

2022 CLIMATE CHANGE DISCLOSURE REPORT





FORWARD-LOOKING INFORMATION

Certain statements included in this report constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities legislation and regulations, and are subject to important risks, uncertainties, and assumptions. This forward-looking information includes, amongst others, information related to the Company's objectives and the strategies to achieve these objectives, as well as information with respect to the Company's beliefs, plans, expectations, anticipations, estimates, and intentions, including, without limitation, the Company's future plans and operations in relation to climate change, as well as the Company's Next Generation Environmental, Social, and Governance (ESG) strategy and ESG targets, and other statements that are not historical facts. Forward-looking statements can be generally identified by the use of conditional or forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "project," "assume," "anticipate," "plan," "foresee," "believe," or "continue," or the negatives of these terms, variations of them, or similar terminology. There can be no assurance that the expectations represented by our forward-looking statements will prove to be correct. Forward-looking information or statements included in this report are provided to inform readers about management's assessment of Gildan's future plans and operations in relation to climate change and the Company's Next Generation ESG strategy and ESG targets, and to assist readers in obtaining a better understanding of the Company's anticipated operating environment. Forward-looking information or statements included in this report may not be appropriate for other purposes. By their nature, such statements are subject to significant risks, assumptions, and uncertainties, which could cause Gildan's actual results and experience to be materially different from the anticipated results. Amongst others, these risks and uncertainties include those related to climate, political, social, and economic impacts in the countries where we operate, that we sell to, or from which we source production; disruptions to manufacturing and distribution activities due to such factors as operational issues; disruptions in transportation logistic functions; labour shortages; political or social instability; natural disasters and other weather-related events; epidemics and pandemics; impacts specifically related to the COVID-19 pandemic on our business and financial results; negative publicity as a result of actual, alleged, or perceived violations of human rights, labour and environmental laws, international labour standards, or unethical labour or other business practices; and other unforeseen adverse events. We refer you to the Company's filings with the Canadian securities' regulatory authorities and the U.S. Securities and Exchange Commission, as well as the risks described under the "Financial risk management," "Critical accounting estimates and judgments," and "Risks and uncertainties" sections of our Annual Report for the year ended January 2, 2022 and our most recent Management's Discussion and Analysis for a discussion of such risks, assumptions, and uncertainties that could cause Gildan's actual results and experience to be materially different from the anticipated results.

In addition, the Company has made certain assumptions in preparing the forward-looking statements contained in this report. These assumptions include, without limitation, the assumptions set forth below as well as those described in the Company's Annual Report for the year ended January 2, 2022, and most recent Management's Discussion and

Analysis. If those assumptions or the assumptions set out below turn out to be inaccurate, actual results or events could be materially different from what the Company expects. In particular, the Company's ability to achieve its climate targets, commitments, and goals is further subject to, among others, the Company's ability to access and implement all technologies, processes, and methods necessary to achieve its targets, commitments, and goals, the Company's ability to leverage its supply chain and vertically integrated business model and to source sustainable raw materials, as well as the development and performance of innovative technologies and the future use and deployment of such technologies and associated expected future results, sufficient collaboration with the Company's partners and suppliers in reducing their own GHG emissions; and environmental policy, legislation, and regulation, as well as other factors identified in this report. The precise nature of future binding or non-binding legislation, regulation, standards, and accords cannot be predicted with any degree of certainty nor can their financial, operational, or other impact.

The information identified in this report does not include the impacts of any new corporate initiatives, business acquisitions or technologies that would materially increase the Company's anticipated levels of GHG emissions, any negative impact on the calculation of the Company's GHG emissions from refinements in or modifications to international standards or the methodology the Company uses for the calculation of such GHG emissions, or the impacts of any required changes to the Company's science-based target (SBT) pursuant to the Science Based Targets initiative¹ (SBTi) methodology that would make the achievement of its updated SBTs more onerous.

There can be no assurance of the extent to which any of our climate targets will be achieved or that any future investments that we make in furtherance of achieving our climate targets will produce the expected results or meet increasing stakeholder ESG expectations. Moreover, future events could lead Gildan to prioritize other nearer-term interests over progressing towards our current climate targets based on business strategy, economic, regulatory and social factors, business strategy or potential pressure from investors, activist groups or other stakeholders.

If we are unable to meet or properly report on our progress towards achieving our climate change targets and commitments, we could face adverse publicity and reactions from other investors, customers, advocacy groups, or other stakeholders, which could result in reputational harm or other adverse effects to the Company.

Readers are cautioned not to place undue reliance on any such forward-looking statements. The forward-looking statements contained in this report describe our expectations on December 21, 2022 and, accordingly, are subject to change after such date. The Company does not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations or any change in events, conditions, or circumstances on which any such statement is based, except as required by law. All the forward-looking statements contained in this report are expressly qualified by this cautionary statement.

¹At the time of publication, SBTi was validating Gildan's emission targets. Nevertheless, our targets are science-based as they are in line with the latest climate science deemed necessary to meet the goals of the Paris Agreement.



TABLE OF CONTENTS

ABOUT GILDAN

ABOUT THIS REPORT

LEADERSHIP MESSAGE

INTRODUCTION

EMISSION REDUCTION EFFORTS

NEXT GENERATION ESG STRATEGY AND TARGETS

GOVERNANCE

BOARD OVERSIGHT

MANAGEMENT OVERSIGHT

STRATEGY

ASSESSING OUR CLIMATE-RELATED OPPORTUNITIES AND RISKS

APPROACH TO SCENARIO ANALYSIS

SCENARIO ANALYSIS OUTCOMES: OPPORTUNITIES AND RISKS

EXISTING EFFORTS TO MAXIMIZE OPPORTUNITIES AND MITIGATE RISKS

BUSINESS STRATEGY RESILIENCE

RISK MANAGEMENT

TARGETS AND METRICS

CONCLUSION

APPENDIX

TCFD CONCORDANCE TABLE

This report brings together Gildan's disclosure in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) and it reflects the analysis conducted by Gildan in 2022. Gildan's 2022 Climate Change Disclosure Report is part of our 2022 reporting suite, which includes our 2021 Annual Report and 2021 ESG Report published earlier this year.

ABOUT GILDAN

Gildan is a leading manufacturer of everyday basic apparel that markets its products in North America, Europe, Asia Pacific, and Latin America, under a strong portfolio of Company-owned brands, including Gildan®, American Apparel®, Comfort Colors®, GOLDTOE®, Peds®, and under the Under Armour® brand through a sock licensing agreement for exclusive distribution in the United States and Canada. The Company's product offerings include activewear, underwear, and socks sold to wholesale imprintables distributors and national accounts which include large screenprinters or embellishers, retailers, and global lifestyle brand companies.

Gildan owns and operates vertically integrated, large-scale manufacturing facilities which are primarily located in Central America, the Caribbean, the United States, and Bangladesh. Gildan is committed to implementing best practices related to ESG throughout its supply chain in accordance with its comprehensive ESG program embedded in the Company's long-term business strategy. Gildan sells its products in 60+ markets globally and has approximately 50,000 employees.

More information about the Company and its ESG practices and initiatives can be found at [gildancorp.com](https://www.gildancorp.com).





ABOUT THIS REPORT

This is Gildan's first stand-alone Climate Change Disclosure Report. It is informed by, and structured in accordance with the four central pillars of the TCFD recommendations, which include:



Reference:
[Recommendations of the Task Force on Climate Related Financial Disclosures, \(2017\)](#)

This report describes:

GOVERNANCE

- Climate-related governance at Gildan from both the perspective of our Board of Directors (Board) and executive management team

STRATEGY

- How climate change scenarios may impact our business, as well as our strategy to mitigate potential impacts to help strengthen our resilience
- How we identify, assess, and manage climate-related opportunities, risks, and mitigation plans in accordance with our business strategy and long-term plan
- Our assessment of the resilience and sustainability of our climate strategy relative to four climate change scenarios using the latest scenario data from the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC)

RISK MANAGEMENT

- Our Enterprise Risk Management (ERM) process and how we consider climate-related opportunities and risks as part of our ERM process

TARGETS AND METRICS

- Describes our performance and progress in managing climate-related opportunities and risks

This Climate Change Disclosure Report incorporates data from 2021 and 2022² to provide readers with the most current information on how Gildan integrates climate-related matters into its business processes. We report only on assets we operate, unless otherwise indicated. All dollar figures are in U.S. dollars.

We value and welcome feedback from all stakeholders. Please send comments or questions about this report to: cc@gildan.com

²With respect to environmental data, progress related to targets and associated metrics, full-year data is not yet available and therefore not reflected in this report.



LEADERSHIP MESSAGE

Early in 2022, we announced our Next Generation ESG strategy which includes a commitment to meaningful advancements with respect to our actions against climate change alongside a transparent approach to disclosures. In this regard, we are pleased to introduce Gildan's first stand-alone Climate Change Disclosure Report which builds on the disclosures we have been incorporating in our annual sustainability report over the past few years.

We have been working to reduce our environmental impact for almost two decades, setting clearly defined targets and actively engaging with our communities, employees, suppliers, and other stakeholders. While pursuing our last two sets of environmental targets, we have come together as a company and made great strides. A few examples include advancing our biomass technologies, our heat recovery systems, and waste reduction efforts. With the launch of our third set of targets through our Next Generation ESG strategy, we are aiming to reduce our Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 30% by 2030 against a 2018 baseline. Aligned with SBTi,³ this target will help focus our efforts as we collectively work to reduce our emissions over the coming years.

In this report, you will find our progress against our commitment to fully align to the TCFD by 2025. We are providing disclosure of the organization's governance around climate-related opportunities and risks, the actual

and potential impacts of climate-related opportunities and risks, the processes used to identify, assess, and manage climate-related risks, and the climate-related metrics and targets that we announced in the first quarter of 2022.⁴

While we have taken steps to address the risks we may face, the impacts of climate change may intensify, and we recognize that we must continually update our risk assessments and climate strategy. Like any other business risk, it is essential that we strengthen our understanding and challenge our assumptions. To this end, in 2022, we conducted a quantitative climate modeling across our business based on four plausible future states, ranging from an average global temperature rise of below 1.5°C to below 4°C by the end of the century. Our analysis covered transitional risk topics such as decreasing our reliance on fossil fuels, technology advancements, policy acceleration, market dynamics, and consumer behaviours, as well as physical risks related to severe weather patterns and rising sea levels among other factors.

The results of this year's scenario analysis helped to further expand our thinking on both potential opportunities we may be able to leverage and risks we may face by proactively responding to climate change through mitigation and adaptation. We have improved our understanding of where we have resiliency within our supply chain and areas where we need to continue to improve on to better position

ourselves as we move forward with our Next Generation ESG strategy. We will use the insights gained from our analysis this year to build and enhance our efforts in reducing our emissions and support the Gildan Sustainable Growth strategy.

Science is showing that climate change is impacting the world around us and, as one of the world's leading apparel manufacturers, we recognize that the actions we take matter in reducing our carbon footprint. Our commitment to our Next Generation ESG strategy and targets starts at the top with our Board of Directors and our executive management team. In this regard, our executive management team is held accountable through the linkage of a portion of executive compensation to our ESG targets. We have taken a similar approach with our financial strategy by converting our \$1 billion credit facility to a sustainability-linked loan, which links our financing costs to specific ESG targets which include our Scope 1 and Scope 2 GHG emissions reduction target.

As we move ahead, we are committed to deepening our understanding of the financial impacts of climate change on our business and driving the implementation of the TCFD recommendations throughout our organization. With this report, we hope to further our engagement with our investors, governments, communities, and others to help us in addressing important climate issues and in enhancing our climate change disclosures over time. As we leverage the

lessons from our past and prepare for the future, we are confident that Gildan is on a solid path to provide long-term sustainable value for all our stakeholders.

Peter Iliopoulos
Senior Vice-President, Taxation, Sustainability,
and Governmental Affairs

Claudia Sandoval
Vice-President, Global Social Compliance
and Environmental Affairs

³ At the time of publication, SBTi was validating Gildan's emission targets. Nevertheless, our targets are science-based as they are in line with the latest climate science deemed necessary to meet the goals of the Paris Agreement.

⁴ See "Gildan Reveals its Next Generation ESG Strategy and Future Targets", January 17, 2022.



INTRODUCTION

While this is our first stand-alone Climate Change Disclosure Report, Gildan has been monitoring and addressing climate-related opportunities and risks, as well as disclosing climate-related Key Performance Indicators (KPIs) for over 15 years. Here, we share our journey, highlighting key milestones – from our first sustainability report to our Next Generation ESG strategy and targets announced in early 2022, which holistically integrates ESG into our business, including our new science-based emissions reduction target, among other targets.

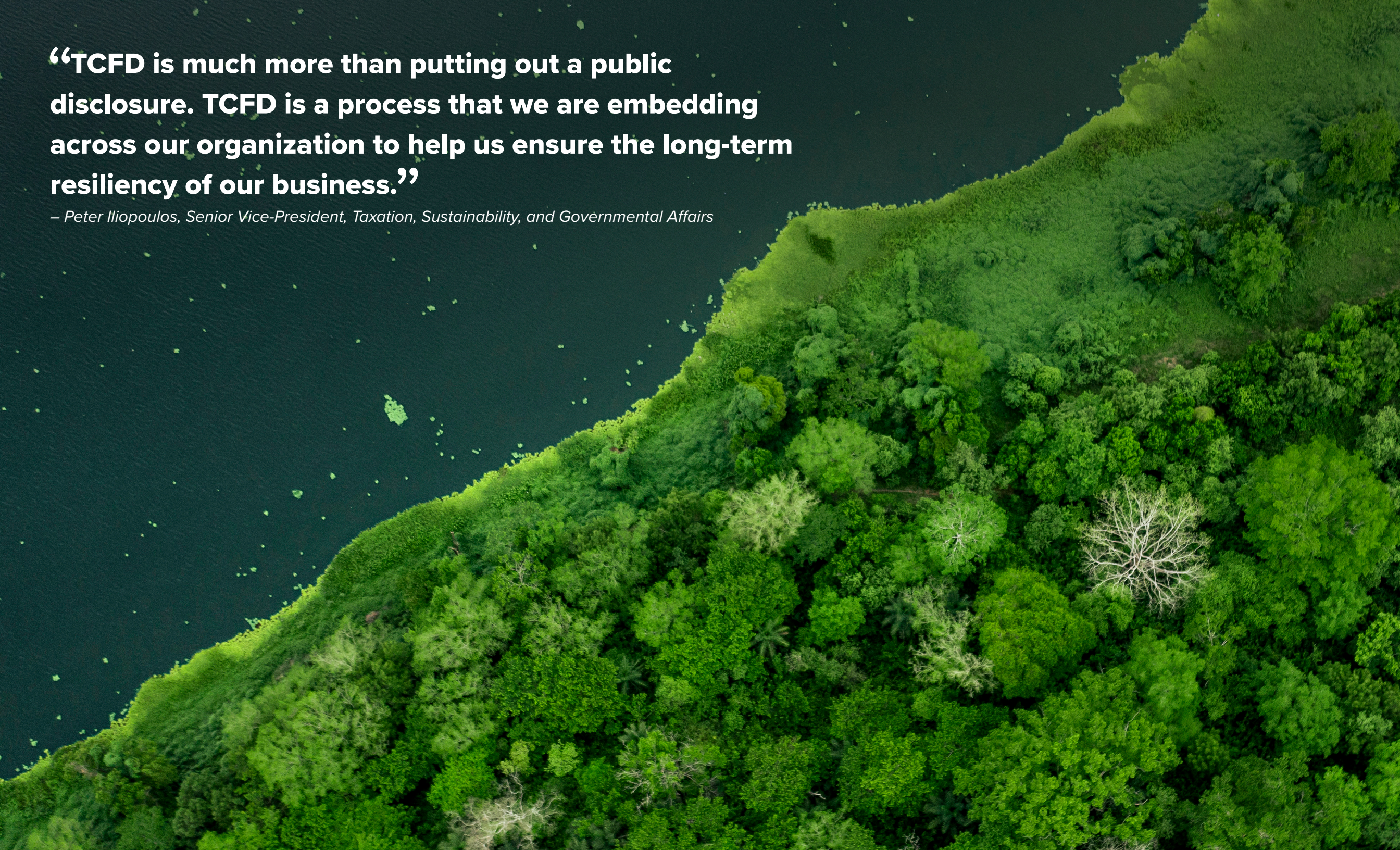
As the next page illustrates, Gildan published its first set of disclosures focused on climate-related opportunities and risks in our 2020 ESG Report, thus beginning our journey towards full alignment with the TCFD recommendations. We took another step this year by expanding our climate scenarios work with quantitative climate modelling across our business.

As we move ahead, we are committed to deepening our understanding of both the business and financial impacts of climate change and enhancing the implementation of the TCFD recommendations over time. For an overview of our progress towards alignment with the TCFD recommendations, see our concordance table on [page 27](#).

SECTIONS

EMISSION REDUCTION EFFORTS

NEXT GENERATION ESG STRATEGY AND TARGETS

An aerial photograph showing a dense, vibrant green forest covering a steep hillside. The forest is adjacent to a dark blue body of water, likely a lake or a wide river. The water's surface is dark with some lighter patches, possibly lily pads or reflections. The forest is thick and covers the entire visible slope of the hill. The overall scene is a natural, lush landscape.

“TCFD is much more than putting out a public disclosure. TCFD is a process that we are embedding across our organization to help us ensure the long-term resiliency of our business.”

– Peter Iliopoulos, Senior Vice-President, Taxation, Sustainability, and Governmental Affairs

“When we first set up our operations, we did so with environmental and social impact in mind and how we can achieve a win-win from both a cost and sustainability perspective.”

— Claudia Sandoval, Vice-President, Global Social Compliance and Environmental Affairs



EMISSION REDUCTION EFFORTS

Gildan has been reducing GHG emissions for many years, and has always been committed to transparency, ensuring alignment with emerging disclosure frameworks and standards.

2001

Begins operations of its proprietary Biotop system in Honduras, which treats wastewater effluent primarily by using sunlight, gravity, and bacteria before releasing it back into the environment

2003

Launches its Environmental Policy⁵ and Environmental Code of Practice to reinforce the importance of operating responsibly and reducing impacts on the environment

2004

Begins operations of its proprietary Biotop system in the Dominican Republic

Publishes its first Corporate Citizenship report

2006

Starts measuring, collecting data, and reporting on its GHG emissions in its annual Corporate Citizenship report

2007

Launches its Environmental Management System

2008

Begins reporting following the Global Reporting Initiative (GRI), which is a sustainability framework, and also starts disclosing to CDP

2009

Conducts its first Life Cycle Assessment (LCA) to better understand the impacts of its supply chain

2010

Launches its biomass steam generation facility to incorporate biomass as a low-carbon substitute for fossil fuels in Honduras and the Dominican Republic

Develops its first ESG database to track and measure results to optimize environmental performance

2011

Begins tracking its water consumption

2012

Sets and publicly discloses its first five-year environmental targets

2013

Is included in the Dow Jones Sustainability Index (DJSI) for the first time

2014

Conducts its first materiality assessment to identify and prioritize the most relevant ESG topics for Gildan

2015

Sets and publicly discloses its second set of environmental targets

2016

Obtains third-party limited assurance for its Scope 1 and 2 GHG emissions, a practice we continue today

2017

Further reinforces its ESG commitments by aligning them with the UN Sustainable Development Goals (SDGs)

2018

Starts to track certain Scope 3 GHG emissions, including employee commuting and business travel⁶

Implements an Energy Management Information System (EMIS) in Honduras

2019

Joins the leadership band in CDP's scores for corporate transparency and action on climate change

2021

Becomes a member of the U.S. Cotton Trust Protocol, reinforcing Gildan's commitment to source and use sustainably grown cotton

Conducts its first TCFD evaluation and publishes its first set of disclosures focused on climate-related opportunities and risks (see 2020 ESG Report)

Conducts its latest materiality assessment to identify and prioritize the most relevant ESG topics for Gildan

2022

Launches its Next Generation ESG strategy,⁷ which includes its third set of environmental targets including a science-based emission reduction target in accordance with the goals of the Paris Agreement

Begins development of its supply chain engagement program to estimate its suppliers' Scope 3 GHG emissions and, over time, which will allow for a reduction in emissions across its supply chain

Amends its \$1 billion revolving credit facility, incorporating sustainability-linked terms into the loan agreement. With this, Gildan becomes the first Canadian apparel manufacturing company to tie financing costs to achieving its ESG targets

Includes ESG goals in the Company's short-term incentive program

Enhances alignment and builds off its initial TCFD evaluation and publishes Gildan's first stand-alone Climate Change Disclosure Report

⁵In 2019, Gildan updated the name of its Environmental Policy to the "Global Environmental and Energy Policy."

⁶Since 2018, we have expanded reporting on Scope 3 GHG emissions. Our most recent 2021 ESG Report includes the following Scope 3 GHG categories: employee commuting, business travel, landfill waste management, transportation, and distribution.

⁷Our Next Generation ESG strategy includes 10 public targets focused on the following core pillars: Climate, Energy, and Water; Circularity; Human Capital Management; Long-Term Value Creation; and ESG Transparency and Disclosure. For more information, visit our [website](#).



NEXT GENERATION ESG STRATEGY AND TARGETS

In 2020, Gildan commenced work to complete a detailed materiality assessment to update our ESG strategy, push our sustainability approach further, and focus on new technologies and advances in the industry. This assessment, which was completed in early 2021, identified 12 high-priority areas in five broad categories, which you can find on the right. Our assessment also supported the development of our Next Generation ESG strategy and targets, which commit to making meaningful advancements by 2030 in each of these five categories. For more information on our full set of targets, visit our [website](#).

While sustainability has always been integrated into our business planning, our new strategy allowed Gildan to take an important step towards a low-carbon future by committing to science-based emissions reduction targets, which you can find below.

We plan to attain our climate targets by continuing to increase energy efficiency across our operations, investing in renewable energy, and further reducing our reliance on fossil fuels. At the same time, we plan to further invest in water efficiency, reusing and recycling systems, reduce waste in our manufacturing process, and increase circularity in the manufacturing and packaging of our products.

CLIMATE, ENERGY, WATER, AND CIRCULARITY TARGETS⁸

- In alignment with the SBTi,⁹ reduce Scope 1 and Scope 2 GHG emissions by 30% by 2030 (compared to a 2018 baseline)
- Reduce water intensity by 20% by 2030 (compared to a 2018 baseline)
- Source 100% sustainable cotton by 2025
- Achieve zero manufacturing waste by 2027
- Source 30% recycled polyester or alternative fibre yarns by 2027
- Use 75% recycled and sustainable packaging and trims¹⁰ by 2027

AREAS OF FOCUS

CLIMATE, ENERGY, AND WATER
 Climate change and energy
 Water

CIRCULARITY
 Sustainable raw materials
 Operational waste management
 Sustainable supply chain

HUMAN CAPITAL MANAGEMENT
 Human rights and ethical labour
 Health and safety
 Diversity, equity, and inclusion

LONG-TERM VALUE CREATION
 Community investment
 Economic empowerment

TRANSPARENCY AND DISCLOSURE
 ESG transparency and disclosure
 ESG marketing and communications

⁸ This Climate Change Disclosure Report contains certain forward-looking statements that are based on Gildan's current expectations, estimates, projections, and assumptions that were made by Gildan in light of its experience and its perception of historical trends. Results indicated in forward-looking statements may differ materially from the actual results. Please refer to the cautionary statement on page 2 of this report for further explanation.

⁹ At the time of publication, SBTi was validating Gildan's emission targets. Nevertheless, our targets are science-based as they are in line with the latest climate science deemed necessary to meet the goals of the Paris Agreement.

¹⁰ Packaging and trim materials are defined as Stock Keeping Units (SKUs) of packaging and trims (which include carton, polyester, paper, and cotton-poly trims) specific to apparel SKUs and contain recycled materials and/or have a relevant sustainability certification.



GOVERNANCE

Operating in a responsible, ethical, and transparent manner is at the core of Gildan's business strategy, and it has long been a key element of our success.

We are a vertically integrated manufacturer in the apparel industry, which means that the vast majority of our products are produced in our Company-owned and operated facilities. This gives us the advantage of exercising direct control over how we operate and a greater ability to prioritize climate-related actions across our operations.

SECTIONS

BOARD OVERSIGHT

MANAGEMENT OVERSIGHT

BOARD OVERSIGHT

Gildan's ESG leadership begins at the top, starting with our Board of Directors, who approved the Company's Next Generation ESG strategy and targets in 2021, which are described in further detail on [page 10](#) of this report.

The responsibilities of the Board of Directors, as per its mandate, include:

- Approving Gildan's long-term strategic plan
- Taking into account, amongst other matters, business opportunities and risks
- Approving Gildan's annual business plan including annual operating and capital budgets
- Monitoring Gildan's performance against its long-term strategic and annual plans, including monitoring against its annual operating and capital budgets

Our Board of Directors provides overall risk oversight based on Gildan's Risk Governance Framework. Our framework supports the continuous review and assessment of the Company's short and long-term strategy. Climate-related issues are overseen by two Board Committees:

- **The Corporate Governance and Corporate Social Responsibility Committee (Governance Committee):** Has responsibility for corporate governance, as well as ESG matters including issues related to climate change
- **The Audit and Finance Committee:** Has oversight of Gildan's public disclosures, the Enterprise Risk Management (ERM) function, and is responsible for monitoring risk management and internal controls, including oversight of the Company's risk mitigation strategies and ERM program

Additionally, the **Compensation and Human Resources Committee** is responsible for including ESG goals in the Company's short-term incentive program.

At Gildan, we believe a business strategy should include sound risk management practices and the vision to see the opportunities within those risks. By understanding the most critical risks facing our business, including those related to ESG, we can proactively seize opportunities, while concurrently implementing risk mitigation fostering a Company-wide culture of identifying and managing opportunities and risks.

Our Board is composed of independent directors with the exception of our President and Chief Operating Officer (CEO), including members with experience in ESG subject areas and/or in sectors (i.e., energy, transportation, and logistics) which are already impacted by the effects of climate change. In 2022, the Board of Directors received regular updates on ESG regulatory matters, including ESG disclosures and on emerging themes related to this subject. In addition, the Board of Directors received an education session on the rules being proposed by the United States Securities Exchange Commission (SEC) and the Canadian Securities Administrators (CSA) in the area of climate disclosure, to further the Board's understanding on the emerging regulations and to assess how Gildan is currently positioned in this regard.

Our Senior Vice-President of Taxation, Sustainability, and Governmental Affairs and our Vice-President of Global Social Compliance and Environmental Affairs jointly report on relevant sustainability matters to the Governance Committee on a quarterly basis. The Audit and Finance Committee receives annual updates from Gildan's executive management team regarding key company risks, including risks related to climate change and related mitigation plans currently in place (See Risk Management on [page 24](#) for more information).

In 2022, ESG objectives were included in the Company's short-term incentive program. Additionally the Board approved the decision to incorporate sustainability-linked terms into our \$1 billion revolving credit facility.



MANAGEMENT OVERSIGHT

Gildan's President and Chief Executive Officer (CEO) has ultimate accountability for climate-related issues, including the Company's climate strategy and targets. In 2021, Gildan formed a new ESG Steering Committee which is responsible for, among other areas, approving the Company's ESG strategy, including our climate strategy to mitigate against climate-related risks, and monitoring progress to ensure effective implementation. [Gildan's executive management team](#) is part of the ESG Steering Committee and meets on a quarterly basis to monitor the implementation of the ESG strategy and progress related to our ESG targets which include relevant KPI metrics.

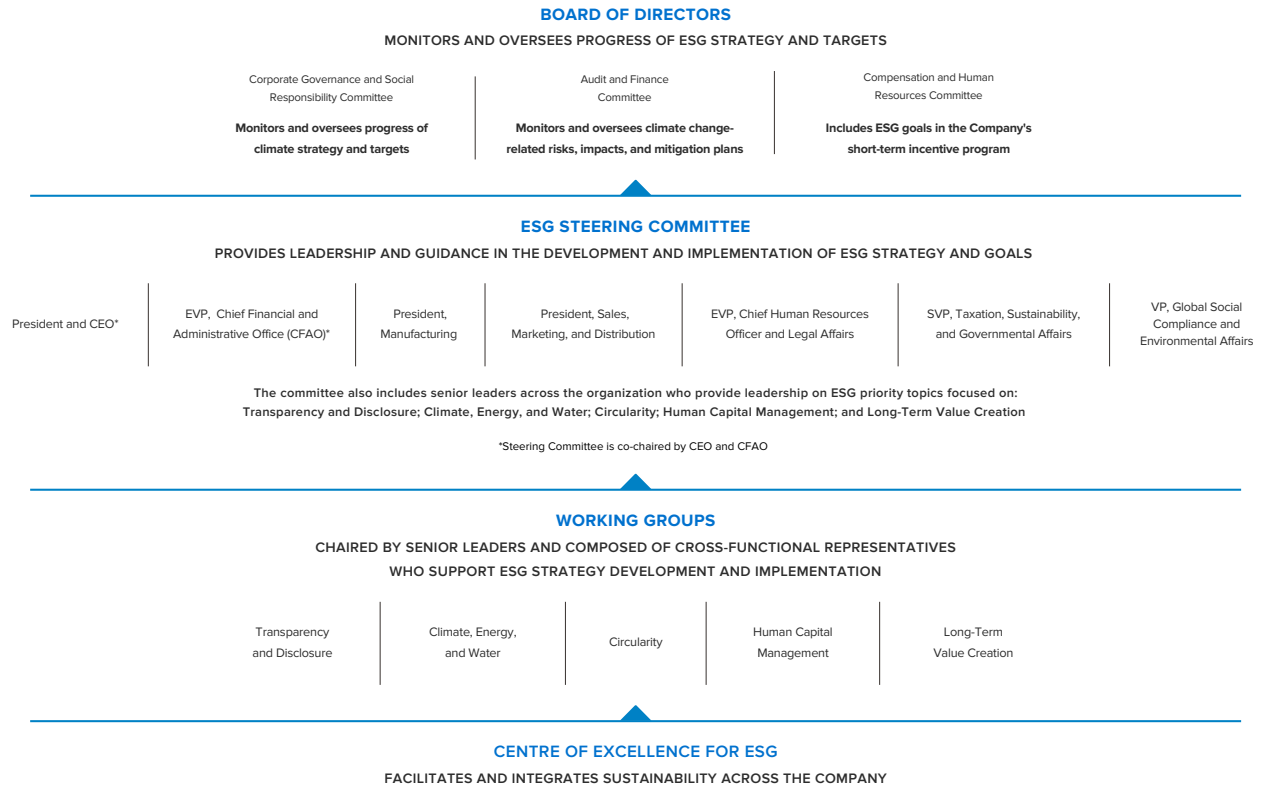
The ESG Steering Committee is supported by five cross-functional working groups chaired by senior leaders within the organization. With oversight from the respective chairs, the working groups are accountable for the development and

implementation of Gildan's ESG strategy and multi-year plans, targets, performance, and measurement within their respective functions. Chairs are responsible for ensuring appropriate resourcing is in place to develop and implement the strategy.

Both the full Board and the Board's Governance Committee receive updates on environmental matters (including climate-related matters) at each of its quarterly meetings, and management highlights key developments, issues, and risks in these areas to the Audit and Finance Committee, as required.



Glenn Chamandy, President and Chief Executive Officer (CEO)



At a corporate and operational level, our Centre of Excellence (COE) for ESG is led by our Senior Vice-President of Taxation, Sustainability, and Governmental Affairs and our Vice-President of Global Social Compliance and Environmental Affairs, both of whom provide ESG governance across the Company. In addition to ESG governance, the ESG COE serves as a facilitator and integrator of sustainability across the Company.

In 2021, Gildan's Board of Directors approved a measure linking a portion of executive compensation (CEO, CFAO, and other executive-level positions) to ESG performance. Beginning in 2022, this included one science-based target specific to climate change (i.e., reducing Scope 1 and Scope 2 GHG emissions by 30% by 2030 (compared to a 2018 baseline). This will comprise at least 25% of all Gildan senior executives' strategic objectives, which represents 20% of their annual short-term incentive plan. Additionally, in 2022, we amended our \$1 billion revolving credit facility to incorporate sustainability-linked terms into the loan agreement. With this, Gildan became the first Canadian

apparel manufacturing company to tie financing costs to achieving ESG targets.

Climate-related risks, along with other potential environmental events, are included and assessed using our structured ERM process. This process establishes a common methodology for identifying, assessing, mitigating, and monitoring all risks including climate-related risks. Our executive management team is responsible for managing these risks and reporting them to the Board of Director's Audit and Finance Committee. The ERM team regularly assesses enterprise-wide risks including longer-term climate-related risks through the ERM process. As part of this process, potential environmental risks are reviewed to identify, prevent, address, or mitigate the potential adverse impacts that our operations may have on the environment and the surrounding communities. For more information on our Risk Management process, see [page 24](#).



STRATEGY

Our climate strategy helps ensure our business is resilient in the long-run and helps us continue to be a reliable supplier for our customers.

Strategies addressing climate-related risks and ensuring business continuity are necessary, now more than ever. The apparel sector is already experiencing the consequences of climate change such as, supply chain disruptions due to changing climate patterns and extreme weather events. The following section details our approach to navigating this changing world, by proactively identifying and capitalizing on opportunities while implementing risk mitigation.

SECTIONS

ASSESSING OUR CLIMATE-RELATED OPPORTUNITIES AND RISKS

APPROACH TO SCENARIO ANALYSIS

SCENARIO ANALYSIS OUTCOMES: OPPORTUNITIES AND RISKS

EXISTING EFFORTS TO MAXIMIZE OPPORTUNITIES AND MITIGATE RISKS

BUSINESS STRATEGY RESILIENCE

ASSESSING OUR CLIMATE-RELATED OPPORTUNITIES AND RISKS

In 2021, we worked to identify climate-related short, medium, and long-term opportunities and risks; understand potential climate-related opportunities and risks under various climate-related scenarios; and enhance our existing mitigation plans.

Building on our ERM approach, in 2021, we aligned our assessment approach to the TCFD recommendations and its two risk categories: transitional and physical risks. Transitional risks are related to the extensive systematic changes required to shift to a low-carbon economy. Physical risks are related to the impact of a changing climate, including gradual long-term shifts, such as rising sea levels and extreme weather (e.g., severe flooding).¹¹ Our approach also included a review of how we can seize climate-related opportunities. The illustration below provides a high-level overview of the types of potential climate-related opportunities, risks, and impacts based on TCFD recommendations.

In conducting our first TCFD-aligned qualitative analysis of our opportunities and risks, last year we assembled an internal cross-functional team which included senior leaders

from across the Company. This team assessed Gildan's ability to operate and deliver value under these scenarios which helped to expand our thinking on climate-related opportunities and risks. To learn more about our first assessment, see our [2021 ESG Report](#).

In 2022, we deepened our understanding of Gildan's opportunities and risks by conducting quantitative climate modelling across our business. We updated our analysis with data from IEA's World Energy Outlook Report published in 2021, and also leveraged data from IPCC's Sixth Assessment Report published in 2022. We also worked with a third-party who helped us define the methodology used and who also built a climate modelling tool where we prioritized three regions where Gildan's operations are concentrated: the United States, Bangladesh, and Central America and the Caribbean.¹² These regions cover different types of facilities across our process including yarn-spinning, textiles, sewing, and distribution. In our analysis, we focused on five types of material: cotton, virgin polyester, recycled polyester, chemicals/dyes, and packaging.



	OPPORTUNITIES				TRANSITION RISKS				PHYSICAL RISKS	
CLIMATE-RELATED OPPORTUNITIES AND RISKS	Energy source	Products and services	Market	Resilience	Policy and legal	Technology	Market	Reputation	Acute	Chronic
POSSIBLE IMPACTS	Reduced exposure to increasing fossil fuel prices/ reduced operational costs by using low-cost abatement technologies.	Increased customer preference towards sustainably-made apparel resulting in increased revenue opportunities.	Enhanced access to capital as investors choose to invest in companies known for high ESG standards.	Increased revenue and market competitiveness through diversified products.	Operations exposed to higher costs due to increasing carbon price, compliance, and/or insurance premiums.	Increased capital investments required to replace existing assets with lower emission technologies.	Increased costs related to procuring raw materials that are deemed less sustainable.	Increased customer preference towards more sustainably made apparel resulting in decreased revenues.	Weather events that disrupt supply/quality of materials and/or increase sourcing costs.	Changing climate conditions impact cotton quality and ability to deliver and distribute product.






¹¹ Description of Physical and Transitional Risks are from the TCFD's Guidance on Scenario Analysis for Non-Financial Companies, (October 2020).

¹² Central America and the Caribbean are considered as one region for the purpose of the 2022 analysis.



GILDAN'S VALUE CHAIN: SOURCING THROUGH TO CUSTOMER DELIVERY

The following below illustrates the five areas of the value chain which were included as part of our analysis, from the sourcing of raw materials and the manufacturing of finished goods through our vertically integrated business model, to the distribution of the finished product to our customers. The five materials we focused on are specifically highlighted under the sourcing column below.

SOURCING	MANUFACTURING	TRANSPORTATION*	DISTRIBUTION	FINISHED GOODS
 <p>Procurement of:</p> <ul style="list-style-type: none"> Cotton Polyester (virgin and recycled) Dyes and chemicals Packaging 	 <p>Yarn-spinning</p> <p>Textile manufacturing and sewing</p> <p>Garment dyeing</p> <p>Hosiery</p>	 <p>Freight management</p> <p>Shipping (e.g., ocean freight, trucking, etc.)</p> <p>Coordination with local port authorities</p>	 <p>Operation of distribution centres</p>	 <p>Penetration into sales markets</p>

* Visual is a simplified version of Gildan's complex supply chain. Transportation occurs before and after sourcing of raw materials, manufacturing of intermediary/final products, and distribution of finished goods.
 * Illustration above does not include a small portion of third-party sourced finished goods.

APPROACH TO SCENARIO ANALYSIS

We used scenario analysis within our climate modelling tool to examine four future scenarios (see figure on the right).¹³ Collectively, these scenarios cover a comprehensive range of plausible future states ranging from an average global temperature rise below 1.5°C to below 4°C by the end of the century. We did not consider scenarios above 4°C given that this implies a reversal of existing technology and policy trends.

KEY MODELLING ASSUMPTIONS

Engaging leaders across our business, we asked questions such as:





- What potential uncertainties may we face under various future scenarios?
- What conditions may positively affect our performance?
- What opportunities could we capitalize on using our core business strengths?

For each identified opportunity and risk, we considered three dimensions:

- **Impact:** What is the potential financial impact to Gildan?
- **Likelihood:** What is the likelihood of this opportunity/risk occurring under each scenario?
- **Timeline:** What does the time horizon¹⁴ look like for this opportunity/risk?

Referencing guidance from the TCFD, our analysis covered topics such as fossil fuel consumption, technology advancements, policy acceleration, market dynamics, and consumer behaviours. Our opportunities and risks covered a range of short (<3 years), medium (3-10 years), and long (>10 years) time horizons. In our analysis, we also developed price forecasts for commodities such as cotton and polyester under each scenario to understand potential cost impacts.



	FAILED TRANSITION (FT)	STATED POLICIES (STEPS)	SUSTAINABLE DEVELOPMENT (SDS)	NET ZERO EMISSIONS BY 2050 (NZE2050)
				
DESCRIPTION	Accelerating and widespread climate change manifests itself in irreversible consequences. A low international priority for addressing environmental concerns leads to strong environmental degradation in some regions.	Reflects all of today's announced policy intentions that are backed up by detailed measures for their realization. Assumes the global economy returns to pre-crisis levels some time in 2021.	Decarbonization and increased efficiency of energy services occurs to align with the Paris Agreement goal to limit the rise in global temperatures to below 2°C. Global energy-related CO ₂ emissions at zero by 2070.	Extension of the SDS scenario and models what would be needed in the next ten years to put global CO ₂ emissions on track to reach net zero by 2050.
TEMPERATURE CHANGE	Approximately 4°C warming	Approximately 2-3°C warming	Below 2°C warming	Below 1.5°C warming
IEA ALIGNMENT		STEPS	SDS	NZE2050
IPCC ALIGNMENT	SSP3-7.0 RCP6	SSP2-4.5 RCP4.5	SSP1-2.6 RCP2.6	SSP1-1.9

¹³ Our first TCFD-aligned disclosure contained in our 2020 ESG Report highlighted three scenarios (STEPS, SDS, and NZE2050), leveraging scenario data from the IEA. In 2022, we included a fourth scenario (FT) and developed deeper insights into physical risks by leveraging scenario data from the IPCC.

¹⁴ Our climate modelling tool focuses on short, medium, and long-term time horizons and does not include velocity at this time. Time horizon tells us how soon the opportunities/risk is likely to occur, while velocity tells us how quickly Gildan will be impacted once an opportunity or risk occurs.

SCENARIO ANALYSIS OUTCOMES: OPPORTUNITIES AND RISKS

Our analysis showed that climate-related opportunities and risks could manifest in diverse ways under the various scenarios. A future aligned to NZE2050 will have more prominent transitional impacts while a future aligned to FT will have more prominent physical impacts. The analysis provided important insights that will help us plan and prioritize different actions to seize opportunities and/or mitigate risks (see table on the right).

In a future where the world moves towards a low-carbon future (i.e., SDS and NZE2050), our transitional risks will generally increase; however, these risks, specifically policy/regulatory, market, technology, and reputational, will be generally low across all scenarios. As the world transitions to a more sustainable future, the highest impact opportunity for our business will be the demand from stakeholders for low-carbon and circular products.

In a situation where decarbonization efforts do not meaningfully prevent temperature rise above 2°C by the end of the century (i.e., STEPS and FT), our physical risks will be higher given that rising temperatures will likely lead to increased frequency and intensity of physical weather events (e.g., hurricanes, flooding, etc.).



FAILED TRANSITION (FT)

Greatest likelihood of climate-related physical impacts



POTENTIALLY CAUSING ...

... Increase in instances of business disruptions and costs related to damages



ENCOURAGING GILDAN TO ...

Focus on infrastructure hardening and assessing asset locations and logistic routes/ports



STATED POLICIES (STEPS)

High likelihood of supply chain disruptions



... Increase in Cost of Goods Sold (COGS) and operational inefficiencies



Strengthen logistics network vendors; assess stock and flow of raw materials and finished goods



SUSTAINABLE DEVELOPMENT (SDS)

Exposure to increasing carbon taxes is likely



... Increase in COGS



Deploy emission reduction efforts and embed carbon pricing in decision-making



NET ZERO EMISSIONS BY 2050 (NZE2050)

Greatest demand for sustainable products and packaging



... Opportunity to increase revenue and gain eco-conscious consumer market share



Reconsider growth strategy and identify investments for capitalizing on sustainability

EXISTING EFFORTS TO MAXIMIZE OPPORTUNITIES AND MITIGATE RISKS

The following section summarizes key outcomes of our scenario modelling for our business and highlights our current response to maximize opportunities and mitigate risks.¹⁵

CLIMATE-RELATED OPPORTUNITIES

The section on the right highlights some of our key climate-related opportunities identified as part of our 2022 scenario analysis. These opportunities include energy source, products and services, and market and resilience opportunities.

OPPORTUNITIES		
Energy source	Products and services	Market and resilience
The use of new energy-efficient and low-carbon technologies could reduce our energy costs and exposure to fossil fuel prices. Benefits may also include reduced carbon emissions, decreasing our exposure to climate-related regulations and laws.	Sustainable products may bring new revenue opportunities by appealing to sustainably minded consumers, while adoption of the circular economy may lead to new business models.	Strong ESG performance can help us: <ul style="list-style-type: none"> • Attract and retain top talent • Proactively meet customers' ESG targets and drive revenue • Increase access to capital, particularly ESG focused funds, and appeal to ESG focused investors
Timeframe: Medium to long-term	Timeframe: Medium to long-term	Timeframe: Short to long-term

EXAMPLES OF OUR ACTIONS TO MAXIMIZE OPPORTUNITIES

Carbon footprint tracking: Monitoring emerging carbon markets and regulations, as well as ongoing tracking of emissions

Low-carbon energy sources: Actively pursuing investments in renewable energy. Additionally, we use biomass as a low-carbon substitute for fossil fuel in generating steam for our facilities and in 2021, almost 40% of our energy needs were provided through biomass. We continue to seek opportunities to enhance our use of biomass in Honduras and in the Dominican Republic

Operational efficiency: Investing in operational efficiency projects aimed at reducing our energy consumption and decreasing costs

Product innovation: Currently running textile circularity pilots focused on eliminating waste and circulating materials back into finished garments. We are also identifying new ways to incorporate recycled and/or degradable polyester into our products. Depending on the success of these pilots, we will use our learnings to determine an effective implementation strategy

Sustainable materials: Expanding the use of more sustainable attributes which includes increased sourcing of recycled polyester and alternative fibres and yarns. As new products are considered, we will evaluate the use of sustainable materials in our products. Additionally, we are seeking to increase sustainable packaging and trims materials in our products (e.g., manufacturing recycled nylon swift tacks and 90% recycled inner pack bags)

Third-party validation: Increasing the amount of third-party verified cotton we source, for example, through the USCTP and BCI. Additionally, we are pursuing the Textile Exchange's Recycled Claim Standard (RCS)¹⁶ and have been OEKO-TEX-certified¹⁷ under the STANDARD 100 for many years

Transparency: Increasing our disclosure of our climate actions and performance. For example, we will increase our alignment to TCFD's recommendations over the coming years and we are targeting full alignment by 2025

¹⁵ In our most recent analysis, we identified additional risks not included in our 2020 TCFD disclosure contained in our 2021 ESG Report, such as our potential reduced ability to procure raw materials (i.e., cotton, polyester, packaging) due to supply shortages.

¹⁶ RCS will verify that we meet the standards for recycled input and certify our chain of custody.

¹⁷ In 2021, 77% of Gildan's total net sales pertained to products that are certified under the STANDARD 100 by OEKO-TEX®, an internationally recognized product safety standard.

CLIMATE-RELATED TRANSITIONAL RISKS

This section highlights some of our key climate-related transitional risks, which we identified as part of our 2022 scenario analysis. These risks include policy and legal, technology, market, and reputational risks.



RISKS			
Policy and legal	Technology	Markets	Reputational
<p>We operate in different regions with existing climate and sustainability-related legislation and regulations, including carbon pricing proposals, mandates for emission reductions, and supply chain mapping disclosures. This includes tax incentives for low or no-emission technologies, 'polluter-pays' principle, extended producer responsibility, disclosure requirements, and more. We expect climate change and disclosure legislation to evolve in the regions where we operate, leading to increased costs of doing business and more rigorous supply chain transparency disclosure rules.</p> <p>Policy/regulatory risks include:</p> <ul style="list-style-type: none"> Carbon pricing through direct taxes or carbon border adjustments of our finished goods and raw materials More stringent requirements including extended producer responsibility schemes for managing excess inventory, greater controls at manufacturing and operational facilities, as well as mandatory sustainability and design standards for textiles 	<p>Adoption of certain technologies within our business may introduce risk in the form of increased costs or supply impacts. Likewise, there is an increase in regulations supporting low-carbon technologies resulting in increased capital investments that may be required to transition to low-emissions technologies. As newer low-emissions technologies become available, there is an increased risk of write-off and/or early retirement of existing assets that do not incorporate low-emission technologies. Further, implementation of new technologies may not align with our current low-cost production model.</p>	<p>Cotton and polyester fibres are the primary raw materials used in manufacturing our products. Our analysis shows increased cost for these and other raw materials under all scenarios with higher impact to cotton due to the large volumes we procure. Expected fluctuations in crude oil or petroleum prices could affect our energy consumption costs, transportation costs, and the cost of petroleum-based and derivative materials used in our business (i.e., polyester fibres, chemicals, dyestuffs, and trims). Changing consumer preferences for sustainable apparel may also impact demand for our products.</p>	<p>Increasingly, investors, partners, consumers, and other stakeholders are monitoring and assessing companies on climate-related performance. Failure to achieve our GHG targets, or a perception that our targets lack ambition and/or are deemed to be insufficient, could adversely affect our reputation and ability to attract both capital and talent. A shift in consumer and customer preferences to more sustainable brands and suppliers may also lead to reduced growth or market share for Gildan.</p>
Timeframe: Medium to long-term	Timeframe: Medium-term	Timeframe: Short to medium-term	Timeframe: Short to long-term

EXAMPLES OF OUR ACTIONS TO MITIGATE RISKS

Our analysis highlights that some of the actions to optimize opportunities are also actions that help us minimize our climate-related transitional risks. These actions include low-carbon energy sources, product innovation, sustainable materials, and third-party validation, and are described in further detail in the opportunities table on [page 19](#). Additional actions to mitigate risks include:

Operational efficiency: Implementing our energy management information system to monitor energy, water, and wastewater performance at key sites to optimize environmental performance; implementing more energy-efficient technologies such as LED lighting, biomass, and exhaust gas boiler and wastewater heat recovery systems

Supply chain engagement: Collaborating with our suppliers to reduce Scope 3 GHG emissions

Cleantech investments: We are piloting new dyeing machines that have the potential to reduce our energy, water, and chemical use. Depending on the success of this pilot, we plan to gradually introduce this equipment across our manufacturing sites. Additionally, we are investing in a new powerhouse in Bangladesh to recover exhaust gases to produce steam to the facility and reduce hot water consumption. This will reduce our natural gas consumption and increase energy efficiency

Contract negotiation: Managing pricing volatility and creating certainty by negotiating long-term contracts, leveraging, where available, Gildan's scale and negotiating power given the high volumes we procure

Diversified sources: Identifying alternative regions for sourcing polyester (virgin and recycled)

Monitoring global supply: Conducting assessments to understand impact of climate change on cotton yield, and monitoring global supply of our raw materials

Capital Resources: We believe that our financial position, future operating cash flows and our business plans will continue to provide us with sufficient capital resources and financial flexibility to make the necessary capital investments in low-emissions technologies



CLIMATE-RELATED PHYSICAL RISKS

This section highlights some of our key climate-related physical risks, both acute and chronic, which we identified through our 2022 scenario analysis.

ACUTE	CHRONIC
<p>In recent years, we have seen certain effects related to climate change largely driven by extreme weather events, which may have financial implications for the business. Certain regions where we operate have been subjected to an increase in severe weather events. For example, in November 2020, our Central American operations were impacted by back-to-back hurricanes, necessitating temporary shutdown of these facilities and repair and replacement of damaged equipment. While the Company is making additional investments to improve the resiliency of its manufacturing facilities to extreme weather events, nonetheless, such future events could:</p> <ul style="list-style-type: none"> • Slow and/or halt production due to physical damage to our assets • Increase employee absenteeism and reduced worker productivity • Limit transportation of supplies or delivery of goods 	<p>Longer-term, chronic shifts in weather patterns may result in rising sea levels and extreme heat in key regions (particularly in Bangladesh), as well as increased duration, intensity, and frequency of other weather events. These gradual climate change impacts could increase operating expenses, reduce worker productivity, and disrupt the transportation of our raw materials and finished goods. Examples include:</p> <ul style="list-style-type: none"> • Coastal impact of sea level rise could disrupt the ports we use and limit our ability to receive raw materials and distribute finished goods • Higher temperatures could increase energy costs for building cooling at manufacturing facilities and offices
<p>Timeframe: Short-term</p>	<p>Timeframe: Long-term</p>
EXAMPLES OF OUR ACTIONS TO MITIGATE RISKS	
<ul style="list-style-type: none"> • Infrastructure hardening: Investing in the resiliency of our manufacturing facilities to withstand extreme weather events including retrofitting and designing for mitigation (e.g., barriers, sealed motors, raised electronics, etc.) • Increase optionality: Working with logistic partners to develop alternative routes in the case of extreme weather events; identifying alternative options to shift production to other facilities when needed • Proactive assessments: Performing flood risk assessments at our strategic manufacturing locations to understand our risk exposure and develop flood mitigation strategies • Rigorous planning: Maintaining robust business continuity plans and emergency response plans at all facilities, including vendor resiliency plans 	<ul style="list-style-type: none"> • Alternative energy and efficiency: Investigating more energy efficient equipment and alternative energy sources that would offset the costs of higher building cooling demand • Port resiliency: Identifying potential stakeholders such as logistic partners and industry groups to further understand longer-term climate-related impacts (e.g., sea level rise), and identify appropriate mitigation strategies in each country (as applicable)

BUSINESS STRATEGY RESILIENCE

Climate-related scenario data are projections to assess future vulnerabilities and are revised to ensure they are up-to-date with the latest science underlying climate change, and with the political and economic responses to it.

Our analysis demonstrates that integrating ESG into our core business strategy and investment decisions, together with our vertically integrated business model, is currently helping to strengthen our overall resilience to climate-related risks.

Our 2022 analysis highlights the appropriateness of our current mitigation in addressing future climate risks under all four scenarios (i.e., FT, STEPS, SDS, and NZE2050).

Experience has shown that business conditions have the potential to rapidly evolve, and we remain committed to monitoring and adapting our strategy as appropriate.

“Working through this assessment gives us even more comfort in terms of what we need to do to continue to operate our business sustainably.”

– Poonam Madan, Director,
Global Sustainability





The following examples illustrate some of the results from our 2022 climate change analysis:

INVESTING IN LOW-CARBON SOLUTIONS

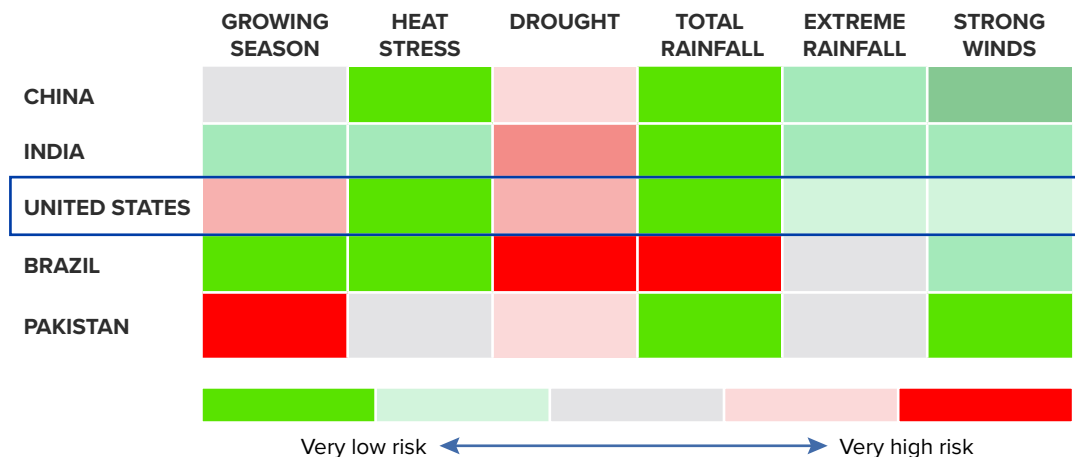
Our investment in biomass technology has enabled us to lower our operational costs and reduce our exposure to the potential of any future climate-related regulations. For example, at our facilities in Honduras and the Dominican Republic, we use biomass as a low-carbon substitution for fossil fuel in generating steam for our operations. Nearly 40% of our energy needs come from biomass, lowering our emissions, costs, and exposure to volatile oil and gas markets.

USING SCENARIO ANALYSIS TO ENHANCE UNDERSTANDING OF COTTON SUPPLY

Using data from IPCC's Sixth Assessment report and the latest academic research on cotton, our quantitative climate modelling tool helped us better understand future cotton availability and supply under all four scenarios. Our analysis showed that cotton yield may be negatively impacted by climate change by ~1% to 7%. However, coupled with continued improvements in farming practices, the analysis also showed cotton supply growing in all regions under all scenarios.

We source most of our cotton in the United States where, based on the analysis conducted in 2022, cotton production is expected to be more resilient to climate change impacts like heat stress, total rainfall, extreme rainfall, and strong winds compared to other parts of the world¹⁸ (as described in the chart on the right).

We will continue to monitor emerging data on changes in the cotton landscape, and update our quantitative climate modelling tool as necessary to help ensure we source from regions best suited to meet our needs.



Changing cotton strains and irrigation for example, can help to adapt to changing growing seasons and drought conditions related to climate change.

Note: Countries listed from largest to smallest cotton producer in 2021
 Note: Short-term droughts may reduce yields while long-term droughts may force farmers to grow drought resistant crops, source: Cotton 2040

¹⁸ Acclimatise and Wills Towers Watson, June 2021, "Physical Climate Risk for Global Cotton Production," Forum for the Future.



RISK MANAGEMENT

As we continue to enhance the integration of climate-related opportunities and risks by using the TCFD framework, we can effectively plan and prioritize mitigation strategies and actions.

Each year, our Board of Directors meets with management to review and discuss the Company's annual and long-term strategic plans, the main risks the business faces, overall industry trends and developments, and strategic opportunities.

Climate-related transitional and physical opportunities and risks are considered through our corporate ERM process on an annual basis.

Gildan's management team is responsible for managing risk on an ongoing basis. Our Vice-President of Internal Audit and Enterprise Risk Management provides risk management oversight, including managing the various mechanisms that monitor and report risks to the Board of Directors.

As part of our ERM process, we conduct an annual risk assessment of strategic and operating risks to the Company. The results are compiled into a registry that is used to develop and track mitigation strategies and Key Risk Indicators (KRIs). The results of this process are communicated to the Company's executive management team and to the Board of Directors.

We classify risks based on the following, among other things:

- Likelihood of occurrence
- Potential financial impact based on the severity of the issue
- Risk velocity, a measure of how quickly a risk can impact the organization

Once identified, we rank risks according to their level of criticality. Based on this assessment, we categorize and sort risks into broader categories for ongoing oversight and management. We compile risks into a registry that we use to develop and track mitigation strategies and forward-looking KRIs.

Each risk is assigned to a specific member of our executive management team who is accountable for managing the risk, ensuring that appropriate mitigation strategies are developed and put in place, and monitoring risk evolution through KRIs. The monitoring of KRIs, which track performance through quantitative and qualitative metrics, are reviewed with the corporate ERM team on a quarterly basis. Any significant shift in risk landscape is communicated to the Board of Directors, either directly or through Board sub-committees, on a quarterly basis by the accountable member of the executive management team.



TARGETS AND METRICS

Gildan is paving the way towards a low-carbon future through our Next Generation ESG strategy and targets, specifically through our climate, energy, water, and circularity targets.

The following describes our activities related to our targets in 2022. We will provide more detailed information in our upcoming 2022 ESG Report which will be published in 2023.

CLIMATE, ENERGY, WATER, AND CIRCULARITY TARGETS¹⁹

GOAL	PROGRESS TO DATE	STATUS
In alignment with the SBTi, ²⁰ reduce Scope 1 and Scope 2 GHG emissions by 30% by 2030 (compared to a 2018 baseline)	The majority of our expected 2022 absolute Scope 1 and 2 GHG emissions reduction will be achieved through operational efficiencies across our operations	●
Reduce water intensity by 20% by 2030 (compared to a 2018 baseline)	Expected 2022 water intensity reduction will be achieved through standardization of soaping processes; furthering efficiencies related to soaping agents and bath recovery and reuse; and optimizing controls related to water overflows across all applicable facilities	●
Source 100% sustainable cotton by 2025	We increased the percentage of third-party verified cotton we source through BCI and USCTP (U.S. Cotton)	●
Zero manufacturing waste by 2027	We have completed waste mapping for each of our manufacturing areas, and are using the mapping results to develop roadmaps towards zero manufacturing waste	●
Source 30% recycled polyester or alternative fibre yarns by 2027	We have focused on developing a recycled yarn supply chain; and in 2022 our target has been focused on advancing recycled polyester	●
75% recycled and sustainable packaging and trims by 2027	We made progress developing a sustainable packaging and trims supply chain that includes suppliers of carton, polyester, paper, and cotton-poly trims specific to apparel SKUs	●

For our complete set of climate-related metrics, underlying methodology, actions we are taking towards each target, and five-year performance trend, see our [ESG Report](#).

We measure our Scope 1 and 2 GHG emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). Over 70% of our Scope 1 and 2 GHG footprint comes from the use of electric power. Since 2018, we have started to track some of our Scope 3 GHG emissions, including employee commuting, business travel, landfill waste management, transportation, and distribution. Our emission reduction efforts are described in more detail in our 2021 ESG Report. As mentioned previously, in 2022 we announced our Next Generation ESG strategy and targets which included a target to reduce our Scope 1 and Scope 2 GHG emissions by 30% by 2030. As part of this effort, we have committed to the SBTi²¹ who is currently validating our science-based targets. Additionally, in 2022, we also took significant steps towards mapping our Scope 3 GHG emissions by establishing an agreement with a third-party consultant to develop our Supply Chain Engagement Program. This program includes:

- An assessment phase to establish a foundation to ensure alignment with the proper methodologies and engage our suppliers to estimate their Scope 3 GHG emissions
- An engagement phase to encourage our material suppliers to drive climate-action initiatives across their businesses and reduce their carbon footprint. As part of this engagement, we hosted several webinars for our suppliers to help them understand best practices in measuring their Scope 1 and Scope 2 GHG emissions

We will provide a more detailed update on our emission reduction efforts in our 2022 ESG report which will be published next year.

¹⁹ This Climate Change Disclosure Report contains certain forward-looking statements that are based on Gildan's current expectations, estimates, projections, and assumptions, and that were made by Gildan in light of its experience and its perception of historical trends. Results indicated in forward-looking statements may differ materially from the actual results. Please refer to the cautionary statement on page 2 of this report for further explanation.

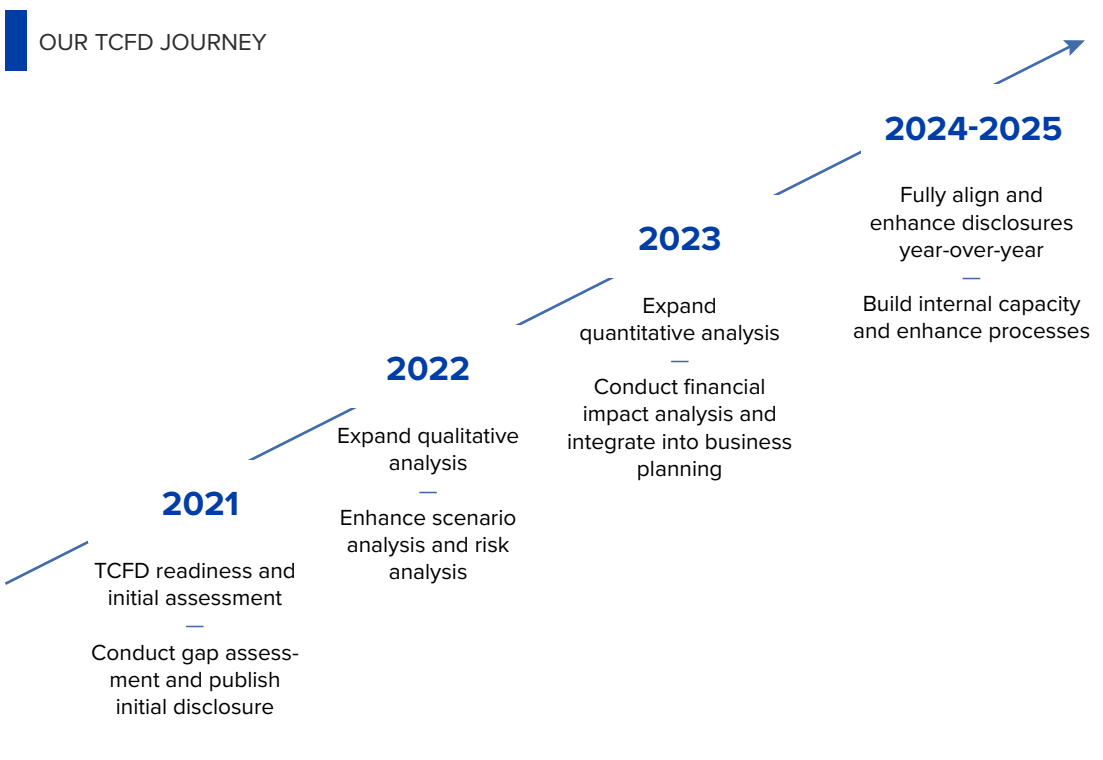
²⁰ At the time of publication, SBTi was validating Gildan's emissions targets. Nevertheless, our targets are science-based as they are in line with the latest climate science deemed necessary to meet the goals of the Paris Agreement.

²¹ At the time of publication, SBTi was validating Gildan's emissions targets. Nevertheless, our targets are science-based as they are in line with the latest climate science deemed necessary to meet the goals of the Paris Agreement.



CONCLUSION

This report marks a key milestone in our climate change reporting journey. As highlighted below, we will continue our journey and expect to be fully aligned with the TCFD recommendations by 2025.



Moving forward, we will:

- Use insights gained to drive our climate efforts supporting our broader Sustainable Growth strategy
- Further analyze the financial impact of climate risks and opportunities to our business through quantitative modelling of expenditures, technology advancements and investments in low-carbon/low-water processes or textile recycling, and revenues
- Continue to enhance our climate-related disclosure efforts



APPENDIX

Recognizing the value of sustainability reporting frameworks such as the TCFD, the concordance table below demonstrates the relationship between Gildan’s sustainability reporting and this Climate Change Disclosure Report (published in December 2022).

TCFD CONCORDANCE TABLE

TOPIC AND RECOMMENDED CONTENT	REFERENCE
Governance	
Describe Board’s oversight of climate-related opportunities and risks	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 12 • 2021 ESG Report, pp. 56, 60 • 2021 Management Information Circular, pp. 42-43 • 2020 ESG Report, p. 18 • Mandate of the Corporate Governance and Social Responsibility Committee, pp. 3-4
Describe management roles in assessing and managing climate-related opportunities and risks	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 13 • 2021 ESG Report, p. 56 • 2021 Management Information Circular, pp. 31-35 • 2020 ESG Report, p. 18
Strategy	
Describe climate-related risks identified over the short, medium, and long-term	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, pp. 19-21 • 2021 Annual Report, pp. 36-48 • 2021 ESG Report, pp. 27, 60, 79-80 • 2020 ESG Report, pp. 28-32, 68
Describe impact of climate-related opportunities and risks on the business strategy and financial planning	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, pp. 19-21
Describe resilience of the strategy, considering different climate-related scenarios	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, pp. 22-23 • 2021 ESG Report, p. 27
Risk management	
Describe processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 24 • 2020 ESG Report, pp. 28-29
Describe processes for managing climate-related risks	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 24 • 2021 ESG Report, p. 80 • 2020 ESG Report, p. 31
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 24 • 2021 ESG Report, p. 60 • 2020 ESG Report, p. 32
Targets and metrics	
Disclose metrics used to assess climate-related opportunities and risks aligned with the strategy and risk management process	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 25 • 2021 Annual Report, p. 8 • 2021 ESG Report, pp. 13-14 • 2020 ESG Report, p. 32
Disclose Scope 1, 2, and 3 GHG emissions and related risks	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 25 • 2021 ESG Report, pp. 19, 66 • 2020 ESG Report, p. 31
Describe targets used by the Company to manage climate-related opportunities and risks, and performance against targets	<ul style="list-style-type: none"> • 2022 Climate Change Disclosure Report, p. 25 • 2021 ESG Report, p. 14 • 2020 ESG Report, p. 32



CONTACT US

We value and welcome feedback from all stakeholders.

Please send comments or questions about this report via email:

cc@gildan.com

communications@gildan.com

