted by our trained internal auditors. In addition, we use third-party auditors in some instances. We are also subject to audits from some of our customers.

Gildan's Code of Conduct is the base for all audits conducted at our contractors' manufacturing facilities. Assessments are also based on the standards found in Gildan's Vendor Guidebook, which is provided to all our contractors. Other auditing and monitoring tools include:

- → Facility self-assessment questionnaires;
- → Audit guidelines and management action plans;
- → Management interview forms;
- → Monitoring guidelines; and
- → Worker interview guidelines.

Gildan uses a sampling methodology based on the Sedex Members Ethical Trade Audit (SMETA) guidelines in order to determine the number of documents to be reviewed as well as the number of individuals to be interviewed.

Some of our contractors have been participating in the ILO Better Work Programme. Gildan's manufacturing facilities, as well as its contractors, are also independently audited by the FLA, WRAP and customers. Please refer to the Social Compliance section of our website for more information.

3. Company requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human

trafficking of the country or countries in which they are doing business.

To ensure that Gildan's major contractors and suppliers respect and adhere to Gildan's Code of Conduct, we include a clause in our commercial agreements governing our contractual relationship which stipulates that contractors must abide by our Code. Gildan also requires all business partners to confirm, by means of a signed statement, that they do not use or procure any cotton fibers originating from Uzbekistan, in any of the yarns supplied to our organization or in the manufacturing of our products.

In 2013, Gildan established a cotton traceability assessment for a group of its cotton yarn suppliers in order to ensure that the cotton, yarn or products they supply us with do not contain cotton originating from Uzbekistan.

The suppliers included in the assessment were selected according to several risk factors that include their proximity to Uzbekistan, and the quantities of yarn purchased by Gildan or third-party contractors manufacturing our products. These assessments have been conducted by a third party since 2014. The assessment consists of a review of the origin documentation provided to Gildan by the yarn suppliers identified. Toward this objective, a country of origin supplier questionnaire and a bale and merge schedule template have been used. The purpose of the questionnaire was to solicit information pertaining to the yarn suppliers' operation and production processes, including information relative to their suppliers and to confirm the origin of the staple fibers and other raw materials. We completed our assessments and can conclude that there is a low risk of having cotton originating from Uzbekistan in our products. Going forward, we will review the list of our yarn suppliers based on the aforementioned risk approach annually and conduct similar assessments if determined necessary.

In addition, as part of the continuous improvement of our social compliance program, and as a leading best practice, in the second half of fiscal 2014, we commenced the process of auditing key raw material suppliers. During 2014, we completed the audit of five key raw material suppliers. The audits identified weaknesses in the areas of documentation of employee contracts and files, excessive overtime as well as health and safety and environmental issues.

We are currently working with these suppliers in order to develop a remediation plan to address the findings. All facilities collaborated in remediating the issues found and they made positive progress over the course of 2015. In addition, four additional audits were conducted at raw material suppliers in 2015.

Based on the positive results of this pilot project, we are currently developing a procedure utilizing a risk-based approach to select raw material suppliers to be audited on a go forward basis.

4. Company maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.

Non-compliance with Gildan's Code of Conduct can result in corrective action or even termination of a commercial agreement, depending on the number of non-compliances found as well as their severity. Gildan will always first seek a viable remediation strategy with suppliers found not in compliance with our Code of Conduct. However, we may terminate a business relationship with a contractor if deemed necessary. Our team of internal auditors work with contractors to develop action plans to resolve any instances of non-compliance.

5. Company provides company employees and management who have direct responsibility for supply chain management with training on human

trafficking and slavery, particularly with respect to mitigating risks within supply chains of products.

All Gildan employees are trained on our Code of Conduct. At our third-party sewing contractors in Haiti, training on our Code of Conduct is provided on an ongoing basis to all new employees. Our internal monitoring teams are continuously trained on social compliance and human rights issues. They also work closely with our management teams and our contractors to ensure they are knowledgeable on our Code requirements and understand the issues related to social compliance.