

LOOK TO OUR COMMITMENTS

Gildan is dedicated to being a socially responsible employer in all of our geographical hubs. Our commitment is to have modern, well-equipped facilities and to be progressive in our hiring and employment practices.

Gildan operates in a highly competitive global industry in which it is necessary to be a cost-effective producer of high-quality products in order to survive and succeed.

We have positioned ourselves as a low-cost producer through investing in state-of-the-art technology in our capital-intensive textile operations and through locating our labour-intensive sewing plants in strategically-located geographical regions.

At the same time, Gildan is committed to being a socially responsible employer in all of our geographical hubs. Our objective is to continue to have modern, well-equipped facilities and to be progressive in our hiring and employment practices.

We have a stringent internal Code of Conduct which must be followed in all of our global operations. In order for management to ensure that it is aware of instances where our plants, or those of our external sewing contractors, may not be complying with local labour laws or the Gildan Code of Conduct, we support operating management with internal and external monitoring. We are also retaining Verité, an internationally respected training and monitoring organization, to conduct training and independent monitoring of selected Gildan facilities.

Moreover, all of our Honduras sewing plants and one of our Mexican sewing plants have been certified by Worldwide Responsible Apparel Production and, in 2004, we became the only apparel manufacturer with operations in Honduras to join the Fair Labor Association as a Participating Company.

While continuing to ensure proper monitoring of workplace practices in our manufacturing operations, we remain actively engaged as a positive force in all of the communities in which we operate. We have increased our budget for charitable donations as well as for social development and disaster relief programs. Some of our initiatives in this area are outlined in this report. Also, in fiscal 2004, Gildan obtained the Oeko-tex Standard 100 certification, the most internationally recognized eco-label designation in the textile supply chain.

In addition to achieving the financial goals which we have set for ourselves and our shareholders, we are equally committed to being a leader in corporate citizenship. In this, our first Corporate Citizenship Report, you will see a summary of our actions in this area during fiscal 2004 and our goals for fiscal 2005. While there is always opportunity for further improvement, we are proud of the way we manage our facilities and contribute to local communities. As we continue to improve, we hope to achieve the same type of recognition of our performance in corporate responsibility that we have gained for our operating performance and financial success.



A handwritten signature in black ink, appearing to read 'Glenn J. Chamandy'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Glenn J. Chamandy
President and CEO, Gildan Activewear Inc.

labour

Codes of Conduct

In 2004, we continued to apply the principles and standards of the International Labour Organization and our own internal Code of Conduct, which govern our actions in all countries where we do business. The Code specifies guidelines pertaining to hours of work, compensation and benefits, health and safety, environmental practices, harassment and abuse, non-discrimination, freedom of association, the prohibition of forced labour and the employment of children. Training on the Code was provided to our employees and managers upon hiring.

WRAP

In addition to our own Code of Conduct, we continued to work on maintaining and renewing our Worldwide Responsible Apparel Production (WRAP) certifications and to further implement its standards in our Honduran sewing facilities as well as in our largest plant in Mexico, which have been certified by WRAP.

Fair Labor Association

Another step in furthering Gildan's social responsibility commitment was taken when we became a Participating Company in the Fair Labor Association (FLA). The FLA is a Washington DC-based non-profit organization whose goal is to promote adherence to international labour standards and improve working conditions. It represents a multi-stakeholder coalition of companies, universities and non-governmental organizations (NGOs) committed to a rigorous code of conduct.

An audit undertaken by the FLA in the Spring of 2004 revealed issues at our sewing facility in El Progreso, Honduras, including issues with regard to freedom of association. The Company took these issues very seriously and immediately began to undertake a series of remedial measures to address the FLA's recommendations. On July 27, 2004, after we announced our intention to close our El Progreso plant (see box), Gildan's Participating Company status in the FLA was placed under special review.



Bessy Valle is a Planning Supervisor in the knitting division of Gildan's Rio Nance, Honduras textile plant. She has been with the Company for almost two years. Bessy is a high school graduate and she is planning to go to college to study industrial relations.

We continued to implement our remediation actions at all of our Honduran facilities, and to comply with the six conditions for re-instatement set by the FLA Board on October 26, 2004. Gildan's status as a Participating Company in good standing in the FLA was re-established on December 10, 2004. More details on this process can be found on the FLA website at www.fairlabor.org.

El Progreso closure

The El Progreso, Honduras, sewing facility was closed at the end of September 2004. Although we closed the facility for economic and operational reasons, in order to optimize our overall product-flow and competitive cost structure, the timing of the announcement of the closure, during an FLA audit, was in retrospect unfortunate. Gildan has expressed regret for any unintended disrespect towards the FLA resulting from the timing of the closure.

In order to facilitate the transition for our El Progreso employees, we ensured that the facility was closed in an orderly fashion, that all wages and benefits were paid to affected workers in a satisfactory manner, and that a full range of counseling services, such as a local employment office and medical clinic, were provided to assist them. The severance packages and other measures taken by Gildan for the laid-off workers went beyond what is required by local law and, in some cases, set a precedent in Honduran labour practices. Since the closure, approximately 400 workers have visited the medical clinic and more than 600 have benefited from the services of the employment office. 240 (or 39%) of these employees found jobs at other locations.

A main lesson for Gildan from the El Progreso FLA audit was the importance of supporting operating management with internal and external monitoring, to ensure that our plants and those of our sewing contractors are fully compliant with both the Gildan and FLA Codes of Conduct. To this end, we are retaining Verité, a respected international training and monitoring organization which carried out freedom of association training in our Honduran facilities as one of the six FLA conditions for re-instatement, to help us structure and develop our internal training and monitoring function. Verité will also carry out third party audits on our behalf.

A second main benefit resulting from the process of complying with the FLA conditions for re-instatement was that this process led to the initiation of a constructive dialogue with NGOs in both North America as well as Central America. We believe that positive two-way communication with NGOs will result in a better mutual understanding and discussion of issues.

Education

Gildan makes significant efforts to meet the needs of our workers. A good example of this can be found in our Honduran sewing facilities, where, through Educatodos, a program in partnership with the Honduran Ministry of Education and the United States Agency for International Development (USAID), we provide 6th, 7th and 8th grade classes to improve the literacy level of our employees. Started in April 2003, this program graduated 41 students in its first year and led to the enrollment of 97 more students the following year.



A day at work — Knitting Operator Alberto Fuentes Luna at Gildan's Rio Nance, Honduras facility.



Medical support
Disaster relief
Children's charities
Education



community relations

In all locations where Gildan operates facilities, our goal is to develop close ties to the neighbouring communities. Our specific initiatives depend on the local situation and on the unique needs of each community. In recent years, our actions have mostly centered around humanitarian aid and education, as well as issues related to children and women.

Medical support

In 2004, Gildan collaborated with the Montreal Neurological Institute to organize and pay for the shipping of 60 beds, 10 night tables and a variety of medical equipment to the El Progreso Hospital in Honduras. This is the only hospital in this community of more than 150,000 people and this donation increased its capacity from 90 to 150 beds.

When Giovanni Enrique Lindo Madrid, a 31-year-old quality and process auditor at our sewing plant in San Jose, Honduras, and father of five, suffered a heart attack this past spring, Gildan supported an employee-led initiative to raise the funds necessary for surgery at a private hospital. The surgery was a success and Giovanni is now back at work and has expressed his gratitude for the support he received from his colleagues and the Company.

Disaster relief

As a result of torrential rains that fell on the island of Haiti and the Dominican Republic in May 2004, the homes and belongings of thousands of residents were washed away. Gildan responded immediately by delivering 7,000 shirts to Haitian victims of the storm, and another 7,000 shirts to those in the Dominican Republic. A few months later, when Hurricane Jeanne hit Haiti's Gonaives region, Gildan provided a \$15,000 donation to the Canadian Red Cross, which helped in the creation of an emergency hospital as well as the repair of the region's permanent hospital.

Children's charities

Gildan provides donations to a variety of children's charities and organizations around the world. In Honduras, for example, Gildan sponsors the Sampedrana Foundation for children, an organization that rescues children living on the street. In Mexico, we make donations to institutions such as local schools and the Foundation for Childcares.

In 2004, Gildan donated \$25,000 to UNICEF, earmarked for children and their families affected by civil unrest in Haiti. In addition, food baskets were sent to families of employees who were affected by the shortages caused by the country-wide economic disruption.

Education

In addition to providing elementary educational programs at our facilities in Honduras, Gildan offers one annual scholarship at INCAE University in Costa Rica, an institution affiliated with the Harvard Business School. This project gives more Honduran students a chance to gain access to higher education.

Women's issues

Since the majority of our employees are women, improving their quality of life in the communities where we operate is a priority. In Honduras, for example, we are working with grassroots organizations to develop and support an anti-violence campaign throughout the country.



Doctor Alexis Reyes and Nurse Rosibel Cárcamo at the medical clinic of our Rio Nance textile facility in Honduras



← Ethelvina Perez and her two-year old daughter Madelin Paola outside the house they share with Ethelvina's sister, Ana Maria Paz, both employees at Gildan's San Jose, Honduras sewing facility. The house was built with the support of Gildan, following Hurricane Mitch. Ethelvina has been with Gildan for one year while Ana Maria has been with the Company for almost seven years.

In April 2004, Gildan became the first manufacturer in its industry to obtain the Oeko-tex Standard 100 certification, the most internationally recognized eco-label designation in the textile supply chain.



48%

reduction in water consumption

160 to 56

Reduction from 160 chemicals and dyes to 56 biodegradable substances

reduction in effluent loads

48%

environment

Gildan has taken a leadership role in adopting sustainable environmental practices in the textile and apparel manufacturing industry. In January 2003, we adopted a corporate environmental policy containing the key principles that guide our management of environmental issues.

Gildan is one of few companies in our industry to have defined strict requirements for the supply of all chemicals, dyes and materials used in production. Such supplies are selected and monitored to ensure that they have been approved for use by the appropriate regulatory authorities, and that they present no adverse effects to health or the environment. In addition, production processes are controlled to ensure reduced energy and water consumption and to minimize effluent discharge.

The review of Gildan's production processes to minimize impacts on the environment has yielded the following results over a three-year period:

- 48% reduction in water consumption
- 48% reduction in effluent loads
- 20% reduction in solid waste
- Reduction from 18 suppliers to 10 eco-friendly chemical suppliers, thereby increasing purchasing power and reducing production costs while benefiting the environment
- Reduction from 160 chemicals and dyes to 56 biodegradable substances

In April 2004, these efforts made Gildan the first manufacturer in its industry to obtain the Oeko-tex Standard 100 certification, the most internationally recognized eco-label designation in the textile supply chain. A rigorous process comprising over 100 individual tests is required to achieve the standard. It ensures that the production process and the textiles themselves pose no risk to the human body through skin contact, ingestion or inhalation, thereby offering consumers maximum confidence in terms of health and environmental implications when buying textiles.

Among the environmentally friendly initiatives launched by Gildan is the creation of a biological and high-efficiency wastewater treatment system at our Rio Nance, Honduras, textile facility. This system, which is our model for future similar installations, does not require any chemicals or any major infrastructure. The wastewater simply flows from the facility through a series of lagoons where pH is naturally stabilized, using bacteria to ensure chemical degradation and the removal of particles. The treated water subsequently collects in the lagoons. Several species of birds and fish have been spotted in these lagoons and local farmers use the water to irrigate crops.



action plan 2005

labour

Actions in 2005

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|------------------------|--|
| Codes, certification | <ul style="list-style-type: none"> → Expand and implement labour practices code and guidelines by integrating Gildan, FLA and WRAP codes. → Expand and implement procurement code and guidelines for external sewing contractors. → Expand WRAP certification to all sewing facilities. |
| Training | <ul style="list-style-type: none"> → Conduct labour code training in our facilities. → Evaluate training effectiveness. |
| Management team | <ul style="list-style-type: none"> → Recruit senior manager to head the Corporate Responsibility function and oversee internal monitoring process as well as relationships with NGOs. |
| Monitoring team | <ul style="list-style-type: none"> → Structure internal compliance function and train compliance team in all geographical hubs. |
| Monitoring program | <ul style="list-style-type: none"> → Conduct internal monitoring of our facilities. → Conduct annual independent third party audits of our facilities. |
| Corrective actions | <ul style="list-style-type: none"> → Develop and implement corrective action plans as required. |
| NGO engagement program | <ul style="list-style-type: none"> → Place strong emphasis on building on initial constructive dialogue with North American and Central American NGOs. |
| Communications | <ul style="list-style-type: none"> → Publish regular website updates, communicate directly with NGOs and other interested parties and publish 2005 Corporate Citizenship Report. |

community relations

Actions in 2005

- | | |
|-------------------------------|--|
| Community involvement program | <ul style="list-style-type: none"> → Implement new and expanded donations policy focusing on youth and education in communities where we have operations. → Continue to develop existing on-site schooling program for our facilities. |
| Communications | <ul style="list-style-type: none"> → Publish regular website updates, communicate directly with NGOs and other interested parties and publish 2005 Corporate Citizenship Report. |

environment

Actions in 2005

- | | |
|----------------|--|
| Policy | <ul style="list-style-type: none"> → Post environmental policy in all facilities. |
| Certification | <ul style="list-style-type: none"> → Renew Oeko-tex certification. → Conduct pre-audit for ISO 14001/OHSAS 18001 certification. → Conduct environmental awareness training program. |
| Communications | <ul style="list-style-type: none"> → Publish regular website updates, communicate directly with NGOs and other interested parties and publish 2005 Corporate Citizenship Report. |



The winning team, Juventus, of our San Jose sewing plant:

First Line From Left to Right: Sigifredo Flores, Margarito Gutierrez, Fausto Valle, Manuel Gomez, Wilmer Mendoza and Douglas Burgos.

Second Line (Standing) From Left to Right: Wesly Ardón, Manuel Blanco, Héctor Gámez, Farid Figueroa, Nelson Mendoza, Ángel Castañeda, Fernando Castañeda and Enrique Fajardo. Goalkeeper (Red T-shirt): Jose Adonias Ulloa

Over 1,200 Gildan employees in Honduras enjoyed an unforgettable soccer match at the Francisco Morazán Stadium in San Pedro Sula in December. The final game of the tournament was disputed between teams from our San Miguel and San Jose sewing plants. Victory was the result of a deciding penalty shot scored by the San Jose team.



For more information on Gildan and our commitment to socially responsible business practices, please do not hesitate to contact us.

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