



delivering our
values

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About this report: This third Corporate Citizenship Report updates information provided in our 2005 report "Gildan, part of your life" and presents an overview of Gildan's corporate social responsibility (CSR) activities during our 2006 financial year. For a complete review of the Company's policies, programs and CSR initiatives, we invite readers to consult our previous Corporate Citizenship Reports or our corporate website at www.gildan.com.

This report supports ongoing efforts to maintain an open dialogue with audiences interested in Gildan's CSR activities, including employees, customers, investors, governments, non-governmental organizations and the media. For more information on Gildan and the Company's commitment to socially responsible business practices, please do not hesitate to contact us at:

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Gildan is dedicated to being a socially responsible employer in all of our geographical hubs. We are committed to investing in modern, state-of-the-art facilities and to adhering to progressive employment practices.



Gildan Operations Worldwide

Corporate head office
Montreal (Canada)

Global sales office
St. Michael (Barbados)

Regional sales offices
Hopkinsville (United States)
London (United Kingdom)

Textile manufacturing facilities for activewear and/or underwear
Rio Nance (Honduras)
Bella Vista (Dominican Republic)
Montreal (Canada)
Bombay (United States)

Sock manufacturing facilities
Rio Nance (Honduras)
Hillsville (United States)
Mount Airy (United States)

Yarn-spinning facilities
Cedartown⁽¹⁾ (United States)
Clarkton⁽¹⁾ (United States)

Sewing facilities
San Jose, San Antonio,
San Miguel and Villanueva
(Honduras)
San Marcos and Rivas
(Nicaragua)
Port-au-Prince (Haiti)
Castaños and
San Buenaventura (Mexico)

Sourcing office
Shanghai (China)

Distribution centres
Eden (United States)
Martinsville (United States)
Choloma (Honduras)
Mississauga (Canada)⁽²⁾
Ontario (United States)⁽²⁾
Bletchley (United Kingdom)⁽²⁾
Meer (Belgium)⁽²⁾
Monterrey (Mexico)⁽²⁾
Brisbane (Australia)⁽²⁾

⁽¹⁾ Joint venture with Frontier
Spinning Mills, Inc.
⁽²⁾ Third-party logistics provider

2006 financial and operating highlights

- Over 430 million shirts sold during year
- Sales growth of 18.2%
- Net earnings, before restructuring and other charges, up 35.0%
- Major new textile manufacturing expansions in Honduras and the Dominican Republic
- Investment in new state-of-the-art sock manufacturing facility in Honduras
- New sewing facilities in Honduras, Nicaragua and Haiti
- Acquisition of sock supplier to U.S. mass-market retailers
- New U.S. retail distribution centre

The scope of our activities

Gildan is a vertically-integrated marketer and manufacturer of high quality activewear, socks and underwear. We focus on basic, non-fashion apparel products for customers requiring an efficient supply chain and consistent product quality for high-volume automatic replenishment programs.

Gildan is the leading supplier of activewear for the wholesale imprinted sportswear market in the United States and Canada, and also a leading supplier to the European market. Our market share⁽¹⁾ in the U.S. is:

- 43.7% in the T-shirt category;
- 30.8% in the fleece category;
- 32.2% in the sport shirt category.

Gildan has implemented a major new growth initiative to sell athletic socks, underwear and activewear to mass-market retailers in North America.

Gildan is supporting its sales growth strategy by building and operating large-scale, globally-competitive, vertically-integrated manufacturing hubs in Central America and the Caribbean Basin. We also operate manufacturing facilities in Canada, the U.S. and Mexico.

Our employees

We employ over 15,000 people worldwide and continue to significantly increase our number of employees as we expand our manufacturing capacity.

We are committed to provide excellent labour conditions worldwide.

¹ Based on S.T.A.R.S. report, produced by ACNielsen Market Decisions. Data is for the nine months ended September 30, 2006.

2006
Scorecard

This scorecard summarizes the progress made by Gildan in 2006 in carrying out the action plan set out in last year's Corporate Citizenship Report.

Area of focus	Actions in 2006
Labour Practices	
 Structure a Compliance and Monitoring Team	• Structure internal compliance function and train compliance/internal audit teams in all geographical hubs.
 Code, Policies and Procedures	• Develop and implement a new and integrated code of conduct as well as policies and procedures for Gildan-owned facilities and external contractors. • Develop a social compliance tracking system tool to better follow-up on communications and remediation actions throughout the Company. • Prepare for Fair Labor Association (FLA) accreditation.
 Auditing and Remediation Program	• Obtain sign-off by the FLA, the Maquila Solidarity Network (MSN) and the Worker Rights Consortium (WRC) on Gildan's compliance with its commitment to support former El Progreso employees. • Continue to conduct independent third party audits with Verité for our sewing facilities and external contractors, which were not visited in 2005. • Implement remediation on Verité's 2005 audit findings. • Expand Worldwide Responsible Apparel Production (WRAP) certification to new and recently opened sewing facilities in Honduras, Nicaragua and Haiti.
 Communications	• Effectively communicate the Company's commitment to the new code of conduct and its elements to all Gildan employees and to external contractors.
Community Relations	
 Community Involvement Program	Implement a new structured program for offshore locations that will allow regional manufacturing hub resources to take an active part in their communities through causes related to humanitarian aid as well as youth and education.
Environmental Sustainability	
 Certification	Renew Oeko-Tex certification on all product lines including T-shirts, sport shirts, sweatshirts, underwear and socks.
 Manufacturing	Establish a company-wide Clean Production Program to continuously improve manufacturing processes.

Status
Labour Practices
In progress – The internal social compliance team currently comprises a working group and one of the two Gildan social auditors. The working group is responsible for implementing the corporate social responsibility (CSR) action plan in the countries where the Company operates. Their role is to remediate findings. As for the social auditors, they will be responsible for conducting all social compliance audits at Gildan-owned facilities as well as external contractors. We retained the exclusive services of one auditor for the Americas and the Caribbean Basin and we intend to recruit a second auditor during the first quarter of fiscal 2007. Both auditors will report directly to the Director, Corporate Social Responsibility. Completed – The new integrated code of conduct was developed and communicated to employees in all Gildan-owned facilities and external contractors through training sessions and the distribution of posters. Completed – The Director, Corporate Social Responsibility and the Director, Application Development-IT, performed benchmarking activities to determine the type of system that would be most efficient for Gildan. These individuals established the structure and developed the social compliance tracking system tool during 2006. The CSR working group was trained to efficiently utilize this system in September 2006. In progress – A specific plan was drawn up to ensure that all FLA requirements will be implemented at Gildan by the end of the first quarter of fiscal 2007. Gildan expects to be evaluated by the FLA during the second quarter of the 2007 fiscal year. Completed – FLA, MSN and WRC agreed to close the El Progreso Third Party Complaint. In progress – In 2006, 18 facilities were audited or verified. Verité, an internationally recognized social auditing and research organization, conducted 11 audits at Gildan-owned facilities and external contractors in Honduras, Nicaragua, the Dominican Republic and Haiti as well as two audits in the United States at our joint venture partner and yarn supplier, Frontier Spinning Mills, Inc. In addition, Accordia, a global compliance monitoring group, conducted two audits at our Mexican plants and FLA verified five facilities in Honduras. Some of our contractors in Haiti were not audited due to the political instability in the country. In progress – Corrective actions were implemented to remediate most of the 2005 findings. In progress – The Gildan facility in Rivas, Nicaragua, obtained its first WRAP certification in May 2006. We also renewed WRAP certification for our sewing facilities in Honduras and Mexico. We shall pursue this process for other facilities in 2007. Completed – The new integrated code of conduct has been communicated to employees at all Gildan-owned facilities as well as external contractors through training sessions and posters. The new code of conduct is available on our website at www.gildan.com Completed – An offshore humanitarian aid, as well as a youth and education donation program was drawn up in conjunction with local management teams and implemented at Gildan's Central American and Caribbean Basin hubs, as well as in Mexico in May 2006. Environmental Sustainability Completed – Oeko-Tex Standard 100 certification was renewed for all Gildan existing products: T-shirts, sport shirts and fleece. Additionally, certification has been obtained for new products, including underwear and athletic socks, which will be produced at our new integrated facility in Rio Nance, Honduras. In progress – A structured plan for an Environmental Management System has been developed to improve manufacturing processes. Phase 1, which includes an update of Gildan's Environmental Code of Practices, the collection of required data and the preparation of specific documents and procedures, has been completed.

“We believe that companies with a strong culture of business ethics, social responsibility, corporate governance, and transparent communications are the same companies which execute best from an operating perspective.”



Glenn Chamandy
Laurence Sellyn

Fiscal 2006 has been an exciting and successful year for the development of Gildan's business. In addition to continuing to increase our market share in the screenprint channel, we have begun our strategy to develop Gildan as a consumer brand for mass-market retailers. In support of this initiative, we have acquired a U.S. sock company, Kentucky Derby Hosiery, which has a long history of supplying mass-market retailers, and we are undertaking major expansions of our textile and sewing capacity in Central America and the Caribbean Basin. The number of Gildan employees is increasing rapidly. At the end of our recently completed fiscal year, on October 1, 2006, we had over 14,000 employees. At the time of writing this letter, two months after our year-end, we have over 15,000 employees, and 5 years from now we project to have over 30,000 employees worldwide.

Our supply chain strategy is to develop vertically-integrated offshore manufacturing hubs, with textile and sewing manufacturing facilities being combined in the same regions. This strategy has resulted, unfortunately, in the recently announced closure of manufacturing capacity in Canada and the U.S. We believe that the consolidation of our manufacturing is necessary in order for Gildan to remain globally competitive with import competition from Asia. However, we sincerely regret the impact on our long-standing employees and their families, and are providing support to alleviate this transition.

During fiscal 2006, we have continued to implement our plan to make Gildan a leader in corporate social responsibility. We have updated our code of conduct for our global manufacturing activities and integrated the WRAP and FLA codes in this revised code, which has been communicated to all of our employees at all Gildan locations.

We were also pleased to reach a satisfactory resolution to the remediation of the closure of our El Progreso plant in 2004. The remediation process has resulted in a constructive dialogue with both North American and Honduran NGOs, as well as with the FLA, and we are committed to build on this improved transparency and communication as we go forward. We would like to recognize the dedication shown by our Central American country management team in their efforts to re-integrate former El Progreso workers into our other plants and to fulfill our overall remediation commitments.

We have recruited Corinne Adam to lead our corporate social responsibility program. Corinne has gained experience during her career, not only with Bureau Veritas and other consulting firms, but also with international humanitarian organizations such as the International Red Cross and the United Nations Development Programme. As a result, we believe that she has gained the trust and respect of NGOs and other stakeholders whose mission is to promote corporate social responsibility and social justice, while at the same time we have given Corinne a strong platform with our business managers who run our operating facilities.

Gildan's commitment to social responsibility is primarily focussed on our code of conduct and the way in which we manage our global operations. However, we also seek to contribute to the economic development and social and humanitarian needs of the communities in which our operations are located. For example, we have continued to play a leading role in the development of the Central American Polytechnic Institute (the IPC), the first technical institute in Central America created to develop the managers of the future for the textile and apparel industries. Gildan was the initiator and lead sponsor of the IPC. We are also the lead corporate sponsor of Dans la Rue, the widely respected non-profit organization founded in 1988 by Father Emmet Johns to help and re-orient homeless young people living in the streets of Montreal.

We are both proud of the credibility we have built over the past couple of years in the areas of corporate social responsibility and corporate governance. We have no doubt that the resulting enhancement of Gildan's public image and reputation has contributed significantly to the value of our shares. We believe that companies with a strong culture of business ethics, social responsibility, corporate governance, and transparent communications are the same companies which execute best from an operating perspective. Although the costs of achieving social responsibility compliance and first-class corporate governance are significant, we believe that social responsibility and corporate governance complement Gildan's commitment to driving our financial performance, for the benefit of all of our stakeholders – including employees and their families, our wholesale and retail customers, consumers who purchase Gildan's products and, ultimately, our shareholders.

(Signed: Glenn J. Chamandy)

Glenn J. Chamandy
President and Chief Executive Officer

(Signed: Laurence G. Sellyn)

Laurence G. Sellyn
Executive Vice-President,
Chief Financial and Administrative Officer

Dear Readers,

Although I have only recently joined the Company, I had the opportunity to observe Gildan's practices in the field of corporate social responsibility from a distance, largely as an independent external monitor verifying working conditions in certain Gildan facilities. From that perspective, I have been able to observe Gildan's progress over the last few years. Today, I can comfortably say that Gildan not only made significant progress in this field but that the efforts driven by senior management, with the help of its partners and suppliers, have had a very positive impact on working conditions.

**Gildan is committed
to continuously improving its
products, its operations and the
ways we run our business.**

**Our desire to grow is mirrored
by our drive to reach new heights
in CSR, which we see as
an integral part of our
operating philosophy.**

In 2006, we increased the number of audits and remediation follow ups at both our plants and that of our contractors and we expanded our CSR team so it can support the monitoring and remediation process. We have now created a CSR working group that includes nine members, coming from all the various operating divisions and regions. One member from Kentucky Derby Hosiery, which we acquired in 2006, will be included in the group in fiscal 2007 to ensure that we standardize our CSR processes and requirements across the Company.

Our objectives in 2007 are to solidify our CSR commitment by obtaining FLA accreditation during the first six months of the year, take a step beyond auditing and remediating by addressing the root causes of non-compliances as well as by integrating CSR into our core business practices. We aim to continue to implement best practices internally and at our contractors' facilities on an ongoing basis and to keep developing a constructive dialogue with our stakeholders.

I encourage you to read this report, which was written to highlight, in a transparent way, Gildan's CSR actions during the year. Should you need further information, we invite you to visit our website at www.gildan.com to learn more about the Company's involvement as well as to consult the quarterly updates of our 2007 action plan.

(Signed: Corinne Adam)

Corinne Adam
Director, Corporate Social Responsibility



Corporate



Our Corporate Governance Philosophy

We consider corporate governance to be an important factor in Gildan's overall success and we are committed to adhering to the highest corporate governance standards. Our corporate governance practices are outlined in the Corporate Governance Guidelines that were adopted by our Board of Directors in February 2004 and are available on our website at www.gildan.com. Our governance practices are reviewed regularly with a view to not only comply with Canadian and U.S. securities legislation and stock exchange listing requirements, but also with a view to adhere to evolving trends and best practices.

Our corporate governance record is supported by our ranking in the 2006 Globe and Mail Report on Business corporate governance survey. We placed in the top 10% out of 204 Canadian publicly-listed companies included in the TSX/S&P Composite Index. "The Report on Business marking system rates Canada's corporate boards against a demanding set of criteria designed to go far beyond the minimum mandatory requirements imposed by regulators. These are based on the recommendations of major institutional investors, academics and industry associations, and are revised each year to ensure they keep pace with shifting standards of excellence." (*"Board Games Methodology", The Globe and Mail, October 24, 2006. p. B8*)



Our Corporate Governance Practices

As part of our commitment to corporate governance, we have implemented the following key practices, which are described in greater detail in our Statement of Corporate Governance Practices contained in this year's management proxy circular:

- Six of our seven Board members are independent, including our non-executive Chairman.
- Only independent directors sit on the Audit and Finance, Compensation and Human Resources and Corporate Governance Committees.
- The Board and the Audit and Finance Committee conduct executive sessions involving only independent directors after each regularly scheduled meeting.
- The Board and each of its committees have adopted formal mandates describing their roles and responsibilities. These mandates are available on the Company's website at www.gildan.com.
- The Board has adopted written position descriptions for the Chairman of the Board, the CEO and each committee chair.
- Board members and the CEO are subject to minimum equity ownership policies.
- The Board of Directors has adopted a majority voting policy whereby directors who do not receive a majority of shareholder votes in their favour must tender their resignation.

The primary role of the Board is to supervise the management of the Company's business and affairs, with the objective of ensuring that management develops and implements plans to increase shareholder value. In fiscal 2006, our Board held nine meetings, including one meeting to review with management the Company's long-term strategy, business opportunities and risk management.

Governance

The Audit and Finance Committee held six meetings in fiscal 2006 to oversee the Company's financial reporting activities, the activities and independence of the Company's external auditors and the organization and activities of its internal audit department. The Audit and Finance Committee also reviewed the Company's progress in meeting the internal control requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

The responsibilities of the Compensation and Human Resources Committee include approving compensation plans, policies and practices for the CEO and other Company executives, as well as monitoring officer succession planning and Company-wide human resources practices. The Compensation and Human Resources Committee met four times this fiscal year.

The Corporate Governance Committee is responsible for developing and reviewing the Company's corporate governance practices, monitoring the composition of the Board and its committees and overseeing the formal Board performance evaluation process. The Corporate Governance Committee met four times this fiscal year.



Our Ethics Policies

We are committed to the highest standards of integrity and ethical behaviour wherever Gildan operates. Employee conduct affects the integrity and credibility of the Company as a whole and we have implemented certain measures to promote and monitor compliance with our high ethical standards.

In 2002, our Board of Directors adopted a Code of Ethics and Business Conduct that formally sets out our standards and expectations of conduct by Gildan employees with respect to integrity, ethics, confidentiality and conflicts of interest. The Code of Ethics and Business Conduct is signed by every new employee and is posted on the Company's website at www.gildan.com in the Corporate Governance index included in the Investor Relations section.

In 2004, we implemented an Ethics and Integrity policy to give our employees a means to report improper practices or questionable acts without fear of recrimination. Employees have access 24 hours a day, seven days a week, to a toll-free hotline. Gildan's Vice-President, Risk Assessment and Internal Audit conducts a follow-up of every call placed to the hotline. If deemed appropriate, the issue is referred to a committee composed of representatives from the legal, human resources, security and internal audit departments. Any serious and valid complaint involving questionable auditing or accounting matters is referred to the Audit and Finance Committee.

For additional information on Gildan's Board of Directors, its composition and the role of its committees, we invite you to consult the Company's management proxy circular on our website at www.gildan.com under the Investors Relations and Company sections.

Labour Practices

“Gildan Activewear has been a highly engaged member of Canadian Business for Social Responsibility (CBSR) since 2004. At the company leadership level, Gildan has expressed the importance of excellent corporate social responsibility standards in order to achieve overall business excellence. Gildan’s Executive Vice-President, Chief Financial and Administrative Officer, Laurence Sellyn, recently shared this imperative with over 130 business leaders at the recent CBSR Summit. In 2006, Gildan sponsored the Montreal-based CBSR Retail Learning Circle, enabling peer-to-peer learning and collaboration between Canada’s well-known retail and garment companies. The CBSR Retail Learning Circle’s end goal is to collectively achieve tangible improvements in the areas of ethical sourcing and environmental sustainability. Sponsoring this effort indicates a sincere commitment to improving CSR practice not only within the operations of Gildan but also within the industry sector as a whole.”

Adine Mees

CEO & President, CBSR

Canadian Business for Social Responsibility

1. CHILD LABOUR

We do not employ any person under the age of 18.



2. FORCED LABOUR

We do not make use of forced labour, whether in the form of prison labour, indentured labour, bonded labour or otherwise.



3. COMPENSATION

We pay the legal minimum wage or the prevailing industry wage, whichever is higher. We compensate all overtime hours worked with the legally mandated overtime hour premiums.



4. BENEFITS

We comply with all provisions for legally mandated benefits.



5. HOURS OF WORK/OVERTIME

We comply with legally mandated regular and overtime work hour limitations. Work hours do not exceed 60 hours per week, including regular and overtime hours, or comply with legal limits if they are lower. We provide all employees with a minimum of one day off in seven. We inform employees in writing at the time of hiring if mandatory overtime is a condition of employment.



6. HEALTH AND SAFETY

We take all necessary measures in order to provide a safe and healthy working environment for all employees and to prevent accidents or injuries arising out of or occurring in the course of work. We also take all necessary measures to ensure healthy and safe conditions in employee residential facilities, where applicable.



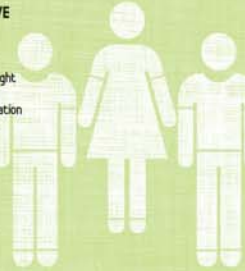
7. ENVIRONMENT

We comply with applicable country environmental regulations and laws.



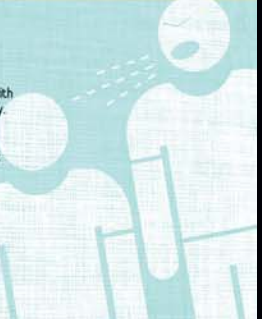
8. FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

We recognize and respect the right of employees to freedom of association and collective bargaining.



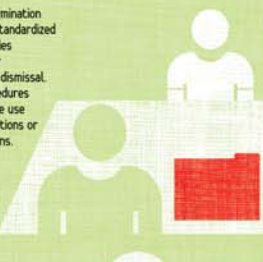
9. HARASSMENT OR ABUSE

Every employee shall be treated with respect and dignity. Physical, sexual, psychological or verbal harassment or abuse of any kind will not be tolerated.



10. DISCIPLINE AND TERMINATION

Discipline and termination procedures are standardized and include a series of warnings prior to suspension or dismissal. Disciplinary procedures do not include the use of punitive deductions or forced resignations.



11. FREEDOM OF MOVEMENT

When authorized, and under special circumstances (in an emergency or in a matter of personal urgency, death or illness of a family member), employees can leave the facility and are not penalized. Employees have free and reasonable access to drinking water and toilet facilities.



12. GRIEVANCE PROCEDURES

Employees are permitted to lodge grievances that are addressed in a systematic manner so as to protect employees' privacy and protect them from reprisals.



13. PREGNANCY

Female employees are not asked about their pregnancy status nor are they required to be tested for pregnancy. We abide by all local and international laws regarding working conditions for pregnant workers, including but not limited to rest breaks and adequate seating.



14. DISCRIMINATION

We do not discriminate in hiring, wages, benefits, advancement, discipline or termination on the basis of gender, race, religion, age, disability, physical appearance, pregnancy, sexual orientation, nationality, union affiliation, political opinion or social or ethnic origin.



15. DOCUMENTATION AND INSPECTION

We maintain on file such documentation as may be needed to demonstrate compliance with this CODE OF CONDUCT, and shall make these documents available for GILDAN or its designated auditors for inspection.



Code of conduct

Wherever GILDAN operates, we are guided by this CODE of CONDUCT. All Gildan employees and business partners should adhere to these principles. These are set out above.

GILDAN

For many years Gildan has invested significant capital, not only to add new state-of-the-art production capacity, but at the same time to continuously improve working conditions in all the countries in which it operates.

We firmly believe in labour practices that not only comply with the laws in effect but also correspond to industry best practices. Our labour practices are enshrined in our code of conduct which we have updated in 2006.

Gildan's entrepreneurial culture encourages employees to grow within the Company. Gildan has trained and developed management within its Central American and Caribbean Basin operating hubs to lead these operations. We have established career development and succession plans to nurture talent and potential within the organization and to ensure that we develop management to lead future growth.



New Gildan Code of Conduct

In accordance with Gildan's social responsibility program, in 2006 the Company updated its code of conduct to reflect, in a single code, compliance with Fair Labor Association (FLA) and Worldwide Responsible Apparel Production (WRAP) standards, as well as corporate social responsibility best practices in effect throughout the industry.

This code of conduct has been incorporated into the Company's overall business practices. To convey the code to every employee of Gildan and its third party contractors, Gildan organized training sessions with management teams and managers to discuss the Company's corporate social responsibility plans as well as the code of conduct's 15 principles to make certain that they were well understood.

Subsequently, the Company produced posters clearly illustrating these principles. Approximately 350 posters, in four different languages – English, French, Spanish and Creole, the languages spoken by Gildan's workforce – were sent out at the beginning of April to be displayed in our facilities as well as in our contractors' facilities. We met all of our employees to present the code of conduct and explain the posters.



Fair Labor Association (FLA)

The FLA represents a multi-stakeholder coalition of companies, universities and non-governmental organizations committed to the implementation of a rigorous code of conduct based on the fundamental labour standards of the International Labor Organization. Gildan became an FLA Participating Company in 2003. We were the first manufacturer catering to the wholesale imprinted activewear market to join this organization.

Participation in the FLA requires companies to establish an internal compliance program throughout their supply chain. After a two to three year period, the FLA evaluates the Participating Company's program and determines whether to award full accreditation. In preparation for the FLA evaluation, a plan was drawn up to ensure that all requirements will be implemented at Gildan by the end of the first quarter of fiscal 2007. The Company's evaluation and audit, in line with obtaining full FLA accreditation, is planned for the second quarter of fiscal 2007.



Worldwide Responsible Apparel Production (WRAP) certification

WRAP is an independent, non-profit organization dedicated to the promotion and certification of lawful, humane and ethical manufacturing throughout the world. WRAP promotes a code of conduct, which ensures that core labour concepts are understood and practised on the shop floor and by management. WRAP relies upon independent, third party monitors to certify that factories are in compliance with its code of conduct.

In 2006, Gildan obtained its first WRAP certification for its facility in Rivas, Nicaragua, and renewed the certification for the San José and San Antonio sewing facilities in Honduras, the Castaños sewing facility in Mexico and the San Marcos sewing facility in Nicaragua. In 2007, the Company will seek to obtain WRAP certification for its other sewing facilities and those of its contractors.



Corporate Social Responsibility Working Group

Gildan established a new internal working group in February 2006 to enhance CSR and to support the Company in the fulfillment of its social responsibility action plan. This group, which held an inaugural two-day meeting in the Dominican Republic in March, includes a total of nine local Gildan social responsibility and human resources employees representing every hub in which the Company operates. Each group member is accountable for the social responsibility action plan in the region they represent.

Group members liaise with one another by conference call once a month and meet in person two to three times a year. Their mandate is to implement the Gildan and FLA codes of conduct at all Gildan-owned and contractors' facilities, ensure compliance by monitoring and remediating issues, and keep pace with expanding capacity with sustainable practices. By sharing experience and knowledge, members of the group are better able to tackle issues, monitor development, advise and follow up on remediation as well as develop and implement training.



Creation of a Corporate Social Responsibility Database

One of our 2006 objectives was to develop an internal social compliance tracking system tool that would enable the Company to have an overall view of compliance in our supply chain.

At the outset of 2006, the Director, Corporate Social Responsibility and the Director, Application Development - IT, performed benchmarking activities to determine the most efficient type of system for Gildan. They then established the structure of the social compliance tracking system tool, which was subsequently developed during the year. This database is enhanced on a regular basis to better address the Company's needs.

The system allows the CSR department group to keep track over all findings in their respective hubs, to identify areas of concern and recurring non-compliance as well as better follow up on remediation action in progress at any of the Company's facilities or contractors. It also includes training modules which can be shared between hubs and which are available for internal use. The corporate social responsibility working group underwent training on the use and functionalities of the database in September 2006 in Montreal.

Training and monitoring

As part of the Company's corporate social responsibility program, a workshop was organized at the beginning of the year for upper management in order to discuss Gildan's vision in terms of social responsibility and to set strategic objectives for the 2006 action plan. At the workshop, managers developed a plan for each of the different regions in order for the principles of our code of conduct to be fully respected.

To assist the Company with training and monitoring, Gildan commissioned Verité, in 2005, to audit every facility producing Gildan products. Verité is an internationally recognized, independent, non-profit social auditing and research organization, whose mission is to ensure that people worldwide work in safe, fair and legal conditions.



In 2006, 18 facilities were audited or verified. Verité conducted eleven risk assessment audits, full audits and/or remediation checks in El Salvador (1), Honduras (3), Nicaragua (1), the United States (2), the Dominican Republic (1) and Haiti (3). Our two sewing plants in Mexico were audited by Accordia, a global compliance monitoring group. The FLA, through the services of Algi, a social accountability auditing firm, performed two unannounced audits in Honduras, one at a Gildan plant and another at a contractor's facility. In addition, as part of its verification process following the Third Party Complaint related to the closure of the Gildan El Progreso sewing facility, the FLA audited three of our four sewing plants in Honduras. By the end of the first quarter of fiscal 2007, Verité will have audited all of our contractors in Haiti. This audit process was hampered by the political instability in the country.



In addition to auditing facilities, Verité conducted regionally-based multi-supplier CSR orientation training for all of Gildan's suppliers in Haiti, the Dominican Republic, the U.S. and Canada in preparation for improvement-based monitoring and remediation activities to follow in 2006 and 2007.

Gildan's CSR working group also engaged in training and planning sessions with Verité to develop best practice strategies for managing Company CSR goals. These workshops and training sessions covered freedom of association, effective leadership, code of conduct compliance, sexual harassment, internal monitoring and reporting, as well as remediation protocols.



North American operations and labour practices

In 2006, Gildan announced manufacturing restructuring plans in Canada and the U.S. as a result of a thorough review of the strategic options available to the Company. This restructuring plan was considered necessary in order for Gildan to remain globally competitive in its industry against Asian and other global manufacturers.

On the pictures:

★ Workers in Central America.

★ Team building activities with Gildan employees.

North American textile manufacturing operations

Gildan announced on September 27, 2006, that it would be closing its textile manufacturing facility in Valleyfield, Quebec, effective December 2006, which would result in the further downsizing of its knitting facility in Montreal, Quebec. Although the Company recognizes that the work force at its Canadian and U.S. operations have many years of experience in textile manufacturing, the Company made the difficult decision to relocate some of its production capacity to its offshore textile facilities located close to its sewing facilities. This restructuring was essential for the Company to continue to remain cost-competitive in relation to other global producers in the intensely competitive apparel industry.

Kentucky Derby Hosiery

In July 2006, Gildan acquired 100% of the equity of Kentucky Derby Hosiery Co., Inc. (Kentucky Derby), a U.S. sock manufacturer based in Hopkinsville, Kentucky. This acquisition is intended to enhance and accelerate Gildan's strategy to enter the North American retail channel as a supplier of athletic socks, underwear and activewear.

An important part of the integration plan is to restructure Kentucky Derby's manufacturing operations, which does not have a cost structure that allows the Company to be cost-competitive with Asian imports or to be economically viable in a global competitive environment. As a first step, Gildan announced the consolidation and relocation of Kentucky Derby's distribution operations to a new state-of-the-art retail distribution centre located in Martinsville, Virginia. This decision impacted employment in Mount Airy, North Carolina, and in Danville, Virginia, where the existing Kentucky Derby distribution centres are located. However, all employees in Mount Airy and Danville affected by the reorganization were offered jobs at the new retail distribution centre in Martinsville and approximately 70, representing over 50% of permanent and temporary employees impacted by the move, accepted this new opportunity. Relocation of our distribution activities will be completed by the end of March 2007.

Furthermore, Gildan also announced the closure and downsizing of sock manufacturing capacity in Mount Airy, North Carolina, and Hillsville, Virginia, which is planned for January 2007. The objective of the reorganization is to use sock manufacturing operations effectively by relocating basic high-volume production to a new state-of-the-art, large-scale facility and by concentrating the remaining of Kentucky Derby's operations on value-added specialty products.

Overall, the Company's restructuring will impact approximately 255 employees in Canada, and 350 employees in the United States.

Kentucky Derby

Gildan is harmonizing compensation and benefits practices following the acquisition of Kentucky Derby

Gildan is in the process of improving Kentucky Derby employees' compensation and benefits packages in order to offer the same benefits throughout its operations located in the U.S. As part of its integration process, Gildan is aligning former Kentucky Derby employees' benefits with those offered at Gildan's facilities located in the surrounding area. The changes will be made gradually and should start by the beginning of the 2007 calendar year.

Gildan sincerely regrets the impact of these decisions on our North American employees, their families and their communities. To support affected employees, Gildan made every effort to alleviate the impact of this transition on them by providing pre-notices, psychological assistance for those in need, as well as relevant employment transition services.

The Company will continue to evaluate, on an ongoing basis, the economics of its North American manufacturing operations based on their global competitiveness.



Education

Educados program in Honduras

Educados continued at our San Miguel and San José facilities where the program began in 2003. This program, which was implemented in partnership with the Honduran Ministry of Education and the United States Agency for International Development (USAID), offers workers the opportunity to complete Grades 6, 7 and 8. A total of 123 students enrolled in program activities in 2006, an increase of 19% over last year.

In 2006, Gildan launched the *Educados* program at its new San Antonio sewing facility. For this first year, 19 students registered to complete Grade 7.

Language classes

In Canada, Gildan offers language classes to employees at its head office as well as at its plants in Montreal. Since 2005, employees at its two facilities were offered French language classes designed to allow immigrant employees to better integrate into Quebec society and help them better communicate with their colleagues, supervisors and French-speaking friends. This program also allows them to be more functional in their working environment by being able to read and better understand written communication, security regulations and work instructions at Company facilities.

French, English and Spanish language classes are also offered to head office employees interested in enhancing their proficiency. Enrollment at head office and at our Montreal facilities totalled 154, an increase of 63% over last year. English and French classes are also available for employees in Honduras, the Dominican Republic and Mexico.

Gildan awarded for contribution to education

In 2006, Gildan received two awards, which recognized the Company's contribution to education. The first award was conferred upon Gildan by the Textile Industry of Quebec's Sectional Committee of Labour, which is commissioned to develop human resources and continuing training culture across the industry, while promoting both the industry and career opportunities. The organization rewarded Gildan for its contribution to francization development and elimination of illiteracy through the offering of French language classes at the Company's two facilities in Montreal.



The second award was received from INCAE University of Costa Rica, a leading institution of higher education in Central America, which is affiliated with the Harvard Business School. This organization paid tribute to Gildan for the Company's three-year contribution to its scholarship program, which provides financial help to students of excellence who demonstrate business leadership.



Communications

A new website

To improve communications with the Company's different stakeholders, Gildan redesigned its entire website in 2006, adopting a new look. Under our corporate heading, we not only improved our Corporate Citizenship section but also added two new sections:

- The Gildan Quality section outlines the Company's production process, which is designed to ensure that all Company products comply with the strictest of quality standards. The section also helps readers better understand the procedures in place to guarantee consistent product quality; and
- The Careers section includes the posting of job opportunities or availabilities and offers potential candidates the opportunity to submit their resume online.

Nicaragua: San Marcos sewing facility restarts operations

Gildan compensates workers during the transition and quickly restarts operations

On June 20, 2006, the Company's sewing facility in San Marcos, Nicaragua, was destroyed by fire during the night. Fortunately, no one was injured in this accident and in a period of only four months, the Company was able to build a facility nearby and restart production.

The Company offered compensation to its employees during the reconstruction of the facility to alleviate the impact of the transition. This proposal included the payment of minimum wages even though the employees were not working and the gradual reintegration of workers initially into Gildan's other sewing facility and subsequently into the rebuilt facility. Two weeks after the fire, eight production teams were sent to the Gildan facility located

in Rivas. The Company paid transportation expenses and offered free meals to employees with a perfect attendance record. Subsequently, more teams were added up to a maximum of 15. Management assured the rotation of all teams in order to give opportunities to each of the 47 teams employed at the San Marcos plant prior to the fire. When employees agreed to work at the Rivas facility, they received production incentives in addition to the minimum wage.

In October 2006, the Company restarted operations in a new building and it expects to be operating at full capacity and high productivity by the end of the first quarter of fiscal 2007. Employees who returned to work received a bonus equivalent to what they would have received for normal production days.



Stakeholder engagement

As part of the Company's commitment to CSR, Gildan has been developing positive and collaborative relationships with non-governmental organizations (NGOs) in both North America and Central America. We maintain constructive, ongoing dialogue with these internationally recognized NGOs, which gives us the opportunity to arrive at mutually satisfactory solutions designed to address any issues of non-compliance with Gildan's code of conduct and to further enhance working conditions at all Company-owned and third party contractor facilities. In Honduras, we have developed relationships with the following local organizations:

Colectiva de Mujeres Hondureñas (CODEMUH)

The Colectiva de Mujeres Hondureñas (Honduran Women's Collective) was set up in 1989 and defines itself as an autonomous feminist organization dedicated to promoting positive change for marginalized women through training programs at the community level and through advocacy directed at local and national governments in cooperation with similarly-minded organizations. The organization objective is to strengthen the organizational and technical capacity of community-level women's organizations and increase citizen participation at the local and national levels with a view towards promoting women's rights in general and women's working rights and conditions in particular. In 2006, Gildan's team in Honduras met with CODEMUH's officials on a regular basis to discuss complaints received, as well as evaluate and, when required, further improve working conditions.

Honduran Independent Monitoring Team (EMIH)

EMIH is a Honduran monitoring team based in San Pedro Sula. The team independently investigates, monitors and verifies labour conditions in urban and rural areas in the country. EMIH also develops training programs in human rights and works in cooperation with international NGOs in the United States, Canada and Europe with the purpose of improving labour conditions in these countries. EMIH was selected by WRC and MSN to verify Gildan's commitment to its agreement regarding the rehiring of former El Progreso workers. The Company worked with this organization in 2006, to provide them with information as requested and to follow up on findings in need of remediation.

Centro de Derechos de Mujeres (CDM)

The Centro de Derechos de Mujeres (Centre for Women's Rights) is an NGO set up in 1989 to promote and defend the rights of women in Honduras. CDM focuses on areas such as domestic violence, public participation of women and labour rights. CDM has offices in Tegucigalpa and San Pedro Sula, the two main urban centres in Honduras. Its program in San Pedro Sula is developed with women who work in the apparel sector, by providing legal assistance in case of labour conflicts and monitoring working conditions. In the past, CDM acted as a third party to remediate and resolve issues between Gildan and employees.



El Progreso

Closure of the El Progreso Third Party Complaint

In the fall of 2004, Gildan entered into a constructive dialogue with Canadian-based Maquila Solidarity Network (MSN) and U.S.-based Worker Rights Consortium (WRC), the objective being to establish an agreement⁽¹⁾ with regards to the preferential reintegration of workers from our El Progreso sewing facility, which was closed in September 2004, into our other sewing plants in Honduras.

After the agreement was signed, actions taken by Gildan were evaluated on an ongoing basis by EMIH, WRC and MSN. At the end of September 2006, MSN and WRC released their second and final update on the verification of Gildan's compliance with the agreement. The report states that the organizations acknowledged Gildan's good faith and substantial remediation actions undertaken throughout the process although the remediation agreement and the priority rehiring process could have been implemented immediately following closure.

In October 2006, FLA, MSN, WRC and Gildan met again to discuss the final report⁽²⁾ and a decision was made to officially close, the Third Party Complaint, which ended the MSN campaign against Gildan. The FLA posted its final report on its website.

The Company has committed to pursue a constant dialogue with stakeholders to collaborate in managing any future closure. We remain committed to working in a transparent manner with different organizations to address issues and we believe that communication with stakeholders result in strong mutual trust and a better understanding of the issues we face as a global manufacturer.

¹ The agreement is available on Gildan's corporate website at www.gildan.com, under the Corporate Citizenship section.

² Reports are available at the following addresses: www.maquilasolidarity.org or www.workersrights.org

Community Relations

“

Gildan's far-reaching community investment program is an inspiring mix of employee involvement and dedicated multi-year financial support. I applaud Gildan for its forward-thinking approach to supporting the education and overall well-being of our youth, and for its employee grant matching program. This truly is a Caring Company.”

Georgina Steinsky-Schwartz

President and CEO

Imagine Canada





Gildan's commitment to social responsibility is primarily focused on the implementation of our code of conduct and the way we manage our global operations. However, we also support social and humanitarian needs as well as contribute to the development of the communities where our operations are located. Gildan's support of the Instituto Politécnico Centroamericano (IPC), a vocational training center dedicated to textile, apparel and industrial maintenance, described in pages 28, 29 and 30, combines involvement in the social, educational and economic development of the countries in which we operate with the long-term enhancement of our industry.



Commitment with Imagine Canada

In 2006, Gildan renewed its commitment with Imagine Canada, a program developed to promote public and corporate giving, volunteering and community support. Gildan has been recognized as a Caring Company under the Imagine Program since February 2005. The Company has committed to donate at least one per cent of pre-tax profits earned in Canada to the charitable sector each year.



Gildan's donation policy

When determining the corporate donation policy at the beginning of 2005, Gildan decided to focus on humanitarian aid as well as youth and education in communities in which the Company operates. This policy allows Gildan to contribute to employee and community development.

During the year, Gildan supported different causes in the countries where it operates. The following pages present organizations that received a contribution in 2006.

Canada

Gildan renews partnership with Dans la rue

Gildan renewed its partnership with *Dans la rue* for a period of three years and will donate \$125,000 a year to this organization which helps Montreal's homeless youth. Most of Gildan's cash contribution is used to fund the cafeteria at the *Chez Pops Day Centre*, which serves an average of 1,000 meals every week to young homeless individuals.



Gildan's association with *Dans la rue* is truly a winning partnership for both organizations. During the year, activities were organized to involve employees and encourage a culture of volunteerism by participating in the activities of *Dans la rue*. As part of the partnership, *Dans la rue* visited Gildan's facilities, distribution centre and head office in Montreal to meet with employees and have them discover *Dans la rue's* uniqueness and devotion to youth at risk. "I want to thank the volunteers who came to serve hot dogs and soft drinks to our employees," stated Glenn Chamandy, President

and CEO of Gildan. "Their welcoming smile and openness to answer employees' questions concerning *Dans la rue's* work with homeless young people were really appreciated by all participants."

For the second year, Gildan also sponsored *Dans la rue's* annual fundraising event 'From the Street to the Stars' where some of Montreal's most celebrated chefs presented their interpretation of street food to the 400 guests in attendance at the Technological Arts Society, held in Montreal on October 11th, 2006. To lend a hand in organizing this special evening, which allowed *Dans la rue* to raise \$75,000, twelve Gildan employees volunteered to assist organizers in wrapping gifts for the evening's guests. "This great teamwork with Gildan employees made it possible for us to wrap over 400 gifts in just a short period of time. We thank them for their assistance and for this really pleasant effort, which was a great success," said Ginette Morency, General Director at *Dans la rue*.

In the future, Gildan intends to continue supporting *Dans la rue* not only through its partnership agreement, but also through employee volunteering activities. *Dans la rue* is one of the most respected organizations involved in helping young people without homes or family support in Montreal, and in guiding them to take the necessary steps to reorient and rebuild new lives.



Gildan's partnerships with other Quebec organizations

To better help organizations, Gildan signed partnership agreements with some of them for a three-year period beginning in 2005. Therefore, in 2006, Gildan continued to donate to *Maison Dauphine*, a non-profit organization in Quebec, which helps homeless youth between the ages of 12 and 22.

The Company also donated to *Toujours Ensemble*, whose mission is to help youth with school, family and social problems by giving them a place to go and providing creative, educational, recreational activities and support for their development. To encourage youth to pursue their post-secondary studies, Gildan also offered scholarships to two students through *Toujours Ensemble's* program in 2006.

Je passe partout, an organization which focuses on preventing school dropouts in an underprivileged area of Montreal also received Gildan's support in 2006.

La Fondation de l'Athlète d'Excellence du Québec

For the second year, Gildan sponsored the women's "Leadership" category at the gala of *La Fondation de l'Athlète d'Excellence du Québec*. These bursaries were offered to student athletes who distinguished themselves through community service and who demonstrated a leadership role within their respective team ranks. This year, the recipients of the Gildan Leadership bursaries were:

- Alexandra Olshefsky
- Angela Di Stasi
- Jennifer Carroll

(For additional information on this organization, you can visit their website at www.faeq.com)

Word on the Street

Gildan also sponsored the *Word on the Street* event, which promotes reading, with adults and children in five major Canadian cities during the month of September. This national celebration of literacy is Canada's largest annual one-day national book and magazine family festival celebrating literacy and the written arts. (For additional information on this organization, you can visit their website at: www.thewordonthestreet.ca)

Trevor Williams Kids Foundation

The *Trevor Williams Kids Foundation (TWKF)* is a non-profit organization dedicated to teaching life skills to marginalized youth. The Foundation works with kids from 6-18 years of age from different social, ethnic and cultural backgrounds. The *Trevor Williams Kids Foundation* reaches nearly 2,000 kids through its organized events, leagues and programs.

Gildan was pleased to support this great organization, which works directly with youth and encourages them to stay in school, with a financial and in-kind donation. (For additional information on this organization, you can visit their website at www.twkf.com)

Share the Warmth

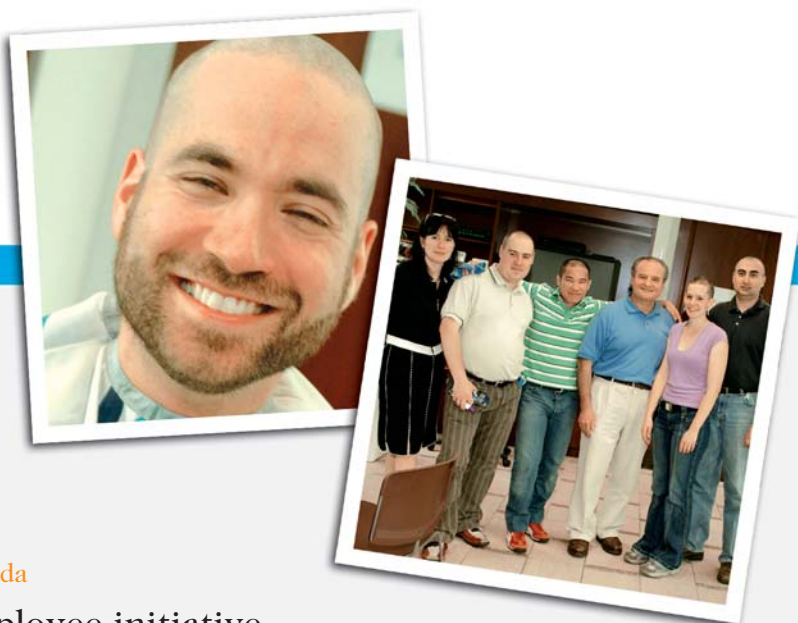
Share the Warmth is a charitable organization based in Montreal's underprivileged areas, whose mission is to "Awaken hopes and dreams by overcoming hunger and poverty". With their different programs, 80% of which involve youth, they provide food, school supplies, creative arts and other activities in support of those in need. Gildan supported the "Back to School" program which, through donations of products and funds, helped approximately 50 schools, who have needy students, with access to requisite school supplies.

SAJE Montreal Metro

In September 2006, Gildan accepted to sponsor *SAJE Montreal Metro's* new project "Succès-Relève". This program is offered to future and current Quebec entrepreneurs. It is geared specifically to people who want to take over an existing business within two years and who want to acquire the competencies required to successfully carry out the transfer. (For additional information on this organization, you can visit their website at www.sajemontrealmetro.com)

T-shirt donations for Christmas baskets

Besides offering financial donations to various organizations, Gildan also offered substantial quantities of clothing items to organizations throughout 2006. *Dans la rue, Maison Dauphine, Toujours Ensemble, Sun Youth, Old Brewery Mission, Welcome Hall Mission* and other organizations received boxes of T-shirts, sweatshirts and/or sport shirts for distribution to people in need or for their Christmas baskets.



Canada

Employee initiative helps raise \$26,250 for Canadian children with cancer

In June, five courageous employees accepted to participate in the "LEUCAN Shaved Head Challenge 2006" to raise money for the LEUCAN Foundation, a non-profit organization, whose mission is to foster greater well-being and healing among children with cancer and provide support for their families.

The initial objective of Éric Lacroix, Gia Tuan Wou, Éric Gravel, Katherine Wiebe and Shaun Parmar was to raise \$7,500 by shaving their heads. Over a period of three weeks, many activities were organized to raise the necessary

funds among employees at the head office, the distribution centre and the international sales office in Barbados. Money was raised through a combination of individual donations, selling of half-halves, raffles, lunch tickets and the selling of homemade muffins and cookies.

As part of the Gildan Employee Grant Matching Program in Canada, Gildan matched the full amount raised by employees. As a result, the Company and employees each donated \$13,125 for a grand total of \$26,250 to the cause.

“The positive commitment of our employees shone through in a variety of ways during this fundraising campaign with outstanding participation, generous donations and exceptional encouragement.”

Cam Gentile

*Executive Vice President,
Organizational Development and Change Management
Gildan*

On the pictures:

★ Éric Lacroix, Gildan

★ Frédérique Cardinal, Director, Financial Development, Leucan; Éric Gravel, Gia Tuan Wou, Cam Gentile, Katherine Wiebe, Shaun Parmar, Gildan



Employee donations program

In 2005, Gildan set up an employee donations program in Canada to encourage and support employees wishing to give back to their communities by donating money or volunteering for the organization of their choice. The Gildan Employee Matching Grant Program matches donations that employees make to charitable organizations. The Gildan Employee in the Community Program provides support to employees who volunteer their personal time for community projects. Gildan makes cash donations to the charitable organizations for which employees volunteer.

Overall in 2006, Gildan donated approximately \$18,000 through this program to different charitable organizations. In 2007, Gildan intends to step up communications and raise employee awareness of this donation program, which was created for them. The Company therefore hopes Canadian employees will take better advantage of the program in coming years.

Donations in Honduras

In 2006, Gildan extended the Company donation program. Gildan's locations in Honduras, the Dominican Republic, Nicaragua, Mexico and Haiti now all have their own donations budget. Each country location also has its own donations committee, which evaluates requests in relation to the corporate donation policy.



Humanitarian Aid

Teleton – The Teleton foundation is a non-profit organization created in 1987, which provides physical rehabilitation. The foundation has centres for disabled people in different areas of Honduras. Every December it organizes a two-day national television campaign to raise money in order to keep their centres running. In December 2005, with the support of employees, Gildan donated more than U.S. \$13,000 to support Teleton.

Obras sociales Vicentinas – Obras sociales Vicentinas is a foundation that aims at providing support to vulnerable people including children and youth. In 2006, Gildan committed to providing a monthly contribution to the organization. This foundation runs orphanages and vocational schools mainly for street children.

Chamber of Commerce of San Pedro Sula – Gildan donated funds to the Chamber of Commerce of San Pedro Sula to contribute to helping victims of tropical storms at the end of 2005.

Farmers at Rio Nance – Gildan donated corn seeds and fertilizer to a group of farmers living in the vicinity of the Company plant. This donation allowed them to replace production destroyed by flooding in the area during the year.

Cleaning of Channels – In 2006, Gildan donated U.S. \$10,000 to a project which involved the cleaning of 4 kilometres of channels. This project was carried out in cooperation with the government and the municipality of Choloma, which served in a supervisory capacity.





Youth and Education

Alliance with World Food Program (WFP) – As part of the commitment to support the school Nohemy Ferrera, located in Rio Nance, Choloma, Gildan agreed with the World Food Program (WFP) to provide a daily meal for all the 120 children who attend the school.

Pre-school program in Choloma – As part of the Company's commitment to youth and education, Gildan donated to the pre-school program in Choloma for children under the age of 6 who do not have access to formal pre-school training.

INCAE – For the past three years Gildan has been providing an annual scholarship in the amount of U.S. \$13,500 to allow one student demonstrating business leadership to attend university. This scholarship is awarded through INCAE, a leading institution of higher education in Central America and an affiliate of Harvard Business School.

Fundación Ecológica Rodrigo Pastor Fasquelle (Ecological Foundation) – For the fourth year, Gildan provided financial support to Fundación Ecológica Rodrigo Pastor Fasquelle, which is committed to offering environmental education to primary and secondary school students.



Instituto Politécnico Centroamericano (IPC)

A successful first year for Honduras' IPC

In August 2005, the Central American Polytechnical Institute (Instituto Politécnico Centroamericano – IPC), the first technical institute in Central America developed with a view to training personnel for the textile and apparel industries as well as industrial maintenance for all industries, welcomed its first group of 60 students who attended classes on various aspects of apparel and textile manufacturing, as well as electromechanics. During the year, IPC developed additional programs to better respond to industry needs. In addition to its one-year program, the Institute added seminars and short programs designed to address specific training needs.

Gildan scholarships

During this inaugural year, Gildan offered scholarships to 30 students enrolled in one of the one-year programs - clothing manufacturing, electricity or mechanics - which started in January 2006. Five of these students were Gildan employees from Nicaragua; the other 25 students were from Honduras and lived in the Choloma, San Pedro and Villanueva areas. Gildan committed to finance this scholarship program in 2005. Through this program, Gildan grants a total of 50 scholarships a year for a total consideration of U.S. \$300,000 over five years to low income youth from Central America interested in studying at IPC.

This year, Gildan also offered 24 employees and two relatives of employees the chance to register to one of IPC's short programs such as Supervision, Apparel Techniques, Planning and Production Control, Measurement and Method Analysis, Dyeing and Motor Control. These off-hour short courses were designed so that employees could participate without impacting or otherwise interfering with their work schedule.

Gildan is proud to be associated with IPC, an institute which will help expand the base of educated workers and managers in Honduras, while contributing to continuing economic development in the country. (For additional information on the Instituto Politécnico Centroamericano (IPC), you can visit their website at www.ipchn.org)





Nicaragua

Five students from Nicaragua at the Central American Polytechnical Institute

Jorge Luis Sánchez and Arelys Janet Gaitan from our San Marcos facility, as well as Ana Martínez, Felix Maliaños and Hansel Bravo from our Rivas facility in Nicaragua were offered the chance to travel to Honduras and study under a one-year scholarship program, funded by Gildan, at Instituto Politécnico Centroamericano (IPC).

"Gildan's support has made it possible for us to pay for our education and attend IPC," explained Arely Gaitan, Felix Maliaños and Hansel Bravo. "We are grateful to have this opportunity." The presence of these five students from Nicaragua allows IPC, in just a short period of time, to comply with its mission to be an accessible Central American institution. "What I really like about IPC is that it is a very

modern centre with state-of-the-art machinery, and classes are based on today's corporate reality which makes the programs more relevant," explained Hansel Bravo.

In addition to providing them with a scholarship, Gildan rented a house for the students. Three of them are studying Mechanics and the other two, Industrial Production. Besides attending classes at IPC Monday through Friday from 1:00 pm to 7:00 pm, the five Nicaraguans are working part time at one of Gildan's sewing facilities in Honduras. This will allow them to enrich their experience and complement theory with hands-on training.

★ *On the picture: Hansel Bravo, Ana Martínez, Arelys Gaitan, Jorge Sánchez, Felix Maliaños*

A young woman stands out at the IPC

Joheny Seydi Avila, is one of the Honduran Gildan scholars at the Instituto Politécnico Centroamericano (IPC) where she shines as one of the brightest students of the Industrial Mechanics program. She is the only female in the program and has become a respected leader among her schoolmates. As a student, Joheny has taken full advantage of the opportunity she was granted. "I feel fortunate to belong to an institution like IPC", she said.

Originally from Danlí, El Paraíso (Honduras), Joheny started the Industrial Mechanics program fresh out of middle school. She excelled in courses such as welding, and six months upon enrollment was fluent in English. She successfully completed the Industrial Mechanics program in the 2006 term and will enroll in the Industrial Electricity program in the 2007 term. This young lady could undoubtedly be an asset for Gildan once she has completed her education. She will be prepared in both mechanics and electronics and could potentially become one of our managers.

Donations in Nicaragua***Gildan finances the painting of Nicaragua's prestigious Rivas Parish***

Rivas' impressive parish, which was built in 1854, captured the attention of Gildan's President and CEO on one of his first visit to this city in Nicaragua. This imposing neocolonial church had deteriorated through time and needed to be restored. In order to re-establish the church's magnificence and give back to the community, Gildan decided to donate U.S. \$ 25,000 to finance the painting of its exterior.

The project occurred from December 2005 to February 2006. This Parish, which is located in the city of Rivas, is famous for being the place where one of the Countries' most intellectual Presidents of his time, Adán Cárdenas, who governed from 1883-1887, was baptized. A total of 500 people attended the church for the inauguration ceremony.

In-kind donations in Central America

Gildan made in-kind donations to various organizations involved in either humanitarian aid or youth and education. These organizations in Honduras included: Red Cross, Firefighters, Ruth Paz Foundation, Habitat for Humanity, Rotary Club and Special Olympics. Nicaraguan operations offered in-kind donations to different organizations involved in humanitarian aid. These donations have been channeled through the office of the First Lady.

**Donations in Mexico and Haiti**

Gildan in Haiti and Mexico received their first donations budget in the middle of the 2006 fiscal year. Following this new allocation, the management team in both countries structured their donation committees. These committees are presently assessing primarily community needs and selecting projects to which Gildan will donate in 2007.

Donations in the Dominican Republic

In 2006, Gildan initiated a donations program in the Dominican Republic. A donations committee was set up to evaluate requests received and assess the needs of the surrounding communities. In its first year, the donations committee focused mainly on neighbouring schools in serious needs of repair. Projects selected for donations included the following:



Youth and Education

Bella Vista Community Centre – The Bella Vista Community Centre is a place where technical courses are offered to participants. It is also used for meetings, events and celebrations. To be more functional, the Community Centre needed electricity repairs as well as a stove for students and other users. These were provided by Gildan.

The school of **Futuro Vivo, Arcadia Reyes, Mata Vaca** and **La Granja schools**, which teach about 1,700 students and are located in the vicinity of our facility, received substantial support to improve school transportation, to repair installations as well as purchase fans, desks, fridges, etc. In addition, Gildan gave 4,000 notebooks.



2005 hurricane season

Families impacted by tropical storm received help from Gildan

Each year, the hurricane season, which runs from the beginning of June until the end of November, is a time of preparation and worry for people in Central America and the Caribbean Basin. Although Gildan's manufacturing facilities are constructed to withstand hurricanes, individual homes in these areas are highly vulnerable. In 2005, more than three hurricanes threatened Nicaragua, Honduras and the Dominican Republic. Fortunately, overall damage to employee homes and our facilities was relatively minimal.

The most damaging tropical storm, which struck the towns of Choloma and El Progreso during the week of November 14, 2005, was Gamma, the twenty-fourth named storm of the 2005 Atlantic hurricane season. Gildan's plants were not affected by the storm but the ensuing flooding caused damage to communities in the region. In fact, some of our employees had to leave their homes temporarily. The municipalities offered them shelters and Gildan provided food from the Company cafeteria to the families from the communities in need.



Dominican Republic

Gildan Kids, a one-week summer day camp for 50 children of our workers

For the first time, the Human Resources team in the Dominican Republic organized a one-week (Monday to Friday) day camp for 50 children of Gildan workers employed at our new textile facility. This camp was organized for children between the ages of 4 and 10 years. A draw was organized among employees at the textile plant and 50 of them were entitled to send one child to partake in this camp experience.

To organize camp activities, Gildan hired a specialized company, which operated under the supervision of the Human Resources Department and volunteer parents. During this special week, children enjoyed clowns, a magician, painting activities, drama classes, etc. They also went to the pool, made arts and crafts, and

played different fun, educational games. These children also had the chance to take part in a city tour in the Colonial Zone of Santo Domingo. During the tour, they visited the aquarium, the cathedral, the Columbus Light House and other important historic attractions.

For the duration of camp activities, Gildan provided daily transportation and lunches, in addition to organizing event logistics. Parents were delighted with this initiative, which had a highly positive impact on all employees as we cement our team spirit at this new facility.



“

I want to thank you from the bottom of my heart for the opportunity you gave our children, for thinking of organizing this 5-day camp that children of all ages enjoyed through games, lunches, experiences, emotions, joy and most of all closeness, friendship and culture. I shared these experiences with my 6-year old son Roberto during the two days I served on the Parents' Committee. The children had fun as did the other parents who were there and the individuals who ran the camp. Thanks to all these people who, in one way or another, participated in and coordinated such a wonderful adventure. To the Human Resources crew, the camp's teachers and security staff: Thanks for the way you treated our children and ourselves. Thank you very much and I hope that in the future you will continue to organize events of this magnitude.”

Roselyn P.

“

“To the Human Resources crew, I cannot express in words the happiness I felt when my daughter returned home each day telling me everything she had done or learned and how much fun it all was. I feel so grateful to the Company for bringing such joy to my daughter and all the other children who had the opportunity to attend the camp. I thank the personnel who treated my daughter so well during these special days.”

Santa Trinidad Ortiz

Environmental Sustainability



Oeko-Tex certification

To solidly maintain its commitment and its position as a leader in environmental sustainability, Gildan renewed, for the third consecutive year, its Oeko-Tex Standard 100 certification for the entire activewear product line. In addition, the Company obtained Oeko-Tex Standard 100 certification for its underwear product line, as well as for its athletic socks product line, which will be produced in Honduras at the new Rio Nance facility.

Oeko-Tex Standard 100 certification, the most widely recognized international eco-label designation in the textile supply chain, represents the first uniform safety standard of its kind within the textile industry. Certification ensures that the production process and the textiles themselves pose no risk to the human body through skin contact, ingestion or inhalation, thereby maximizing consumer textile purchasing confidence from the dual standpoint of health and environmental implications.



Gildan develops environmental management plan

Gildan implemented an Environmental Code of Practice (ECP) in 2003, which details requirements for materials to be used in manufacturing. This ECP, in place at Gildan-owned facilities and its suppliers, allows the Company to ensure that none of the materials used in the production process contain substances harmful to the environment. This policy also serves as a statement to the Company's commitment to environmental protection and conservation of natural resources.

In 2006, to further enhance environmental, health and safety practices, Gildan developed an environmental management system (EMS) plan that will be implemented company-wide during 2007. This EMS covers all activities and services performed and all products manufactured on Gildan premises.

Development of the EMS involved various sets of actions, one of which was to revise and update the ECP during the year. Subsequently, Gildan reviewed and began preparing environmental procedures with a view to standardizing and adapting the Company's processes used at its textile and sewing facilities.

In 2007, Gildan intends to implement these improved processes, which are designed to be more environmentally friendly and to further enhance health and safety at the Company's facilities. Implementation will be measured on a regular basis and constantly improved.

Once implemented, the environmental management system will allow all Gildan facilities to manufacture products using cleaner standardized processes, which include best practices for environmental and health and safety.



New wastewater treatment systems being developed

In 2004, Gildan assumed a leadership role by adopting sustainable environmental practices and by creating a highly efficient biological wastewater treatment system (biotope) that is being used at its textiles facilities in Honduras and the Dominican Republic.

Two major new manufacturing facilities were being constructed at the Rio Nance site in fiscal 2006, one for the production of athletic socks and the other for the production of fleece. These two new manufacturing sites will use our expanded biotope system to treat and discharge wastewater.

In addition, the Company is presently working on a new project, the salt recovery system, which consists of recycling the salt from the wastewater and reusing it in the dyeing process. This new system, which is currently in the design stage and is scheduled for pilot testing in 2007, will complement the biotope system. If found to be efficient, the new salt recovery system will be implemented at both our Rio Nance, Honduras, and the Dominican Republic sites.



Gas emissions project

Gas emissions have proven to be an important source of concern in past years. Even though the law does not require Gildan to report on gas emissions, we are seeking out a way to evaluate and measure them. The textile industry is not a major producer of gas emissions compared with facilities in many other industries. However, Gildan is committed to environmental sustainability and seeks to reduce the Company's emissions. To be able to develop an action plan, the Company plans to start measuring its emissions in 2007.



Kentucky Derby's environmental practices

Prior to acquiring Kentucky Derby in July 2006, an environmental assessment was conducted by an external consulting firm under the direction of Isabel Rocha, Gildan's Corporate Manager, Environment. The evaluation identified no serious environmental problems. One of the Company's environmental objectives for the 2007 financial year is to introduce Kentucky Derby's facilities into the corporate environmental management system.

★ *On the pictures:*

Gildan's biological wastewater treatment system.

“Our commitment toward environmental sustainability starts with a thorough selection of raw materials and clean technology. With the respect of our environmental code of practice we can achieve significant results in terms of respecting the environment. At Gildan, this work is accomplished thanks to a dynamic and determined team which is dedicated to implementing environmental best practices throughout our production processes. I am proud to supervise this team with whom we will ensure a permanent reduction of pollutants and industrial wastes. This will guarantee the sustainable development of our manufacturing activities and benefit the communities in which we operate.”

Isabel Rocha

*Corporate Manager, Environment
Gildan*



Awards and



Awards and recognitions

Overall Corporate Social Responsibility Program

- Gildan was honoured with a **Mercuriades Award in the Social Responsibility and Sustainable Development** category at the 26th Mercuriades awards ceremony organized by the Quebec Chamber of Commerce Federation. This category seeks to honour Quebec companies having distinguished themselves through the implementation of policies which reflect sound corporate ethics and governance. Companies must also demonstrate that they have implemented responsible environmental, community and social strategies, and that they engage in transparent communications.

Regional Development

- Gildan recently received the **CAFTA Regional Development Award**, which honours companies in Honduras which have contributed to the development of the textile industry in Central America. Gildan was the only company in the Honduran textile sector chosen to receive this award, which is also an acknowledgement of Gildan's innovative spirit and vertical integration of its Honduran-based business. Gildan contributes to the economic development in this country by offering jobs and opportunities to thousands of Hondurans.

Corporate governance

- Gildan ranked in the top 10% in the **2006 annual corporate governance ranking** out of the 204 public corporations included in the TSX/S&P Composite Index in Canada (Income trusts were ranked separately). The companies' evaluation, by the Report on Business section of the Canadian **Globe and Mail** newspaper, is based on the review of management proxy circulars.
- The Montreal newspaper, **La Presse**, ranked Gildan first among publicly-listed corporations based in Quebec in its annual review correlating Chief Executive Officer compensation with the financial performance and growth in share value of the companies which they lead.

Education

- Gildan also received an award from the **Textile Industry of Quebec's Sectional Committee of Labour** for francization development and elimination of illiteracy at the Company's Montreal facilities. Last year, Gildan introduced a program to allow immigrant employees to learn the French language with a view to better communicating with their colleagues, supervisors and French-speaking friends. This program also allowed them to be more productive in their working environment by being able to read and better understand memos, safety rules and work instructions at the facility. Since February 2005, more than 125 employees, working at the two Montreal facilities, have enrolled in these French classes.
- **INCAE University** in Costa Rica, the leading institution of higher education in Central America and an affiliate of Harvard Business School, recently recognized Gildan for its three-year contribution to its scholarship program through the Honour Fund. Every year, this program provides students of excellence who demonstrate business leadership with the financial resources to attend university.

Memberships



Memberships

Gildan is a member of the following organizations working in the social responsibility fields:

- Canadian Business for Social Responsibility www.cbsr.ca
- Business for Social Responsibility www.bsr.org
- Fair Labor Association www.fairlabor.org
- Imagine Canada www.imaginecanada.ca
- FUNDAHRSE (Honduran Foundation for Social Responsibility) www.fundahrse.org



Participation in major corporate social responsibility conferences

- Laurence Sellyn, Gildan's Executive Vice President, Chief Financial and Administrative Officer was invited as a panelist to the **Global Conference on Social Responsibility**, held from February 16th to the 18th, 2006, in Vilamoura, Portugal. The main objective of the conference was to demonstrate to business leaders the importance of making poverty alleviation a priority for businesses and how companies can align their CSR strategy with their core business strategy. Practical steps to alleviate poverty and raise profits were discussed by the invited panelists. (For additional information on the World Council for Corporate Governance, you can visit their website at www.wcfcg.net)
- In November 2006, Laurence Sellyn, Gildan's Executive Vice President, Chief Financial and Administrative Officer, was invited to participate as a panelist at the **Canadian Business for Social Responsibility's (CBSR) Annual Summit**, which attracted over 130 business leaders and CSR experts from across Canada and around the globe. In his presentation at the panel "How is Bay Street Paying Attention?", Mr Sellyn talked about Gildan's initiatives which contribute to the development of national economies and help improve community well-being in regions where the Company operates. Gildan distinguished itself by demonstrating how the Company's initiatives in terms of investment in modern facilities, progressive human resources practices, community involvement and sustainable environmental practices were all aligned with Gildan business strategy and how they enable the Company to enhance its share value. (For additional information on CBSR, you can visit their website at www.cbsr.ca)



John Clancy, Managing Director, Guardian Ethical Management Inc. and moderator of the panel at the CBSR Annual Summit; Laurence Sellyn, Executive Vice-President, Chief Financial and Administrative Officer, Gildan Activewear Inc.; Nicolas Chevalier, Partner, Pembroke Asset Management; Professor David Vogel, Haas School of Business, University of California Berkeley; Alexander Barkawi, Managing Director, SAM Indexes GmbH; Kevin Harraher, Vice-President Investor Relations, Scotiabank; Sue McGeachie, Director, Innovest Strategic Value Advisors.

2007

Corporate Governance

Governance practices

- Continue to review governance guidelines and follow best practices in terms of transparency, shareholder rights, employee rights as well as compensation.

Internal structure

- Improve the orientation and continuing education programs for Board members.

Labour Practices

Code, policies & procedures

- Further integrate corporate social responsibility (CSR) throughout business core practices, including the Company's purchasing policy.
- Standardize Gildan's CSR guidelines and practices within recently acquired Kentucky Derby operations.
- Reinforce internal monitoring and implement systematic remediation verifications.
- Determine social compliance requirements with our major retail customers.

Internal structure & monitoring team

- Develop management systems, which will demonstrate and certify that the Company's CSR policies and procedures are integrated, known and respected by employees.
- Work more closely with the sourcing department.
- Reinforce CSR working group by including a member from the Kentucky Derby business.

Training

- Conduct training to better address non-compliance findings through remediation and by empowering employees, supervisors and management in their daily practice of CSR both within Gildan's facilities and at contractors.
- Provide support to contractors in implementing Gildan's social compliance requirements.
- Consolidate partnership between manufacturing operations and internal CSR function in all aspects of operations and decision-making.

NAME
NOM

2007 Action Plan

No.

Action Plan

Labour Practices (continued)

Accreditation and certification

- Obtain FLA accreditation.
- Maintain or obtain WRAP certification for our sewing facilities and encourage contractors to seek certification.

NGO engagement

- Expand relationships with non-governmental organizations (NGOs) and increase communication at both headquarter and local levels.

Community Relations

Community involvement program

- Structure the donation program for our U.S. operations.
- Align the donation program to support overall CSR activities.

Environmental Sustainability

Procedure

- Implement the Gildan environmental management system company-wide.

Manufacturing

- Develop a salt recovery system to recover top quality salt solution and reuse it in the dyeing process.
- Further develop an integrated waste management system that contribute to meet requirements specified by law and best practices in order to minimize waste and at the same time optimize production efficiency.



*AT WORK
AT HOME
AT PLAY*

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

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