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Letter from our President and Chief Operating Officer

One Step at a Time…

Garan is a Global apparel company that has been in business for more than 75 years. Garan employs more than 4,500 people around the world as well as helps assure jobs for thousands more throughout our supply chain. Our business is built on integrity and trust. We care about our people and the communities in which we live and work. We have employees who have been with Garan more than 30 years as well as many newcomers. We believe in Diversity and Inclusiveness, Equality and Fairness in jobs and wages. We strive to ensure our garments are produced in an Ethically and Socially compliant way. We invest in 3rd party audits to ensure factories that produce our apparel are following our strong Code of Ethics and Human Rights Policy.

Before sustainability became a significant social issue, Garan has been recycling, reducing waste in landfills and conserving our electricity use, along with many other ecological initiatives. We thought it was the right way to do business then and deeply believe it is the right way to do business today and in the future.

We are committed to doing our part to preserve our environment. We believe it is important to preserve our environment for our children today and for future generations to come. We understand, being a sustainable company, will require taking one step at a time and when we think we have done all we can, we will look for other ways to continue on our sustainability journey.

Sustainability is more than just using less water, using less electricity and producing less Green House Gas. While those things are definitely important, the world’s people are its greatest asset. Continuing our sustainability efforts into the future depends on people and the beliefs instilled in people that they can make a difference.

Jerald Kamiel
Who Are We

Garan, was incorporated in 1941 and is a global manufacturer of branded and private label apparel, mainly newborn, infants, toddlers, girls, boys, men’s and women’s, with over 4,500 employees worldwide. Our most recognized brand is probably our Garanimal’s children’s brand.
Exceptional Quality

We work hard to produce quality apparel that can be purchased for low prices – creating value for the consumer. Children outgrow their clothing so fast. Our intent is to make sure all children can be dressed in safe, long lasting apparel. When they outgrow the item, our hope is, it can be passed on to the next child and in some cases, even the next child. Long lasting apparel helps the environment by reducing the number of garments that need to be made.

Reuse, Recycle, Reduce, Refuse, Respect and Replenish

We use the 6 R’s in our manufacturing facilities to remind and encourage everyone to think of the environment and the waste they are generating throughout the day.

- Reuse/Repair, expand the life of products
- Recycle, reclaim the raw materials
- Reduce, make decisions that decrease the amount of waste produced
- Refuse, make the choice to not generate more waste
- Respect, all people
- Replenish, next time consider recycled and green content
Report Overview

Our 2017-2018 Corporate Sustainability Report provides an overview of Garan’s commitment to producing garments with the least impact on our environment as is possible. We believe sustainability is a combination of social, economic and environmental aspects; all are key to building a sustainable future. This report reflects our Culture, Values and Sustainability Goals.

Integrity and Trust are very important to Garan. We understand our customers want to purchase garments that are made in a sustainable way; they want to purchase garments they know were made in an ethical, compliant way. Most of all, they want to know they can trust the company that makes the garments they buy. For this reason, we will be transparent in our sustainability efforts.

We are addressing our environmental footprint by taking steps to save energy and reduce our greenhouse gas emissions. We have strong ethical compliance guidelines for our supply chain. Our factories are 3rd party audited to ensure compliance with our requirements as well as all local, state, country and customer requirements.

Garan is focused on the well being of our employees. We strive to provide a safe, healthy environment for our employees while they are in the workplace. Additionally we participate in various community programs that help to improve the lives of people in the communities in which we live and work.

This report is organized around our efforts in, Water Conservation, Solid Waste/Recycling, Energy Conservation, Carbon Footprint, Social Responsibility, and Employee Health and Safety.
Energy Conservation

As part of our effort to reduce GHG emissions, we must also focus on energy consumption. What are we powering? How much energy is consumed to power what we do? How can we be more efficient with the power we’re using? These are questions we are consistently measuring, analyzing and addressing.

In 2016, Garan’s energy consumption per dozen was the lowest on record. This year, Garan installed 17,500 LED bulbs into our manufacturing facilities. These will reduce our GHG emissions, while being more energy efficient and eco-friendly.

Since our 2008 base year of reporting, Garan has continually improved energy efficiency and consumption. We are committed to reducing energy consumption, and will continue to seek ways to use efficient, clean energy throughout our Company.
Solid Waste/Recycling

Garan’s Goal is to have zero waste go to a landfill. We recognize the effects excessive waste has on the environment and are committed to pursuing a zero-waste-to-landfill status. To do this, we must be efficient with what we bring in, and resourceful with what we send out.

Since 2008, Garan has significantly increased the dozens we produce annually. During the same time we were increasing our dozens produced, we were able to decrease our pounds of waste per dozen by over 17%. This has led to a reduction of over 560,000 lbs. of waste.

To help reach our goal of achieving zero-waste-to-landfill status, we are also very focused on company-wide recycling efforts. Since our base year in 2008, we have increased our average pounds per year of recycled materials by over 15%. This has led to over 17.5 million pounds of material being recycled.

We see the inverse relationship between waste and recycling, and are committed to focusing on both. As our production processes become more efficient and environmentally friendly, we will continue to reduce our waste, increase what we recycle, and ultimately reach our goal of being a zero-waste-to-landfill company.
Water Conservation Efforts

There are few, if any, natural resources as essential to the future of our planet as water. Garan sees the importance of this resource, and is committed to applying sustainable, clean water practices throughout every facet of our company.

In the past 8 years, Garan has reduced our total water usage by over 6 million gallons.

This is a 39% decrease in gallons of water used, per dozen garments produced.

Garan is committed to continuing our pursuit of sustainable water practices within each of our manufacturing facilities, corporate offices, distribution centers and quality-control offices. Measurable analysis of our water usage is regularly done throughout Garan’s global company footprint, allowing us to quantify our progress and identify areas for continued improvement.
Carbon Footprint

Garan is committed to a company-wide effort to reduce our Greenhouse Gas emissions. We acknowledge the effects that the ever-growing amount of CO₂ entering our atmosphere can and has had on our planet. We strive as a company to pursue sustainable practices to minimize CO₂ emissions.

Since our base year of reporting, we have continually seen our CO₂ emissions decrease while our annual production of dozens increased. Our intensity of emissions per dozen is 28% lower than in our base year. We’ve recently completed a project installing LED bulbs in all our manufacturing facilities. We anticipate this LED bulb project to result in the reduction of over 181 Tonnes of CO₂.

We know there is significant work to be done in our sustainability journey, but Garan’s approach to reducing our carbon footprint will be science-based and goal oriented providing motivation to get through our challenges. We will continually measure and analyze where we are as a company and how we can work with our suppliers and contractors to reduce GHG emissions throughout our value chain.
Supply Chain Sustainability

As a company, Garan incorporates sustainable practices and policies throughout our entire value chain. We recognize the harm a company can have on the planet by being environmentally irresponsible, and are committed to continual analysis and progress. This starts within our walls, with everything from our corporate offices to our manufacturing facilities and extends into our supply chain.

We are committed to engaging our suppliers, customers and end use consumers in efforts to reduce and/or eliminate waste in supply chains as well as reduce overall environmental impact. For instance, by shipping full containers of fabric or finished goods, we reduce the number of containers shipped, which in turn reduces use of fuel. Additionally, being able to wash our clothing in cold water, the consumer can reduce their environmental impact.

We expect our supply chain partners to actively engage in their own sustainability efforts in their facilities. We have recently increased our supply chain sustainability efforts by requiring our large volume fabric suppliers to commit to reporting their sustainability efforts using the Higg Index. We will continue working with our supply chain partners, taking one step at a time into a more sustainable future.
Code of Conduct Policy

At Garan, we are committed to:

• a standard of excellence in every aspect of our business and in every corner of the world;
• ethical and responsible conduct in all of our operations; and
• respect for the rights of all individuals.

The Garan Supplier Code of Conduct establishes the key principles under which Garan and our worldwide suppliers are required to operate.

In the selection of suppliers, Garan seeks reputable business partners who are committed to ethical standards and business practices compatible with those of Garan.

This Supplier Code of Conduct is intended to clearly establish, taking into account differences in cultures and legal requirements, Garan’s expectations in all factories in which our products are manufactured. Garan products will be manufactured in a manner compatible with the high standards that have contributed to the outstanding reputation of Garan and our brands.

Garan strongly encourages Suppliers and any contractors to exceed the requirements of the Supplier Code of Conduct and promote best practices and continuous improvement throughout their operations.

This Supplier Code of Conduct applies to facilities involved in the production of products for Garan or any of our subsidiaries, vendors, agents or licensees including entities with direct relationships with Garan and any of their contractors involved in Garan production (“Garan Suppliers”).

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Laws and Regulations

Garan Suppliers must operate in full compliance with all applicable laws and regulations of the countries in which they operate.

Child Labor

Garan will not tolerate the use of Child Labor. Garan Suppliers must not employ workers younger than the minimum age established by law in the country of manufacture. In addition, Garan Suppliers must comply with all legal requirements for the work of authorized young workers, particularly those pertaining to hours of work, wages, and working conditions.

Forced Labor

Garan Suppliers must not use involuntary or forced labor, whether indentured, bonded, prison or otherwise.

Harassment and Disciplinary Practices

Garan Suppliers must treat all workers with respect and dignity. No worker shall be subject to corporal punishment, physical, sexual, psychological or verbal harassment or abuse. In addition, Garan Suppliers will not use monetary fines as a disciplinary practice.

Wage and Benefits

Garan Suppliers must pay workers at least the greater of the minimum compensation required by local law or the prevailing industry wage. In addition, Garan Suppliers must provide all legally mandated benefits. In addition to their compensation for regular hours of work, workers must be compensated for overtime hours at such premium rate as is legally required or, in those countries where such laws do not exist, at least equal to their regular hourly compensation rate.

Hours of Work

Garan Suppliers must ensure that workers shall not work more than the lesser of (a) sixty (60) hours per week, including overtime, or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture. In addition, all workers shall be
entitled to at least one day off in every consecutive seven day period.

**Health and Safety**
Garan Suppliers must provide their workers with a clean, safe and healthy work environment in compliance with all applicable, legally mandated standards for workplace health and safety in the countries in which they operate. This includes residential facilities, if applicable.

**Nondiscrimination**
While Garan recognizes and respects cultural differences, Garan Suppliers must ensure employment – including hiring, remuneration, benefits, advancement, termination and retirement – is based on ability and not on belief or any other personal characteristics.

**Women’s Rights**
Garan Suppliers will ensure women workers receive equal treatment in all aspects of employment. Pregnancy tests will not be a condition of employment, and pregnancy testing – to the extent provided – will be voluntary and the option of the worker. In addition, workers will not be forced to use contraception.

**Freedom of Association and Collective Bargaining**
Garan Suppliers must recognize and respect the rights of workers to exercise lawful rights of free association, including joining or not joining any association. Garan Suppliers must also respect the legal right of workers to bargain collectively.

**Environment**
Garan is committed to sustainable business practices and the preservation of the environment. Garan Suppliers must comply with all local environmental laws applicable to the workplace.

**Subcontracting**
Garan Suppliers must not use subcontractors in the manufacture of Garan products or product components without approval from Garan, and only after the subcontractor has agreed to comply with this Supplier Code of Conduct.
Communication

Garan Suppliers must prominently display - in the languages of workers and supervisors - the Garan Supplier Code of Conduct poster and communicate the provisions or the Garan Supplier Code of Conduct to workers and supervisors.

Monitoring and Compliance

Garan will undertake affirmative measures, such as announced and unannounced on-site inspections of production facilities, to monitor compliance with this Supplier Code of Conduct. Garan Suppliers must maintain on site all documentation necessary to demonstrate compliance with the Code of Conduct, and Garan Suppliers must allow representatives from Garan full access to production facilities, worker records and workers for confidential interviews in connection with monitoring visits. Garan Suppliers are expected to take necessary corrective actions to promptly remediate any noncompliance. Garan reserves the right to terminate its business relationship with any Garan Supplier who is unwilling or unable to comply with this Code.
Employee Health & Safety

In 2016, our incident rate was 0.02. This is a measurement of all loss time and recordable accidents per 100 employees. We believe One Accident is too many but if an accident happens, we investigate the incident with all means possible to identify the reason it happened. From these learnings, we work to implement additional safety measures in hopes of eliminating all workplace accidents. We continue to work toward a ZERO Accident goal.
Social Responsibility

At Garan, we believe Social responsibility is more than a Code of Conduct Policy. We celebrate our employees often in our factories, as well as provide educational services to our employees covering an array of human issues. A few examples are shown below.

- Breast Cancer Screening
- Domestic Violence Prevention
- Donating Blood
- Maternity Care
- Health Fair
- Flu Vaccinations
- ZIKA Care
- Worker’s Day
**Chemical Policy**

Garan takes restricted chemicals very seriously. Our goal is to continually produce safe garments for children that meet or exceed all US Government, Individual US State and our Customer’s restricted chemical requirements for each specific garment style produced. Through rigorous testing procedures, we are constantly monitoring related sources for chemicals to be avoided and updating our procedures accordingly.

**Product Efficiency**

At Garan, we strive to use as high a percentage of the fabric we purchase as possible. This ensures less waste goes into our recycling program and less waste goes into landfills. Our goal is to be at least 90% efficient in the utilization of all fabric. However, our experience tells us due to the complexity of some styles, we will not always achieve this goal. To work toward continuous improvement, all styles are audited to double check that they are as efficient as possible for each specific style.

You can see by the related information on waste that we are good at it as we have significantly increased our annual dozens produced and reduced our amount of waste generated.
Our Goals For the Next Year:

- Continue to reduce our waste to landfills

- Reduce our Carbon Footprint another 3.5%

- Work within our supply chains to better understand any opportunities we may be missing in further reducing our collective GHG emissions.

- Find more ways to involve our employees at all levels of our company in our sustainability effort.