



**Gildan Activewear Inc.**

**Responsible Production and Sourcing Policy**  
COR-SCL-001 / Rev. 2 / April 4, 2022

**CONFIDENTIAL**

The online version of this document is the official version.  
Any hardcopy is uncontrolled unless stamped as controlled copy.



## Table of Contents

1. Purpose and Scope of this Policy .....	3
2. Summary of Responsibilities .....	3
3. Production Planning.....	4
4. Contractor Selection .....	4
5. Materials Purchase .....	5
6. Training.....	6
7. Additional Policies.....	6
8. Questions and/or Concerns .....	6

## 1. Purpose and Scope of this Policy

**1.1** Gildan is committed to operating responsibly and sustainably, and this commitment is an integral part of our business strategy. This Policy establishes guidelines for responsible production planning practices to ensure that the sourcing, purchase of materials and manufacturing services of products across all brands, are aligned with our [Code of Conduct](#).

Sourcing teams are encouraged to promote long-term relations with contractors that show high adherence to Gildan's Code of Conduct.

**1.2** The scope of this policy includes all Gildan manufacturing facilities, Tier 1 contractors and their suppliers globally, when applicable.

**1.3** This Policy and associated procedures will be reviewed at least every two years to ensure they remain effective and up to date. If urgent issues / updates impact this Policy, these will be reviewed immediately.

## 2. Summary of Responsibilities

**2.1** The following areas and activities play a key strategic role in the responsible implementation of this Policy:

### 2.1.1 Sourcing

Ensures that the manufacturing practices, financial health, product development of third-party suppliers and corresponding order assignments are aligned with Gildan's Code of Conduct, as well as local and international regulations.

### 2.1.2 Capacity Planning

This process covers the development and management of the annual capacity plan as well as quarterly reviews and monthly operating plans to align production capacity with our sales volume. Further, it provides adequate timing for the operations to comply with customer requirements in quality, quantity, on time delivery and cost, while at the same time, guaranteeing respect for workplace standards established in Gildan's Code of Conduct, as well as local and international regulations.

### 2.1.3 Materials Procurement

Ensures the supply of materials for Gildan-owned facilities and contractors' sewing operations. Manages optimal inventory levels according to commercial agreements with suppliers.

### 2.1.4 Due Diligence

Investigates and assesses risks through due diligence procedures to ensure that commercial relations with third parties do not contravene with the laws or regulations applicable to Gildan standards, including Gildan's Code of Conduct, as well as local and international regulations.

- 2.2 In addition, to ensuring supplier awareness of and commitment to workplace standards, Gildan requires all suppliers (contractors) to sign its legally binding vendor agreement prior to receiving orders. The agreement is an extensive document that outlines all terms and conditions when producing Gildan products and includes expectations, processes, procedures, and helpful guidance for contractors. The vendor agreement also includes Gildan's Code of Conduct and [Code of Ethics](#), expectations on assessments and remediation, other assessments suppliers may be subject to, like Fair Labor Association assessments, and additional policies on unauthorized subcontracting, bribery, counterfeiting, anti-corruption, anti-fraud, among others. Contract facilities for newly acquired brands sign the agreement in accordance with the timelines established through Gildan's onboarding process, during which brands integrate into Gildan standards, procedures, and operations.

### 3. Production Planning

- 3.1 The initial **Production Plan** is generated on an annual basis during our budget process to ensure we balance the demand requirements with our total manufacturing capacities (considering our internal and contracted capacity). There are subsequent quarterly demand forecasts that provide the base for the quarterly production plan updates and the monthly operating plans. The monthly operating plan provides the ability to reflect smaller variations required to our sales or manufacturing activities; this plan is then executed on a weekly cycle through the production scheduling process. The weekly cycle is the base information for the continuous production monitoring and KPIs that are in place to maintain the flow throughout our supply chain, track our performance and guarantee our finished goods delivery.
- 3.2 The production plans are completed with the evaluation and feedback of the respective factories. If the conditions for completing the production plan with internal capacity are not viable, the operations and manufacturing team will contract external capacity from contractor facilities.
- 3.3 The Capacity Planning team monitors the production and capabilities of the facilities. When changes in the Production Plan arise, such as additions, reductions, or others, balancing is made in the quantities of dozens among the facilities and is reflected in a revised *Production Plan*. The possible impact on workdays and/or staff reductions is always considered to properly balance the plan. In addition, when force majeure events occur (i.e. pandemics, natural disasters), we work on mitigating actual / potential negative impacts on our employees' lives and working conditions.

### 4. Contractor Selection

Prior to sourcing from a third-party contractor facility, Gildan conducts various investigations and assessments to review the contractor's history, including reputation and any past instances of non-compliance with laws and regulations, workplace policies and standards, quality control, and cost efficiency; all of which support Gildan's sourcing decision process. For workplace policies and standards, Gildan requires a profile and self-assessment from every new facility, and then conducts a full audit of the facility. Gildan evaluates new third-party contractor facilities in the same manner as existing facilities and the facility receives a color rating after

the audit. If the facility receives a green, yellow, or orange rating, the facility is approved for production. Gildan does not approve facilities that receive a red or black rating. For more information on our audit rating system, please refer to p.6 of our [Social & Sustainable Compliance Guidebook](#).

- 4.1 The selection of contractors includes a Due Diligence process to ensure that the established business relationships will comply with Gildan policies, standards and applicable laws and regulations.
- 4.2 During the Due Diligence process, the legal, financial, social responsibility, environment, operational and quality aspects are evaluated by a representative of each area.
- 4.3 Simultaneous to the Due Diligence process, the operations department continues with negotiations and evaluates the contractor's production growth in order to comply with the production volumes required by Gildan.
- 4.4 For the approved contractor, the following activities need to be completed: contract signing, creating and enabling system access (Branch Plant), contractor's staff induction, material delivery coordination & product information to manufacture the garments and respective quality audits.
- 4.5 In accordance with the ***Due Diligence Guidelines***, prior to initiating the commercial relationship with a contractor or when a renewal is required, the contractor must sign written agreements or certifications where they commit to comply with Gildan policies and standards and commit to be audited as part of the process of ensuring that they remain in compliance to its declarations and commitments. When applicable, Gildan can terminate any commercial relationship as a result of violations to laws or regulations related to its operation and/or the standards agreed with Gildan.

## 5. Materials Purchase

- 5.1 Based on the ***Production Plan*** for owned facilities and third-party contractors, Gildan conducts the raw materials planning to ensure the timely execution of the production plans. The requirements are provided to the vendors for supply readiness. Gildan respects the commercial agreements with its vendors. In addition, as established in the Policy's scope, the guidelines for responsible production planning and practices ensure that the purchase of materials across all brands are aligned with our Code of Conduct.
- 5.2 The supply of materials to contractor facilities is executed according to the stipulated contract.

## 6. Training

Annual mandatory training of this Policy, as well as with respect to current human and labor rights for our different teams (sourcing, capacity planning, operations, procurement, due diligence, and senior management) is required throughout our supply chain. The training will be led by the Corporate Citizenship Team.

In addition, the following trainings are provided to our third-party contractors, at least once a year: Responsible Purchasing Practices, Code of Conduct, Social & Sustainable Compliance Guidebook, Facility Rating Program, and other topics as needed.

## 7. Additional Policies

For more information on our workplace standards and guidelines, you may review the following:

- [Code of Conduct](#)
- [Code of Ethics](#)
- [Social & Sustainable Compliance Guidebook](#)

## 8. Questions and/or Concerns

If you have any questions regarding this Policy, please contact us at: [cc@gildan.com](mailto:cc@gildan.com)

In addition, you may contact us through our different communication channels referenced in our [Whistleblowing Policy](#).