



# DELTA GALIL

INDUSTRIES LTD.

2017-2018 CORPORATE SOCIAL RESPONSIBILITY REPORT



CELEBRATE  
CREATIVITY





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# DEAR STAKEHOLDERS,



At Delta Galil, we believe that long-term economic growth and business success must go hand-in-hand with a deep commitment to sustainability. So, it gives me great pleasure to share our Corporate Social Responsibility Report for 2017-2018, which details our sustainability principles and recent progress.

We are proud of our focus to drive continuous growth through innovation. This has resulted in \$1.4 billion in net sales, increased our business in branded products, and led us to invest in expanding our manufacturing resources.

We apply the same spirit of innovation to meet the needs of all our stakeholders – whether it's our customers, employees, suppliers, consumers, shareholders or local communities. While our stakeholders are diverse, we share a common goal - to leave our world better than we found it.

We follow strict responsibility policies, ethical guidelines and guiding principles. Delta Galil is also one of the few textile companies to comply with the more rigorous reporting standards of the Global Reporting Initiative (GRI), ensuring a high standard of transparency. In this report, you can read about the progress we've made and our goals going forward in the following areas:

## Responsible Supply Chain

We demand ethical behavior from all our employees as well as from subcontractors with whom we work. Our Code of Ethics and Code of Conduct, fundamental to our company, prevent discrimination and harassment and encourage integrity, fairness and transparency. Suppliers must also comply with our revised Delta Code of Ethics and Delta Code of Conduct, and we conduct regular inspections and audits of our supplier partners.

## Environmental Sustainability

Overall, our KPI indicators show that we have continued to make improvements in energy efficiency, reduction of GHG emissions, water and waste per ton of product during the reporting period. This is despite using additional sites and growing resource consumption. The recent opening of our green facilities in Vietnam and Egypt is testament to our green policies. We continue to strive to lower our negative environmental performance impact whilst making our processes more environmentally friendly.

Having met most of our long-term environmental objectives that were set for 2016, we are now working diligently to reach our new goals for energy, water and waste management by 2020.

## Social Sustainability

We are proud of our multicultural, diverse team of over 23,000<sup>1</sup> employees, who work together to innovate and help our customers remain - or become - market leaders. Our people are our most valuable resource, and we strive to create a healthy, safe and inclusive environment for all our employees. We prioritize personal and professional development, as well as their welfare and wellbeing.

We support local community by supporting organizations that promote tolerance and respect, youth education and enrichment, and equal opportunity. We are proud to invest in the next generation of textile designers and technologists through our partnership with the Shenkar College of Engineering and Design, Israel.

For the past couple of years, we have been maintaining our "platinum" status as a member of Maala, a non-profit BSR organization that is a leading advocate for corporate responsibility in Israel, where we are headquartered.

As we grow as a business, our vision is to increase our positive supply chain, environmental, social and economic impact. We are confident that we can meet the inevitable challenges that we will face along the way, through the innovative spirit of our talented associates, the trust and collaboration of our customers, and the confidence of our investors and other stakeholders.

Thank you for your partnership.

Yours sincerely,

**Isaac Dabah**  
Chief Executive Officer

<sup>1</sup> In July 2019, we acquired Bogart adding approximately another 10,000 employees to our headcount and bringing our net sales to over 1.8 billion dollars.

# ABOUT THIS REPORT

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Before you is our sixth Corporate Social Responsibility (CSR) Report. This report has been prepared in accordance with the GRI Standards: Core Option. Our last report was published in 2017, covering the years 2015-2016. We intend to continue to publish a full report every two years.

The report summarizes our activity in the areas of the economy, environment, society and corporate governance in 2017 and 2018. Unless otherwise indicated, it covers 100% of Delta Galil's production, manufacturing and logistics sites and activities during this time. Unlike our previous report, it also includes Vietnam and Delta Galil Premium Brands (DGPB) sites in the USA.

The report does not include information regarding small local retail outlets or marketing offices, unless expressly stated. It also does not include activity in our joint ventures in China and Bangladesh<sup>2</sup>, or our recently acquired Bogart manufacturing facilities in 2019.

All data in the report is collected through direct measurement unless stated otherwise. We only mention the names of subsidiaries abroad when we describe the activities that take place in those companies. Environmental data analysis is done through a third-party consultancy and historical data has been updated using DEFRA coefficients<sup>3,4</sup>.

The data in this report corresponds with other reports issued and information presented by the Group in past years. This report is not part of the financial statements of the Company or Immediate Reports or Periodic Reports of Delta Galil and in the unlikely event of any discrepancy, the version in the financial statements is binding.

Goodvision from Grant Thornton Israel has executed an external assurance process. The contents of the report are also published on the Corporate Social Responsibility website of Delta Galil - <http://www.csr.deltagalil.com/> and on the company's main website - <http://deltagalil.com/sustainability/>.

# DELTA'S JOURNEY TO INCORPORATE THE SDG'S

It has become a popular understanding that business companies need to be more ambitious and look at systems holistically. Today's consumers are increasingly seeking out companies that are genuinely committed to positive social and environmental impacts.

In the recent years we have been following the United Nations Global Compact initiative.

The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labor, the environment and anti-corruption.

At this point in time we only express support for the 10 Principles and work to promote these principles in all of our operations. We have aligned our compliance with the GRI standards with that of the UNGC principles as outlined in the GRI content index on page 66.

The UN Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. They comprise 17 interconnected goals addressing the three dimensions of sustainable development – social, economic and environmental. The SDG agenda expresses a consensus among Governments, but can only be achieved with involvement of the private sector working alongside them.

Each and every SDG provides an opportunity for business and we at Delta Galil believe that we have a responsibility to link our social and environmental initiatives to the SDGs and take part in achieving these goals and create a better world for all.

In 2019, as part of our CSR strategy we started a comprehensive, in-depth examination of the company's activity in relation to the Sustainable Development Goals and related objectives to identify focus areas. As a result of this process we have selected several SDGs against which we believe we can create positive impacts and are currently mapping our activities and initiatives against the SDG's objectives.



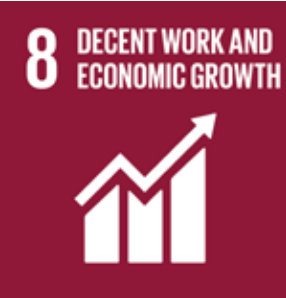



<sup>2</sup> 102-45,102-49  
<sup>3</sup> UK's Department for the Environment, Food and Rural Affairs  
<sup>4</sup> 102-48





The following table provides an overview of the SDGs that we have selected:

SDG	Why is it important to Delta Galil?	Read more in these sections
	<p>We recognize and take responsibility over our influence on the health, safety and well-being of people; directly through employment conditions and product quality, and indirectly through environmental impacts.</p>	<ul style="list-style-type: none"><li>• Social Risks and Opportunities</li><li>• Upholding Human Rights Along the Supply Chain</li><li>• Chemicals</li><li>• Wellbeing</li><li>• Health and Safety</li></ul>
	<p>Learning is crucial for organizational development and success, and is beneficial for both employers and employees. We invest in the personal and professional development of our human capital.</p> <p>We make it an advantage to provide new working skills in our sites located in developing countries that lack basic infrastructure and facilities to provide effective learning environments.</p> <p>As it is important for us to reduce academic and social gaps within the society, we invest in skill development of young people, through our community programs in all our locations and provide our employees with continuous opportunities to improve their skills for their current and future employment. By developing the capacity of future employees, we build a more diverse employee pipeline that feeds our Company's creativity.</p>	<ul style="list-style-type: none"><li>• Global Presence</li><li>• Human Capital</li><li>• Delta Galil and the surrounding Community</li></ul>
	<p>As a global company, Delta Galil is responsible for providing employment to many people around the world. Taking care of our employees' health, welfare and personal development is one of our main objectives. This is in line with our aim to promote and uphold equal opportunities and employment diversity.</p>	<ul style="list-style-type: none"><li>• Global Presence</li><li>• Vision, Mission, and Values</li><li>• Responsible Supply Chain</li><li>• Social Responsibility</li></ul>
	<p>The world in which we live and operate has limited resources. For this reason, we conduct our business with the understanding that protecting the environment is critical for each and every one of us as individuals, as well as for long-term business sustainability and success.</p>	<ul style="list-style-type: none"><li>• Environmental Sustainability</li></ul>



# BUILDING DELTA GALIL'S MATERIALITY MATRIX

In recent years, we have identified our key stakeholder groups<sup>5</sup>. These include: employees, suppliers, customers, consumers, surrounding communities, authorities and various civil organizations. We engage with these groups on a regular basis, which has helped us identify key issues of interest for each group.

As part of our preparations for writing this report, we conducted a company-wide external stakeholder assessment<sup>6</sup> survey, based on the GRI Sustainability Reporting Standards. This was performed by a third-party organization to help facilitate an independent valuation of the process and identify the most relevant issues.

We also compiled a summary of all stakeholder comments, recommendations and thoughts, and reviewed our key interest topics and sub-topics<sup>7</sup>. Using this information, we aimed to create a broad list of topics, including all those important to our stakeholders. A number of topics were set-apart as material issues that are important to Delta Galil such as our relationship with local communities and the well-being of our employees<sup>8</sup>.

To validate our list of topics, we incorporated the following additional information sources:

- **GRI Research - Material issues in the textile sector: The study “What do stakeholders want to know? - Textiles, Apparel, Footwear and Luxury Goods”** - conducted by GRI and published in May 2013, this presents a list of material issues that reflect expectations of various international stakeholders - including businesses, civil society organizations, and global representatives of the worldwide financial markets.

- **Media coverage of Delta Galil and the apparel industry in the Israeli and global media** – issues that arose from media reviews associated with Delta Galil during the reporting years.

We took this list of topics and surveyed our stakeholders, including our Board of Directors, associates, customers, suppliers, and representatives of social and environmental organizations. The respondents were asked to pick in every category the issues most important to them and rank them. We were able to build a materiality matrix to reflect the weighting of scores given for each topic by our stakeholders and Delta Galil's Board of Directors.

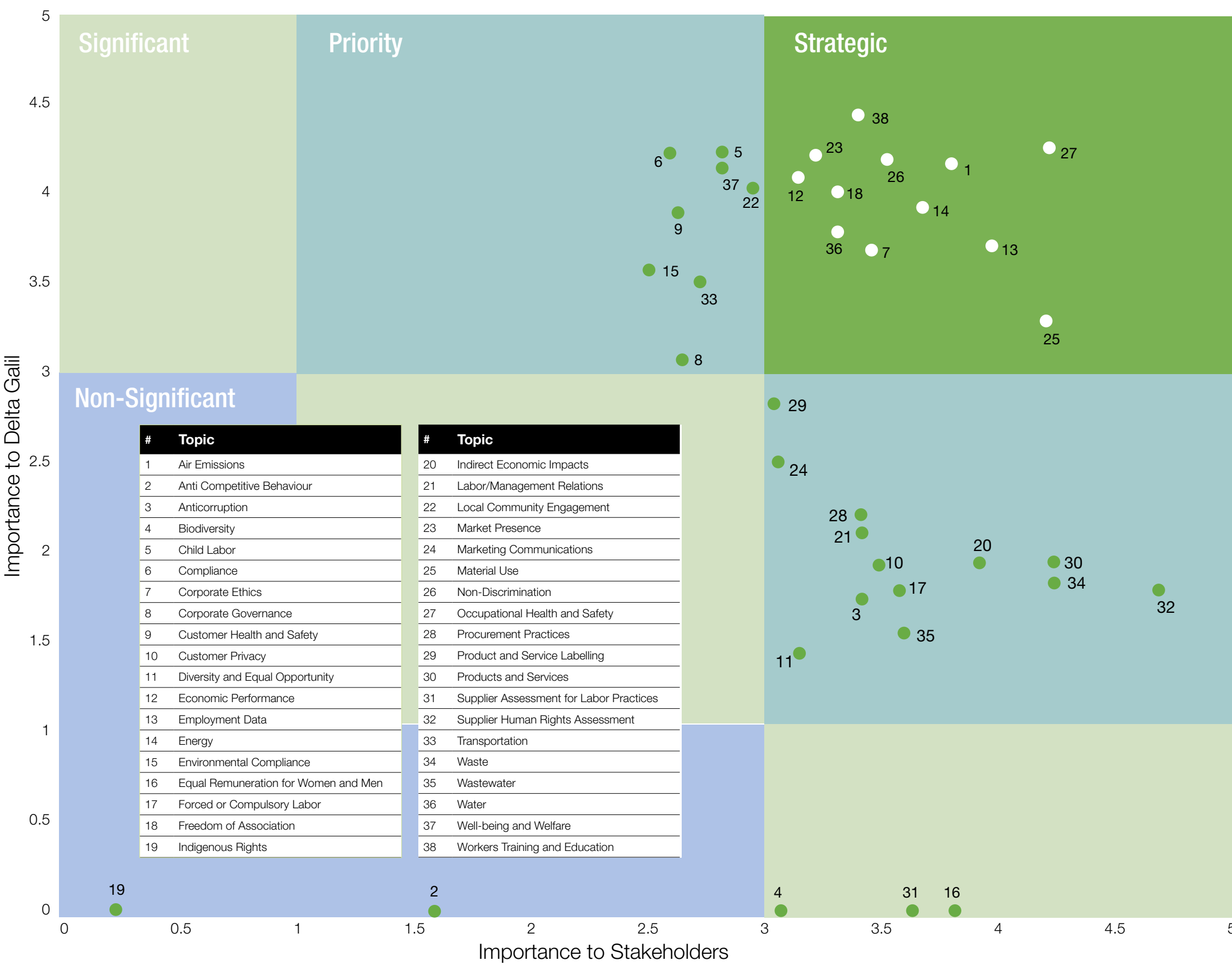
We used this survey to create our materiality matrix. The matrix was approved by Delta Galil's Management and includes 30 issues worthy of reporting within the framework of this CSR report. We have divided our matrix into four areas, and assigned a priority of reporting to each one: 12 strategic topics (reported fully), 21 priority topics managed internally (reported in summary with data where available), three significant topics (not reported) and two non-significant topics (not reported).

The strategic issues and their boundaries are described in the table below<sup>9,10,11</sup>:

Topic Name	Priority/Significant topic	Reporting Boundaries
Corporate Ethics	Strategic	Within the organization
Economic Performance	Strategic	Within the organization
Emissions	Strategic	Within & outside the organization
Employment Data	Strategic	Within the organization
Energy	Strategic	Within & outside the organization
Freedom of Association	Strategic	Within the organization
Market Presence	Strategic	Within & outside the organization
Material Use	Strategic	Within the organization
Non-Discrimination	Strategic	Within the organization
Occupational Health and Safety	Strategic	Within the organization
Water	Strategic	Within the organization
Workers Training and Education	Strategic	Within the organization



# DELTA'S MATERIALITY MATRIX







# OVERVIEW OF DELTA GAIL





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Delta Galil is proud to be a leading global manufacturer and marketer of branded and private label apparel products for men, women and children.

Since the creation of our company in 1975, we have established strategically located design, development and manufacturing centers across four continents, and Delta Galil shares are publicly traded on the Tel Aviv Stock Exchange (DELT) and pink sheets on the OTC stock exchange market in the US.

At the end of 2018, we employed approximately 13,260 people worldwide and served over 50 industry-leading customers in the US, UK, Europe and Israel. Our recent acquisition of Bogart has increased our numbers to 23,000 associates worldwide.

In anticipation of new fashion trends, we develop in-house cutting-edge technologies and innovative fabrics, building on our more than

40-year tradition of uncompromised excellence in manufacturing, marketing and service. With our capability stretching from concept to manufacturing, our customers benefit from our deep knowledge base and experience in knitting, dyeing and finishing, as well as cutting, sewing, seamless and molding.

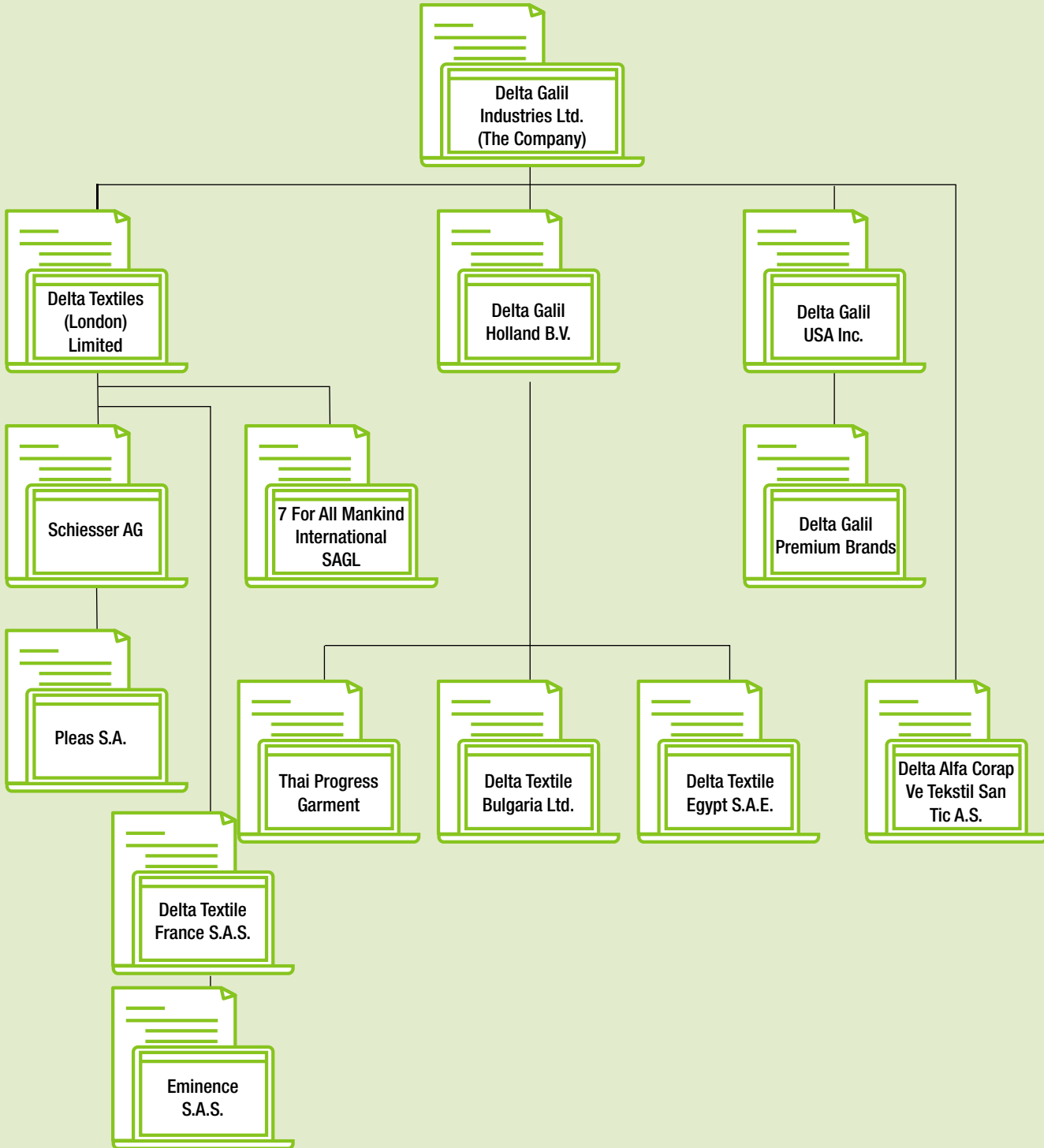
Our business model includes both private label products (28% of 2018 sales) and branded products (72%). We work with retailers, through licensees and our own brands, enabling us to serve our customers to reach and provide for the needs of multiple markets, with minimal risk.

Organizational Structure

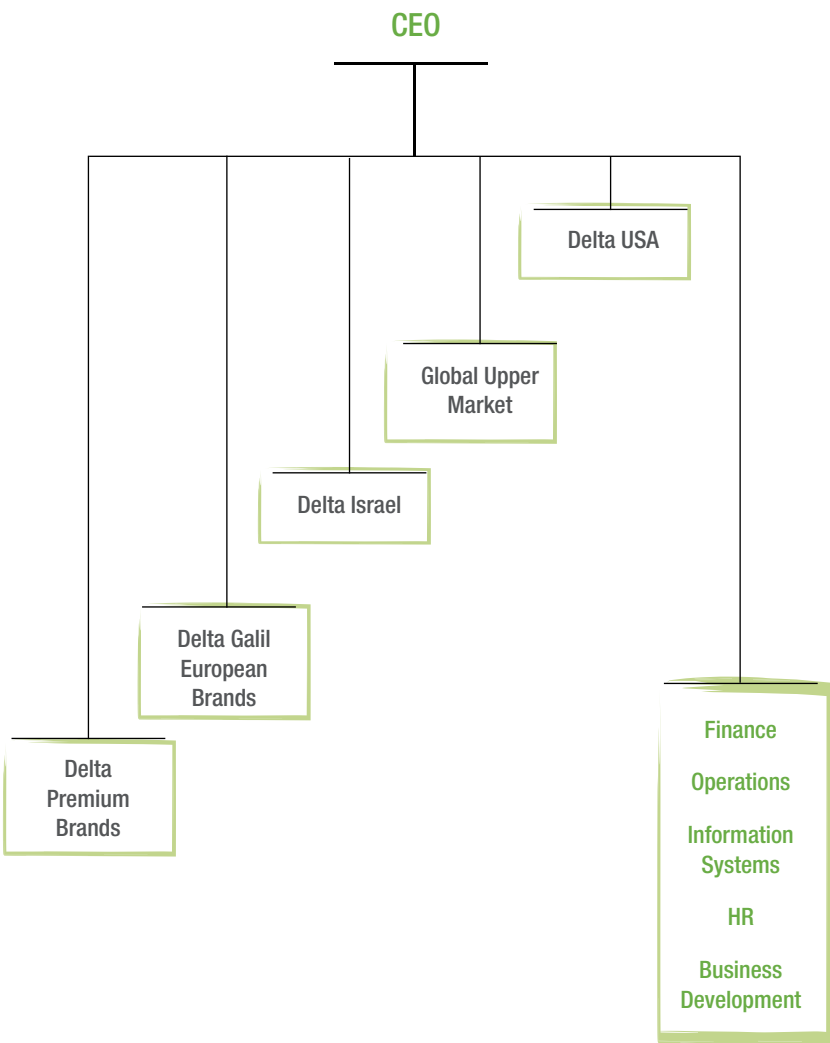
Since 2008, Delta Galil has been led by Mr. Isaac Dabah - the Chief Executive Officer (CEO). He holds a controlling interest of approximately 54% (49% directly and an additional 5.4% through Sterling Macro Fund). Mr. Noam Lautman, the son of the late Dov Lautman, Delta Galil's founder, is chairman of the Board and holds approximately 10% of the company. The remaining shares (36%) are publicly traded.

ORGANIZATIONAL STRUCTURE

The diagram below illustrates the structure of the Company's holdings, which are fully owned as of December 31, 2018:



Business Structure



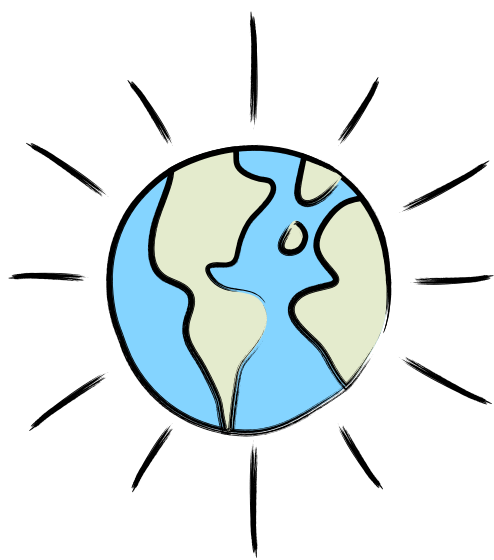


# RECENT DEVELOPMENTS

During the reporting period, we invested in growing our production capacity. For example, in 2017, Delta Galil USA, signed a long-term licensing agreement with Calvin Klein, a wholly owned subsidiary of PVH Corp, to develop, produce and distribute boys and girl's underwear, sleepwear and socks.

During 2018, we acquired Eminence SAS and its subsidiaries (the "Eminence Group"), which includes leading French underwear brands for men, women and children: Eminence and ATHENA and the Italian brand Liabel. We also signed an exclusive five-year licensing agreement with the British brand, Ted Baker, to develop, produce and distribute men's underwear, loungewear and thermal wear.

The Company ended its production activity in Jordan, as well as the remaining small socks manufacturing production in Israel, and moved these operations to other Delta Galil sites.



# OUR OPERATIONS

We provide our customers with a broad array of high-quality products in accordance with their specific requirements, and at competitive prices. We manufacture about 20% of our products ourselves.

We purchase the remainder from subcontractors, with whom we have relationships worldwide. In China, Turkey, Pakistan and Bulgaria, for example, we partner with subcontractors for the manufacturing of socks. In Egypt, Jordan and a number of East Asian countries, we work with subcontractors to manufacture undergarments and seamless clothing.

We are not dependent on any one subcontractor in particular, and there were no significant changes in the pool of subcontractors during 2017 and 2018.

## We have five main operating segments:

**Delta Galil USA (DGUSA)** - where we engage in the development, design and marketing of intimate apparel, socks and active wear for private labels for men, women and children, sold to the largest retail chains in the United States, as well as labels for which we have received a license. Additionally, this segment includes UK intimate apparel activity.

**Global Upper Market (GUM)** - where we develop, design, manufacture and market men's and women's undergarments, active wear and seamless clothing for women. This is sold to retail chains and leading labels in Europe and the United States. The marketing and distribution are performed by Delta Galil Israel, and the manufacturing is carried out in our factories in Egypt, Bulgaria, Thailand, Turkey, Vietnam and Jordan and through a joint venture in China, as well as subcontracted to the Middle East and the Far East.

**Delta European Brands** - where we develop, design, manufacture and market branded intimate apparel for men, women and children as well as active wear, under the Schiesser brand, sold to customers in Germany and in other Western European countries, and from the acquisition of Eminence in July 2018 also under the brands "Eminence", "Athena" and "Liabel", sold to customers in France, Italy and other countries in Western Europe. Sales are carried out wholesale for retail chains, and through the Schiesser and Eminence chain stores and websites. The products are manufactured at our production sites in the Czech Republic, Slovakia, France and Romania, as well as through subcontractors.

**Delta Premium Brands** - (purchased in August 2016) where we develop, design, market, distribute and sell premium products. These include the leading global denim label "7 For All Mankind", and leading American outwear clothing labels "Splendid" and "Ella Moss". These brands are sold through our retail chain in the United States and Europe, and globally through the website, and wholesale at retail marketing chains. During 2018, the "Ella Moss" brand was changed to a franchise model.

**Delta Israel** - This segment includes the Company's operation in Israel. As part of this area of activity the Company deals in the development, design and marketing of labeled undergarments for women and men, active wear as well as children's clothing, mainly under the "Delta", "Fix" and "Puma" labels. These are distributed via our stores in Israel, as well as wholesale for Israeli retail chains and e-commerce (e-com).

# GLOBAL PRESENCE



Across the world, we employ local management and employees, empowering the communities in which we operate, and providing employment opportunities. If local staff do not have the professional skills required to manage a site, the company's management hires an external manager to work alongside local management. To date, this

has been the case in only three of our facilities worldwide. In places where manufacturing skills may be lacking, we provide full training. In doing so, Delta Galil provides new employment opportunities in these locations.

## Delta Galil Annual Workforce Breakdown by Country

2016 2017 2018

### Israel



### Jordan



### Egypt



### Turkey



### Asia (mainly Thailand)



### Czech Republic



### Slovakia



### Bulgaria



### Germany



### USA



### France



### Romania



### Other - marketing sites in Europe and Asia



## Project Legacy

Project Legacy is an NGO that commemorates historical milestones and legacy events in world and Jewish history, staying true to the Jewish heritage of recognizing the good in people of all faiths and walks of life. Project Legacy overriding mission is to advocate for people who defend the poor, the disenfranchised; those whose accomplishments have positively impacted the lives of people around the globe. It recognizes individuals and organizations whose leadership has resulted in the advancement of peace, human rights, democracy and freedom. In addition, Project Legacy oversees the process to posthumously award Anwar Sadat with the Congressional Gold Medal.

In September 2017, our CEO Isaac Dabah (on behalf of Delta Galil) received the award presented from the US Senate Foreign Relations Committee at the Inaugural Sadat Congressional Luncheon on Capitol Hill. The award, in memory of Dov Lautman, Delta Galil's founder, recognizes Delta Galil's long-time investment in fostering peace in the Middle East through regional commerce. It was presented in the presence of diplomats, communal leaders, congressional staffers and organizational heads, who came together to support the Anwar Sadat Congressional Gold Medal legislation, currently making its way through Congress.

## Providing employment opportunities in Egypt

In 2018, we started building a Leadership in Energy and Environmental Design (LEED) facility according to the Silver standard in the El Minya industrial area in Egypt. This is defined as a textile zone only. The total built area of the new facility will be 11,000 sqm. In order to provide a better working environment, the new facility will offer help with childcare, wellbeing and housing finance. It will include communal areas including:

- 1) An onsite kindergarden.
- 2) A training school with capacity for three lines.
- 3) A social space that doubles up as an indoor soccer/sports area.
- 4) A medical center to treat family members of our associates. This not only helps the patient but also reduces absenteeism. Historically, staff took time off work to accompany family members to visit doctors a long way from their villages.

The clinic will also offer medication at cost price.

- 5) A supermarket with subsidized products.
- 6) An open cafeteria built on the roof.



# PRODUCTS & MARKETS

Our employees leverage the company's vast, expert knowledge base and core manufacturing skills. This enables us to deliver comprehensive solutions to address dynamic changes in the industry. Alongside development and production as a private label, acquiring franchise rights and purchasing and developing brands are central to our growth. This strategy increases our market share as a brands company as well as a franchise producer for leading global brands.

As a powerhouse of technology and intellectual properties, we strive to improve apparel by developing products that introduce innovation and reflect a "body-before-fabric™" approach. This examines human physiology, the body's interaction with different textiles, and people's changing

lifestyles, so we can deliver products that are both fashionable and comfortable.

We work in creative teams comprising fashion, textile, product and graphic designers, as well as knitting, dyeing and finishing technicians. We follow a systematic innovation process (SIP) for design and development. Our structured approach to innovative thinking is aimed at bringing groundbreaking products to customers, while retaining our added value and competitive edge. The process includes cross-disciplinary collaboration — design, marketing, development, and technology — from the early stages of research and investigation, through development and design, to presenting the final product to the client.

## GDM Conference – Leveraging our Synergies

In 2018, we held a three-day conference on innovation for technologists and designers from all Delta Galil sites. The focus was how to maximize each sites' capabilities while working together, improve synergy between different units, and come up with new ideas.

Having so many talented people meet together we used the platform to create working groups on various issues and business categories such as sustainable wear & packaging, the new era for men's underwear and more.

In addition, our participants benefited from lectures on emerging trends (such as marketing to Generation Z, changing fashions and creating creativity in life and work). We managed to create a global community of expertise, working as one, which contributes on a daily basis to our design and technology outcomes, on our path to growth.





# PRODUCT CATEGORIES

A group of five women are walking barefoot on a sandy beach. They are wearing white lace lingerie, including long-sleeved cardigans, short shorts, and a bodysuit. The background shows sand dunes under a clear sky.

# Lingerie

Ladies underwear items, including panties, seamless products, shapewear and bras, using of fabric expertise for extremely delicate light feminine fabrics.

# Active wear

Professional active wear for leading brands, as well as active wear for 'soft sports' – yoga, studio. The active wear category is a strategic one for Delta Galil and an area of growth.

A group of eight people, four men and four women, are walking on a sandy beach. They are wearing colorful athletic wear, including tank tops, leggings, and shorts. The background shows the ocean and a clear sky.



# Shapewear

Delta Gall's fabrics are breakthrough developments in the field. We offer extremely light yet powerful fabrics for ultimate comfort and ease. Delta Gall is a world leader in the design, development and production of shapewear, using state-of-the-art technologies.







# Brassiere

Delta Galil manufactures bras for various leading brands in the brassiere market.



# Men's underwear

Underwear for men and teens. Delta Galil has been the leader in the men's underwear category since its early days, producing products with a focus on comfort, fit and functionality.



# Socks

Socks for men, women and kids in dress, casual and sporting styles. Delta Galil is one of the leading companies in the world in the socks segment. The technological level and innovation have turned Delta Galil into a leading partner for top global sporting brands. Alongside its global leadership as a franchise holder, Delta as a brand, is the leader of Israel's socks market.

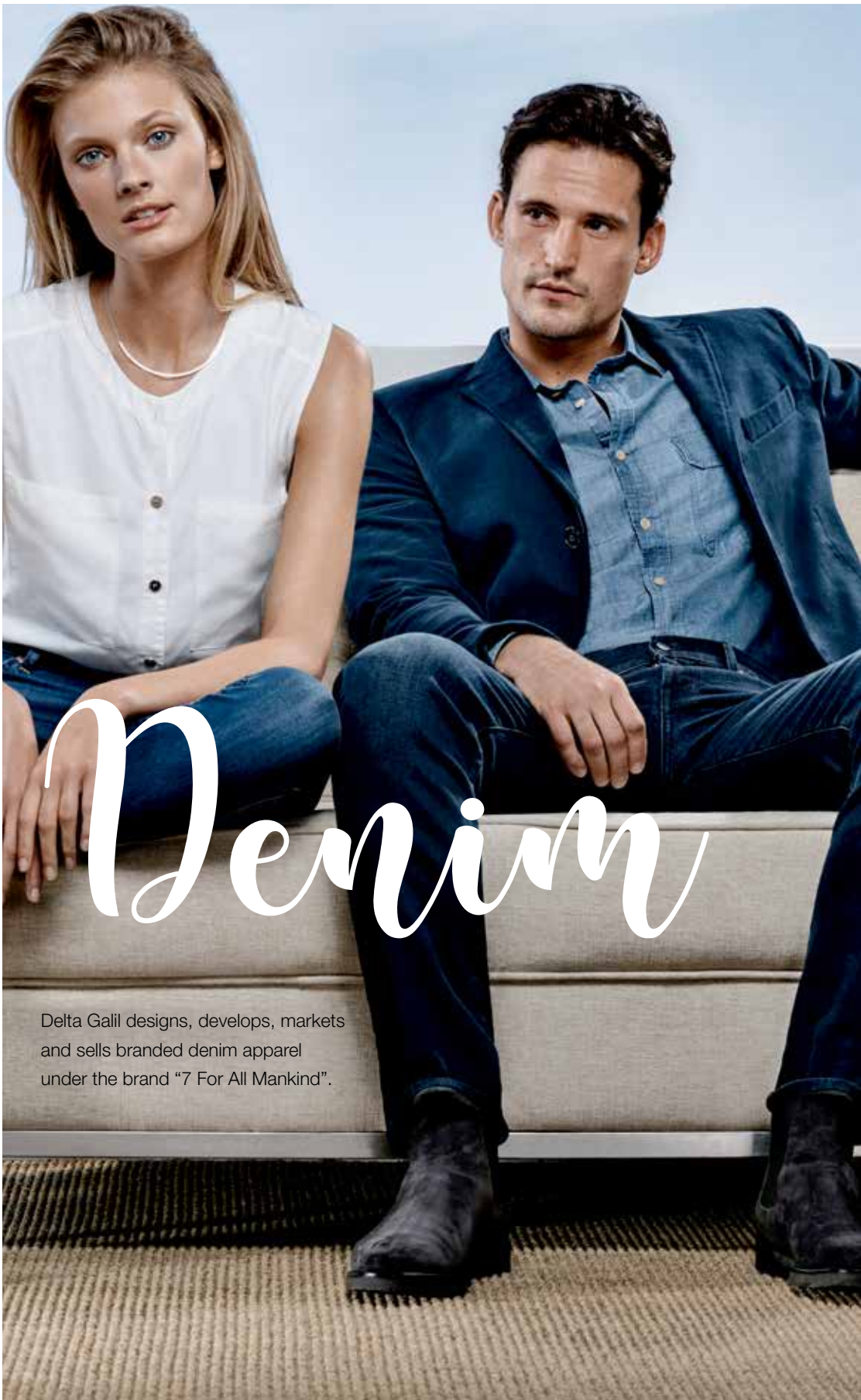
# Kids

Underwear and apparel for boys and girls.





Taking advantage of our unique fabric development capabilities enables Delta Galil to expand its range to offer tees and tops, to be 'worn to see'.



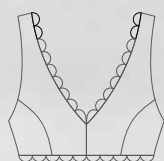
Delta Galil designs, develops, markets and sells branded denim apparel under the brand "7 For All Mankind".



Delta Galil Labs™ utilizes the most advanced technologies to create innovative fabrics and garments. Over the years we have launched numerous genuinely innovative projects that have impacted their respective categories and demonstrated advances in textile development, manufacturing processes and products. These include: Real Cool Cotton, Real Lasting Cotton and Real Lasting Softness and more.



Product Categories (% of 2018 total sales)

50%  LADIES

27%  MEN

13%  SOCKS

10%  KIDS



# CUSTOMERS & LICENSES

Ever aware of the fast-changing marketplace, Delta Galil is depended on to lead apparel designers and retailers worldwide. We help our customers introduce new products and innovative manufacturing solutions, helping them to grow their market share by meeting consumer demands.

We are proud to have contributed to the success of Wal-Mart, Marks & Spencer, JC Penney, Nordstrom, Bloomingdales and Target, as well as leading fashion brands such as Calvin Klein, Nike and Victoria's Secret. We also sell our products under brand names licensed to the company, such as Wilson, Maidenform, Columbia, Lacoste, Marc O'Polo, Penguin, Calvin Klein and Ted Baker.

We maintain open, transparent working relationships with our customers regarding all aspects of our corporate social responsibility performance. Customer audits are conducted at our finished goods suppliers. In addition, some of our customers audit our environmental performances via evaluation surveys sent to their suppliers. We maintain a high score with all these ratings.

MARKS & SPENCER

TARGET

HEMA

★macy's

Calvin Klein

Triumph

lululemon

athletica

JCPenney

KOHL'S

Etam

UNITED COLORS OF BENETTON.

UNDER ARMOUR

adla

WOLF

TOMMY HILFIFIGER

Walmart

SAMS CLUB

TESCO

M

hunkemöller

SPANX

PRIMARK

VICTORIA'S SECRET

PRIMADONNA

next

WACOAL CORP.

DeMillus

TEDE

Sweaty Betty

BON TON

zalando

MEN'S UNDERWEAR/ LOUNGE

LACOSTE

an original Penguin by Munsingwear

Marc O'Polo

-KENNETH COLE

Columbia

WOMEN'S INTIMATES/ LOUNGE

TOMMY HILFIFIGER

-KENNETH COLE

Columbia

SOCKS

Columbia

CONVERSE

Wilson

-KENNETH COLE

GIRLS INTIMATES

M

maidenform





Delta Galil sells products through collaboration with the biggest retailers in the world, under licensed brands and under its own brands. In the last few years, we have enlarged our branded activity from 30% to around 70% of our total sales. Delta Galil's primary owned brands are: Delta (in Israel), Schiesser (in Germany and other Western European countries), Karen Neuburger, Nearly Nude, Eminence (including Athena and Liabel) and 7 For All Mankind.



## Delta Israel

[www.delta.co.il](http://www.delta.co.il)

The original brand, known as Delta, has been a household name throughout Israel for decades. Its range is always innovative, stylish and comfortable. It is distributed and sold through the country's major retailers as well as in Delta's online store and 170 stores<sup>12</sup>. All garments are sold and promoted either under the Delta brand name or the names of local affiliate brands – Yodfat, Machtonim, Comfort, Punch and Touch. Delta Israel has exclusive license agreements with Puma, Disney, NICI, Marvel, Nike and Keds for design, production and marketing of intimate apparel, pajamas, active wear and children's wear.



## 7 For All Mankind

[www.7forallmankind.com](http://www.7forallmankind.com)

This brand was acquired by Delta Galil in 2016. It is a leading denim brand based in LA, associated with celebrities and fashion icons seeking its signature style.



## Schiesser

[www.schiesser.com](http://www.schiesser.com)

Purchased by Delta Galil in 2012, Schiesser holds Germany's top market share for men, as well as solid shares for women and children segments. The company also carries a youth-oriented line called "Schiesser-Uncover", and a trendy retro collection, "Schiesser-Revival". All Schiesser brands retail in department stores, specialty stores, and in company-owned stores located throughout Germany. Other key markets include Belgium, the Netherlands, Switzerland, Austria and Italy.



## P.J. Salvage

[www.PJSalvage.com](http://www.PJSalvage.com)

This brand was acquired by Delta Galil in 2015. It is one of the leading manufacturers of fashionable pajamas, loungewear and women's intimates, and is Hollywood's go-to purveyor for fashion pajamas, loungewear, and intimates.

<sup>12</sup> 165 are owned and 36 are operated by concessionaires





## Karen Neuburger (KN)

[www.karenneuburger.com](http://www.karenneuburger.com)

Purchased by Delta Galil in 2011 and established in 1994, this is a lifestyle brand of women's sleepwear. Passionate about maintaining their heritage of softness, comfort and appeal, KN produces sleepwear in a classic KN signature interlock knit, a very soft, two-way stretch fabric. Over the years, the KN collection has expanded to include sleep-shirts, gowns, short-sets and robes.



## Nearly Nude

[www.nearlynudeunderwear.com](http://www.nearlynudeunderwear.com)

Purchased by Delta Galil in 2010, this brand serves women of all shapes and sizes with a range of classic, feminine, comfortable, seamless shapewear that can be worn every day. Nearly Nude is the ultimate shaping underwear. It is known for its innovative technology and engineered to slim, smooth and compress. It is currently stocked in almost 400 stores worldwide



## Fix

[www.fixfixfixfix.co.il](http://www.fixfixfixfix.co.il)

This brand was acquired by Delta Galil in 2014. It is a young brand, manufacturing, distributing and selling intimates and other products, such as socks and loungewear for girls. It is a refreshing addition to the Delta Galil family, and continues to grow with new stores across Israel planned to open in the future as well as e-com.



## Splendid

[www.splendid.com](http://www.splendid.com)

This brand was purchased by Delta Galil in 2016. It is known for comfort, soft materials and great style, and offers versatile apparel, accessories and footwear. With the motto "make the world a cozier place" Splendid emphasizes color, softness and playfulness in all its products.



## Eminence

[www.eminence.fr](http://www.eminence.fr)

Acquired by Delta Galil in 2018, this brand manufactures and markets men's underwear, tee-shirts, ready to wear pajamas, and socks. The company was founded in 1944 and is based in Airmargues, France. It is a premium brand with the second largest men's underwear market share in France, with products ranging from undergarments, to polo and technical shirts, to Eminence Tech+.



## Athena

[www.athena.co.il](http://www.athena.co.il)

Purchased by Delta Galil in 2018, this brand was established in 1962, inspired by a simple idea of offering men comfortable and easy to wear underwear. In 1999, the brand created dedicated lines of sports underwear. It offers a range of comfortable and modern men's underwear, including briefs, boxers, panties, t-shirts and tank tops. Its range includes a sporty and athletic, mass market brand that is modern and cool.

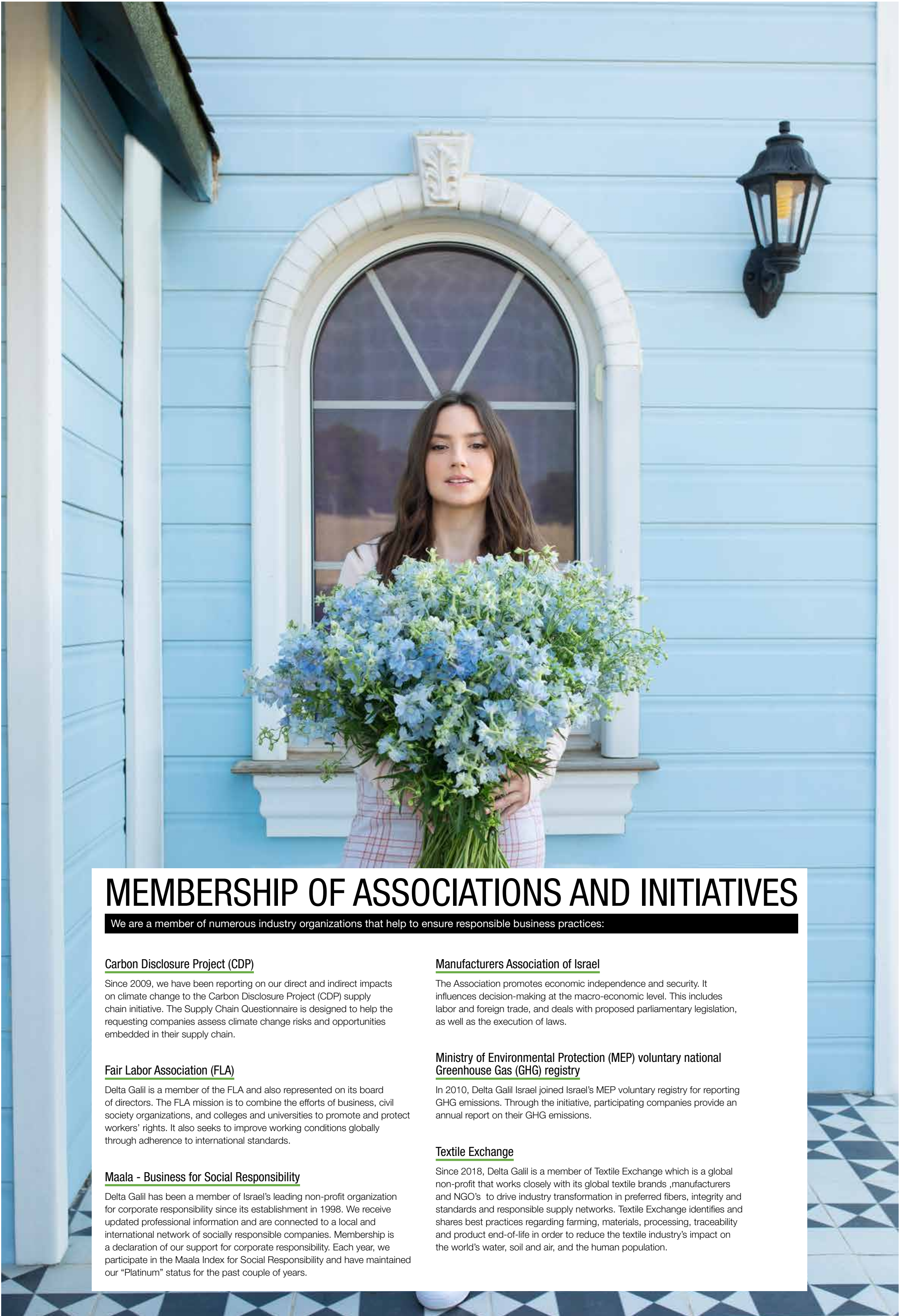


## Liabel

[www.liabel.co.il](http://www.liabel.co.il)

Purchased in 2018, this Italian brand, founded in 1851, stands for heritage and tradition. It enjoys strong brand awareness as a mass market t-shirt and underwear brand for the entire family. The range includes knitwear, briefs, underwear, lingerie, nightwear, as well as outdoor clothing.





# MEMBERSHIP OF ASSOCIATIONS AND INITIATIVES

We are a member of numerous industry organizations that help to ensure responsible business practices:

## Carbon Disclosure Project (CDP)

Since 2009, we have been reporting on our direct and indirect impacts on climate change to the Carbon Disclosure Project (CDP) supply chain initiative. The Supply Chain Questionnaire is designed to help the requesting companies assess climate change risks and opportunities embedded in their supply chain.

## Fair Labor Association (FLA)

Delta Galil is a member of the FLA and also represented on its board of directors. The FLA mission is to combine the efforts of business, civil society organizations, and colleges and universities to promote and protect workers' rights. It also seeks to improve working conditions globally through adherence to international standards.

## Maala - Business for Social Responsibility

Delta Galil has been a member of Israel's leading non-profit organization for corporate responsibility since its establishment in 1998. We receive updated professional information and are connected to a local and international network of socially responsible companies. Membership is a declaration of our support for corporate responsibility. Each year, we participate in the Maala Index for Social Responsibility and have maintained our "Platinum" status for the past couple of years.

## Manufacturers Association of Israel

The Association promotes economic independence and security. It influences decision-making at the macro-economic level. This includes labor and foreign trade, and deals with proposed parliamentary legislation, as well as the execution of laws.

## Ministry of Environmental Protection (MEP) voluntary national Greenhouse Gas (GHG) registry

In 2010, Delta Galil Israel joined Israel's MEP voluntary registry for reporting GHG emissions. Through the initiative, participating companies provide an annual report on their GHG emissions.

## Textile Exchange

Since 2018, Delta Galil is a member of Textile Exchange which is a global non-profit that works closely with its global textile brands ,manufacturers and NGO's to drive industry transformation in preferred fibers, integrity and standards and responsible supply networks. Textile Exchange identifies and shares best practices regarding farming, materials, processing, traceability and product end-of-life in order to reduce the textile industry's impact on the world's water, soil and air, and the human population.



# VISION, MISSION, AND VALUES

## DELTA'S VALUES - THE THREAD THAT LINKS OUR BUSINESS ACTIVITIES

In 2016, following large-scale changes to our business landscape, as well as the changing social and economic expectations, we carried out a company-wide review of our core values, vision and mission.

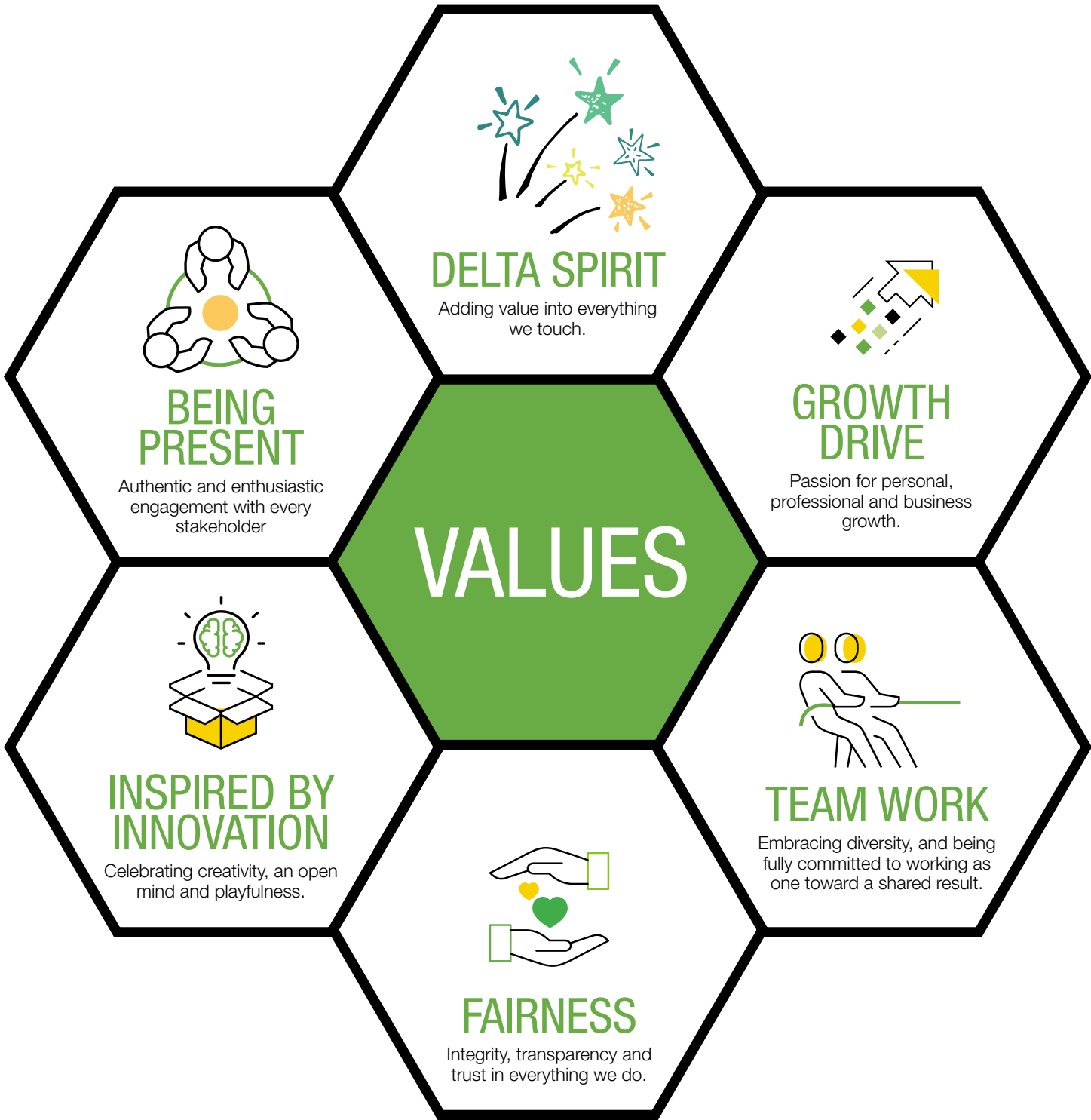
### VISION - BODY BEFORE FABRIC™

Delta Galil strives to maintain its position as a global leader in the field of high quality apparel. Led by the desire to support our customers, we aspire to fulfill and exceed their expectations through continuous innovation and creativity. We do this while staying true to our universal social and environmental ideals.

### MISSION - GLOBAL LEADERSHIP

Delta Galil's mission is to continue our tradition of global leadership in high quality apparel, helping people to feel stylish, comfortable and special at any age. We aim to integrate our approach to designing and producing products, focusing on innovation and advanced technologies. We are committed to exceeding our customers' expectations, and enabling them to be more competitive in the market place.

We are proud of being a multi-cultural, global firm that employs individuals all over the world. We believe in mutual respect and co-existence. Delta Galil is committed to being a safe and healthy workplace. We provide employees with the opportunity to grow and develop, while considering our corporate, social and environmental responsibilities at all times.



We believe that these six values, which we bring to our professional and personal conduct, are a fundamental strength of our business. From 2017, these values were included as criteria in hiring new recruits and used in employee annual assessments. We provide training on our values to managers worldwide, who in turn train all employees. Our daily actions are guided by this set of principles.



# CORPORATE ETHICS

Today many companies are carefully monitoring and responding to all ethics related concerns raised by various stakeholders. As a global company, Delta Galil is committed to conducting business in a responsible and appropriate manner. We believe that it is the personal responsibility of each member of the Group to respect high ethical and legal standards. We expect this conduct, irrespective of whether this is imposed by law.

Ethical decision-making requires constant management and oversight, with clear lines of accountability and communication.

We therefore have a "Code of Ethics," and a "Code of Conduct", to ensure that all employees and supplier partners are clear about their responsibility in these areas.

## CODE OF ETHICS

We introduced [Delta Galil's Code of Ethics](#) in 2002, which outlines our principles for ethical and proper behavior. These stem from our vision and values, direct our activity and decision-making, and provide the foundation for the ethical management of the company.

The Code includes rules concerning discrimination and harassment; integrity, fairness and transparency; avoiding conflicts of interest; prohibition of receiving gifts and benefits; precise and timely financial reporting, giving back to the community and environmental protection.

Due to our organizational growth and changing regulations, we have updated the Code a number of times.

Throughout 2017, we implemented a new Code which we distributed in Hebrew, English and Arabic to all Delta Galil employees worldwide. Training was provided for employees and managers at various sites, and included discussions regarding ethical issues that arise from the Code. To increase understanding of the Code, we developed a new courseware on the subject, and held a pilot among the company's associates from Israel. Employees will be obligated to go through the courseware once every two years. In addition, senior executives receive specific training on the Code and ethical business conduct biennially.

We monitor, evaluate and measure the effectiveness of the implementation process. In 2017, 80% of employees in Israel (excluding warehouse and store employees) who were sent the courseware, completed it. In 2018, the courseware was translated and sent to all Delta USA executives and 75% of them completed it, including our Chief Executive Officer. In addition, Schiesser provides independent ethics training to their employees.

In the past two years, new associates at Delta Galil have attended ethical training during their orientation day and signed Delta's Code of Ethics. At production facilities, new associates also sign their consent to adhere to the Code of Conduct.

We also take measures to ensure compliance with our Code. All stakeholders can report illegitimate or unethical behavior to our ethics compliance department via e-mail or our anonymous ethics hotline. The hotline is also used for raising questions and dilemmas. All reports are handled without delay, in a thorough, fair and discreet manner. Over the past two years, we have received around 13 inquiries, most of them were emailed directly to our compliance officer, and mainly related to the receiving of gifts from suppliers. Our main subsidiaries also have compliance departments offering mechanisms for ethics consultation and reporting.

## CODE OF CONDUCT

Delta Galil's Code of Conduct defines the behavior that Delta Galil expects from all suppliers in their relationship with their workers and the behavior that Delta Galil expects from all Delta Galil Managers in their relationship with their employees. It reflects Delta Galil's commitment to respect all workers throughout the supply chain. The Code of Conduct is based on global standards that protect the rights of workers. These relate to child labor, discrimination, forced labor, freedom of association and collective bargaining, women's rights, harassment or abuse and a healthy and safe work environment.

To read our Ethical Code and Code of Conduct, please visit [www.csr.deltagalil.com](http://www.csr.deltagalil.com).

## ETHICAL TRUSTEE FORUM

In 2017, we formed an Ethical Trustee Forum at our Israeli sites, based on the idea that each employee is personally responsible for the individual and collective, proper and ethical conduct of Delta Galil. The forum met quarterly and took an active part in the development and integration of our Ethical Code in the company. The platform allows managers or department heads to discuss issues that come up in daily operations, how to resolve ethical dilemmas, grievance mechanisms, as well as raises awareness of managerial decisions on ethical issues. We will continue this program going forward.





# STAKEHOLDER ENGAGEMENT

## STAKEHOLDERS & KEY TOPICS OF INTEREST

We attach great importance to maintaining an ongoing transparent, open and mutual dialogue with our various stakeholders, and devote considerable resources to increasing communication with them. We truly believe that this is essential to Delta Galil's continuous growth. It enables us to understand the needs and desires of our stakeholders and offer them targeted and accurate solutions.

A few years ago, we identified eight different groups of stakeholders: our employees, suppliers, customers, consumers, local communities around our sites, authorities, civil organizations and our shareholders<sup>13</sup>. We conduct our business in a shared and transparent manner and our methods of communicating with stakeholders are many and varied<sup>14</sup> and are set out in the following table:

Stakeholders	Key Topics of Interest	Dialogue Channel	Frequency
EMPLOYEES	Transparency, corporate governance, business successes, financial stability, labor conditions, employee welfare and wellbeing, employee development, employment stability.	Questionnaires, round tables, town hall meetings, feedback meetings, educational programs, managerial courses, internal portal and social channels	Ongoing
SUPPLIERS	Business and ethical conduct, financial stability, supplier screening	Periodic face-to-face meetings, second and third-party compliance audits, Environmental Awareness program for suppliers	Annual and periodical
CUSTOMERS	Transparency, regulatory compliance, environmental compliance, business and ethical conduct, competitiveness, service, product quality and safety, product comfort, innovation, value for money, labor conditions, supplier screening	Periodic face-to-face meetings, periodical reports submitted by Delta Galil, ongoing mutual dialogue	Periodical
CONSUMERS	Transparency, service, product quality and safety, product comfort, branding, value for money	Focus groups for products, questionnaires, wear trials, customers feedback, sales, costomer club, social media	Periodical
LOCAL COMMUNITIES	Transparency, regulatory compliance, environmental compliance, social contribution	Social media, informal & formal dialogue with the Director of Corporate Communication and local managers	Periodical
AUTHORITIES	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct	Financial reviews, updates upon request, meetings	Periodical & upon request
CIVIL SOCIETY	Transparency, business and ethical conduct, business success, innovation	Disclosures and feedback	Periodical
SHAREHOLDERS	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct, competitiveness, business success, financial stability, branding, labor conditions, supplier screening	Annual Shareholder's assembly, quarterly reports	Quarterly
INVESTOR REPRESENTATIVES AND ANALYST FIRMS	Transparency, regulatory compliance, environmental compliance, corporate governance, business and ethical conduct, competitiveness, business success, financial stability, branding, labor conditions, supplier screening	Quarterly meetings at the Israeli stock exchange and one on one meetings with the CFO.	Quarterly & upon request

Topics of interest were selected according to the interest of the majority of each stakeholder group. This is part of our commitment to transparency and acts as a basis for informed dialogue. Examples of stakeholder dialogue and its outcomes can be found throughout the report<sup>15</sup>.

## Delta Galil Websites and Social Channels - Creating an Open Dialogue with Our Stakeholders

On Delta Galil's website, we offer insight and transparency into what goes on inside our company – the people, products, processes and more. Stakeholders can easily find information about what is happening inside the company, which encourages involvement<sup>16</sup>. To learn more about us, visit our website at: <http://deltagalil.com>

A recent global study on Generation Z has shown that their motivation to buy comes from their expectations from retailers and the role played by smartphones and social networks<sup>17</sup>. Unlike their Millennial predecessors, Gen Z'ers are digital natives. Therefore, we also maintain our social channels – Instagram and Facebook and our Corporate Social Responsibility (CSR) website. These platforms feature news stories, updates and featured articles about our community programs, environmental efforts and so on. We invite you all to join us on our [CSR webpage](#), our [WorldOfDelta](#) website (which tells the story of our people, innovation and global presence), [Facebook page](#) and Instagram: [DeltaGalil](#).

<sup>13</sup> 102-40,102-42

<sup>14</sup> 102-43,102-44

<sup>15</sup> 102-44

<sup>16</sup> 102-43

<sup>17</sup> <https://www.cyberclick.es/numericalblog/en/digital-marketing-for-generation-z-or-centennials>





# ECONOMIC SUSTAINABILITY

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Social Risks and Opportunities 32



# ECONOMIC PERFORMANCE

The clothing and textiles sector are a significant part of the world’s economy. The McKinsey Global Fashion Index forecasts sales growth of 3.5 to 4.5 percent for the fashion industry in 2019, compared to 2018<sup>18</sup>.

One of the growing trends is “woke” consumers, who are increasingly interested in ethics and social issues, such as sub-contractor labor conditions, occupational health, and climate change. This emerging consumer group, born after the mid-1990s through the early 2000s, is set to reach 2.6 billion by 2020 and already wielding \$44 billion in buying power<sup>19</sup>.

To be economically sustainable, and therefore meet shareholder expectations, businesses must be mindful of these consumer expectations in order to maintain customer loyalty. Globally, brands are responding by integrating social and environmental themes into their products and services. At Delta Galil, we believe this is also the right thing to do.

We have both a direct and indirect impact on local economies and communities in our countries of operation. Our direct impacts are outlined in this report and our indirect impacts include contributions through the payment of taxes to the state treasury, local purchasing, hiring employees and financial contributions to our local communities.

Delta Galil is steadily and consistently growing. In 2018, our sales amounted to \$1,498 million - our seventh consecutive year of growth. This increase reflects growth in all key geographic regions, as well as the positive impact of Delta Galil’s diverse customer mix and growing sales of branded products.

The table on the right highlights our financial performance. For more information please see our annual and quarterly financial reports.

## Financial Performance 2012-2018 (\$ Millions)<sup>20</sup>

	2012	2013	2014	2015	2016	2017	2018
Net Sales	817.8	974.7	1,031.9	1,080	1,179	1,368	1,498
Operating Profit*	50.7	67.9	74.4	75.5	83.2	87.4	98
EBITDA*	64.8	86.2	93	95.3	107	115.9	129.9
Net income attributed to company’s shareholders*	33.8	44.1	47.7	48.3	47.1	50.7	60.5
Operating cash flow	72.9	46.2	53.3	70.5	76.6	74.7	22.4
Charitable Donations	0.16	0.21	0.27	0.36	0.36	0.37	0.43

\* Excluding non-recurring items



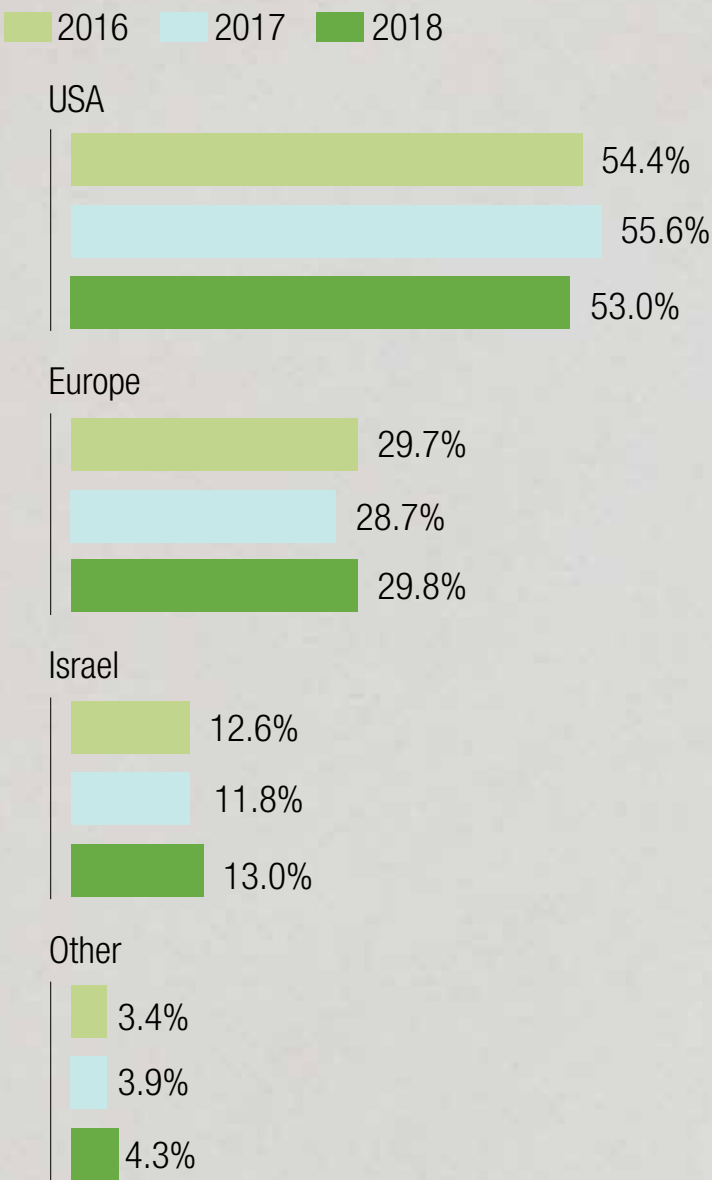
\$1,498  
NET SALES 2018  
\$ MILLIONS

<sup>18</sup> <https://www.mckinsey.com/-/media/McKinsey/Industries/Retail/Our%20Insights/The%20State%20of%20Fashion%202019%20A%20year%20of%20awakening/The-State-of-Fashion-2019-final.ashx>  
<sup>19</sup> <https://www.forbes.com/sites/barbarathau/2018/06/30/retailers-must-wake-up-to-woke-generation-z-which-wields-44-billion-in-buying-power/#16dcebcc544a>

<sup>20</sup> All numbers are based on IFRS.



Sales Breakdown by Geographic Region



Sales Breakdown by Business Segment



As a public company, we maintain uncompromisingly rigorous standards regarding records and reports released to our stakeholders, the public and various authorities. All our published financial reports and business data accurately and wholly reflect transactions and events associated with our activities, in compliance with conventional accounting standards, legal regulations, and our internal control protocols.



# RISKS AND OPPORTUNITIES

The industry in which we operate faces a variety of risks, in particular relating to changes in fashion and the availability of raw materials. We are also exposed to increased labor and other input costs, changes in exchange rates and target market economies, and defense and political situations. We invest in examining local and global fashion trends and work on the development of new and special fabrics, using high-quality, versatile materials to provide state-of-the-art finished goods.

Risk management is carried out in accordance with our Risk Management Policy which is set by the Board and senior management. Potential risks identified are discussed at meetings of our Board of Directors. For example, following the tragic Rana Plaza factory collapse in Bangladesh in 2013, although not affecting us, our Board assessed its implications to ensure that we only work with suppliers who comply with health and safety requirements. For more details see our Responsible Supply Chain chapter on pg.33.

Our internal auditing team is responsible for implementing risk management processes, which include conducting risk surveys. Analysis of the factors affecting the company and assessment of the extent of their influence can be found in our Annual Financial Report.



## ECOLOGICAL RISKS AND OPPORTUNITIES

As a global corporation, Delta Galil is subject to international and local environmental regulations and we conduct risk assessments on the impact of climate change. We keep up-to-date with the relevant regulations and legislation for every market in which we operate. In Israel, for example, we joined the voluntary reporting platform to prepare for upcoming carbon reporting legislation. Our decisions are also based on dialogue with stakeholders, market analyses and benchmarking on environmental issues in the textile industry.

To help prepare for costs associated with carbon regulations on our business and value chain, we continue to evaluate and invest in minimizing the carbon-intensive supply chain, as well as developing supplier support and awareness programs.

The key risk that Delta Galil faces from climate change and extreme weather patterns is the sensitivity of cotton, which is our principal raw material. Most of the cotton sourcing countries (India, Bangladesh and Pakistan) were severely affected by droughts in recent years, which influenced the price of cotton. The same weather patterns are expected to be dominant in the coming decades. To protect us against this risk, we diversify and work with suppliers from different regions. We also develop fabrics from different yarns in order to offer alternatives to cotton.

Other risks from climate change that we have identified include possible increases in our input costs, such as the costs of electricity, fuel or water consumption.



### RIO Principle

Set by the United Nations, the precautionary principle is to be applied as a preventive measure in order to reduce the environmental impact of products and ensure consumers are protected from possible harm.

As an international player, we use our size and reach to try to eliminate any negative impacts on production. We do this through carefully selecting suppliers with whom we work, the design and research and development (R&D) of our products, and exerting control over any chemicals used in production.

We implement preventive measures to ensure human safety and environmental protection, such as:

- Oeko-Tex® Standard 100 certification;
- Commitment to zero discharge of all hazardous chemicals – we are looking for solutions and alternatives to any hazardous chemicals in use;
- Customer Restricted Substances List (RSL) requirements;
- Upholding REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) requirements.



# SOCIAL RISKS AND OPPORTUNITIES

## Customer Privacy

Protecting customers’ and consumers’ personal and financial data is a priority for us. We use a multi-layer firewall and rigorous testing systems to ensure data security. We also use a third-party to perform security checks to test the alertness of our employees to breaches in the system, using a three-fold approach: anti-phishing assessment, monitoring, and training.

We strive to have zero breaches to our systems, and during the reporting period there were no known breaches of our online information systems and customer databases. In Israel and Europe, strict regulation compels us to report any data breaches and comply with new levels of definitions and criteria in our systems. The US has no such law and relies on corporate customer privacy disclosed in privacy policies to ensure consumer privacy in general.

## Marketing Communications and Labeling

Increasingly, consumers want to know about the sustainability impact of products and services (both positive and negative) to make informed purchasing choices. We take a number of steps to facilitate this, and follow the principles of integrity, transparency and tailored messages in our communications.

Our products are labeled to show where they were manufactured, the materials they are made from (including the percentage of each material in the product), together with instructions for optimal washing, tumble-drying and ironing. No incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling were recorded during the current reporting period.

Additionally, there were no incidents of non-compliance with any regulations or codes dealing with marketing communications, including advertising, promotion and sponsorship.

## Anti-Corruption

Emerging economies offer a new frontier in the highly competitive apparel industry. However, they also open up potential reputational risks if suppliers, who are often thousands of miles away, don’t abide by laws such as the Foreign Corrupt Practices Act (USA), Bribery Act 2010 (UK), or EU anti-corruption laws. Corruption, including bribery, raises the costs and risks of doing business. It has a corrosive impact on both market opportunities overseas for global companies and the broader business climate.

Delta Galil strives for zero corruption and therefore addresses sourcing issues both individually, by auditing supplier factories, and collaboratively through work with local governments and groups like the International Labor Organization (ILO).

We have put together a number of initiatives and programs to create an internal safety program. We work to mitigate the risk of individuals exploiting company resources for personal gain. In today's technological environment, this includes preventing cyber-attacks and sensitive data leaks.

Our Ethics Compliance Officer oversees the implementation of all initiatives and compliance programs regarding ethics and proper business conduct. The Ethics Compliance Officer is a member of the Manufacturers Association of Israel's Business Forum for the Prevention of Corruption and Bribery.

**Our primary initiatives to mitigate the risk of fraud, corruption and bribery include:**

### Policy and Procedures

Delta Galil has a number of policies and procedures regarding the prohibition of receiving gifts and favors, preventing conflict of interest and guidelines for engaging with related parties and suppliers. Our policies apply to all Delta Galil subsidiary companies and can be found on our organizational portal and undergo revision when needed.

### Ethical Code

We strive to avoid even the remotest possibility of any perception of improper behavior. Our Ethical Code was revised in 2015, and applies to all of Delta Galil – employees, interested parties and business partners. It sets out what we expect, permit and prohibit in terms of business conduct.

The Code refers to issues including accurate financial reporting and avoiding unfair trade and restrictive trade practices. It also affirms our commitment to ensure that any strategic supplier should act in the spirit of the Code.

### Training

As part of our new ethics courseware, we included questions on the prevention of corruption. As a result, every employee undergoes communication and training about our anti-corruption policies and procedures.

### Internal Audit Scheme & Audit Committee

Delta Galil has put in place a number of internal controls to continually mitigate against fraud by our employees. We abide by the rules and enforcement policies outlined by the ISOX Rules<sup>21</sup>. Our Internal Audit Manager conducts control and auditing inspections at our various business units, with three mandatory audits each year in Israel, and two at our subsidiaries in Germany and the USA.

We also hire an external auditor whose reports are scrutinized by the Audit Committee, which meets four times each year. These reports are also submitted to the company’s management. In 2018, a discussion on corruption was held during an Audit Committee meeting following a corruption scandal that received much media attention in Israel.

### Anonymous Hotline

Delta Galil Israel has an Ethics Compliance Department for consultation and reporting. Questions or reports can be sent to the department via email or our anonymous hot-line. Please see corporate ethics for more details pg. 26.

### Procurement Department Audits

Delta Galil Israel's Procurement Policy sets out measures taken by the Internal Audit Unit to ensure the ethical conduct of the company's employees in their work with suppliers. Employees who deal with procurement (purchasing managers, buyers, etc.) are required to confirm in writing that they have read the Code of Ethics and Code of Conduct and are committed to abide by them.

These employees are also bound by Delta Galil's Prohibition on Receipt of Benefits Policy and a Prevention of Conflict of Interests Policy. In 2019, we intend to renew the process and confirm that all associates have signed our Code of Ethics and conflict of interest commitment.

## Consumer Health and Safety

Consumers increasingly regard sustainability as an important factor which determines where they purchase their clothing. Since textiles and clothing are the consumer’s second skin, the need for safety and quality is paramount.

Delta Galil is committed to the health and safety of people wearing our garments. Our Code of Ethics explicitly states that **“At Delta, quality and safety ‘are always in fashion’”**. It is our policy to provide customers with high quality, innovative and safe products that comply with the highest standards, and on time. Our service, safety and quality objectives are achieved through a number of measures:

### Procedures

Establishing suitable procedures to guide all employees in meeting the objectives.

### Specifications

Formulating specifications for product safety, compatibility, manufacturing, composition and performance in order to meet the conditions required for the product’s use.

### System Controls

Ensuring that tasks are performed accurately and on time.

### Precise Use of Raw Materials

Ensuring the consistent manufacture of quality products that meet high standards of safety, appearance and performance.

Delta Galil implements a product safety procedure which eliminates the possibility of unwanted metal and glass in finished products that could be harmful. Health and safety impacts of our products are assessed at different stages of their life cycle. Socks, for example, are sent for laboratory testing to ensure they do not contain hazardous substances and pass through a metal detector to ensure there are no broken needles in the final product. Certain products are also tested for flammability.

Chemical testing is carried out on raw materials and/or finished products to ensure the absence of dangerous substances as defined in the REACH Directive and customer Restricted Substances Lists (RSL).

We ask our main raw material suppliers to obtain OEKO-TEX Standard 100 approval of their products. This is a global uniform testing and certification system for textile raw materials, intermediate and end products at all stages of production. The certification covers multiple human-ecological attributes, including harmful substances which are prohibited or regulated by law, chemicals known to be harmful to health but are not officially forbidden, and parameters which are included as a precautionary measure.

Periodic customer and third-party audits are carried out to ensure compliance with customer standards and procedures. In the event that a customer complains about product health and safety, a full investigation will be carried out. If necessary, procedures will be reviewed and actions taken to prevent future occurrences.

No incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services were recorded during the reporting period.

## Quality Management

Product quality is one of the key elements which we consider when developing a new product, when choosing materials and technologies for that product, as well as when manufacturing, distributing and marketing our products. One of our top obligations is to provide our customers and consumers with high quality and safe products, which are most suited to their needs.

In order to meet these premium standards, we implement measures at every stage of development and production. We employ quality assurance (QA) teams to examine the products throughout the process and maintain a close dialogue with our customers at every step of design and development, production and distribution in order to meet their high expectations.

### Quality at Delta Galil Incorporates:

- Self-accreditation and compliance at every site;
- QA professional presence at all our production sites globally;
- Inspection of incoming raw materials specifications;
- Systematic sampling of work while in process;
- Pre-delivery inspection of finished goods.

We use quality management systems that comply with customer requirements and relevant standards. Our site in Bulgaria and one of our facilities in Egypt are ISO 9001 certified. We also have other ISO certifications including ISO 14001 and OHSAS 18001 in Turkey, ISO 14001 and ISO 50001 in Bulgaria and ISO 14001 and OHSAS 18001 at one of our Egyptian facilities.

Prior to working with suppliers, we conduct a preliminary audit. We check production capacity and quality, and do not engage suppliers who do not meet our quality standards.

<sup>21</sup> Securities Regulation (Periodic and Immediate Reports) (Amendment) of 2009 regarding the evaluation of the effectiveness of internal control over the financial reporting and disclosure and the provision of management’s declaration and disclosure.





# RESPONSIBLE SUPPLY CHAIN

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With increasing globalization, the garment retail industry is often dispersed geographically, with manufacturing, distribution and retail operations split across several different regions and countries. The market faces chronic downward price pressure, international sourcing, high product variety, high volatility and low predictability. As a result, retailers have to work hard to ensure that their corporate standards for safety, labor, sustainability and product quality are maintained throughout their global supply chain.

The Bangladesh Rana Plaza disaster in 2013 is often described as a catalyst for transformational change across the garment supply chain. It led us to enhance our enforcement efforts with suppliers, particularly focusing on countries defined as higher risk in terms of factory employee health and safety.

Our supply chain is vast and includes a large number of partners, factories, suppliers, and distributors. We source a variety of raw materials - including cotton and synthetic yarn, other materials such as elastic bands, lace, and other textile components and finished products.

We believe in reliability, integrity, fairness and responsibility to ensure we buy only from responsible, high quality suppliers. We strive to ensure fair working conditions and respect for human rights in our supply chain. Close dialogue and cooperation with our suppliers is necessary to achieve this.

# PROCUREMENT AT DELTA GALIL

Our procurement activity can be divided into four main groups:

- **Strategic sourcing** - procurement of materials, accessories, packaging and chemicals used in manufacturing (PI).
- **Sourcing of production/manufacturing services** - such as dyeing, finishing, printing, sewing.
- **Finished goods sourcing** - procurement of end products.
- **Operational sourcing** - purchasing items and services that are not used for production (Non-Production Items - NPI), including procurement of general consulting services and fixed assets acquisition.

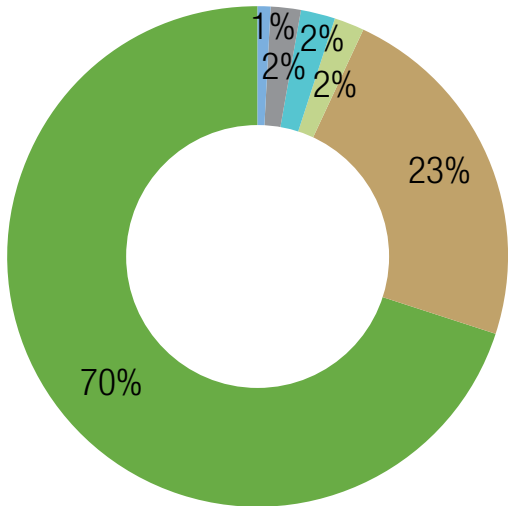
Most of our procurement is done in a centralized manner. We have a sub-division, which is responsible for locating suitable suppliers, screening vendors, requesting proposals, conducting negotiations, contracting with suppliers and managing ongoing relationships.

The majority of our products are manufactured by external subcontractors in our facilities in the Middle East, Eastern Europe and East Asia. Due to our diverse portfolio, each operational segment operates individually and manages data internally.

In 2017 and 2018, for example, Delta Israel and Global Upper Market business units, worked with more than 2,000 suppliers. The majority of these (about 80%) are from Israel and the rest are spread out globally. There was little change in supplier numbers and procurement volume for these segments during the reporting years and 2018 numbers are presented below. 70% of Delta Galil Israel and Global Upper Market business units procurement is NPI, representing 25% of total procurement volume. Finished goods comprised 70% of total procurement volume and was divided among 6% of the suppliers.

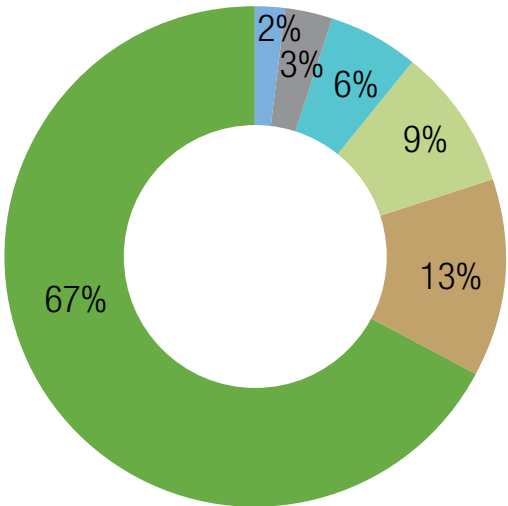
2018 Supplier Breakdown by Procurement Volume

- Procurement of finished goods
- NPI - In house
- NPI - Overseas
- Technological procurement
- Raw material procurement (PI)
- Third-Party shipping expenses



2018 Supplier Breakdown by Type

- NPI - In house
- Raw material procurement (PI)
- Technological procurement
- Procurement of finished goods
- Third-Party shipping expenses
- NPI - Overseas



Procurement at Delta Galil USA is mainly of finished goods. The majority of this type of procurement (81% in 2018) was sourced from overseas suppliers. This comprises 19% of suppliers used by DGUSA. At our Thailand facility, 72% of procurement in 2018 was of raw materials from both local and overseas suppliers.

New suppliers must satisfy us regarding product quality, timetables and working conditions, as well as winning the approval of the end customer. We ensure we work responsibly with our suppliers by following our Suppliers Policy and through supply chain questionnaires.





# DELTA GALIL'S SUPPLIER POLICY

We strive to work ethically and responsibly, and to work with suppliers who share our outlook. We are committed to operating according to local law, international and customer labor standards and Fair Labor Association Principles. We strive to mitigate human rights violations in our operations and in those of our suppliers.

Our Engagement with Service Providers Policy ensures we select and enter into a commercial engagement in a way which brings the best value to the company. We do this while adhering to a high level of ethical and environmental standards, international quality and compliance with laws and regulations. Each supplier engagement process requires months of product development and quality checks.

Wherever possible, we work with suppliers within close geographic proximity. However, many of our customers choose suppliers who cater to their particular specifications and in those cases, the customer's choice prevails.

Suppliers are audited regularly by our customers, by 3rd party auditors and/or by Delta's Global Compliance Team with regard to human rights, environmental and social compliance. We also require all our suppliers to meet basic conditions before we enter into a business relationship with them.

**Every supplier must:**

- 1. Commit to operating according to local law, international and customer labor standards, Delta's Code of Conduct and to Fair Labor Association Principles.

- 2. Provide a certified confirmation that they do not work with prohibited chemicals listed in the REACH Restricted Substances List (RSL). We also require confirmation that the products/goods do not come into contact with any restricted substances, while they remain on the suppliers' premises.
- 3. Sign our Code of Conduct and Purchase Terms and Conditions, which encompass ethics, fair employment practices, and sustainability in our supply chain.

Delta Galil believes in doing business with those who embrace and demonstrate high standards of ethical business behavior and we do not knowingly engage with suppliers who operate in violation of applicable laws or regulations, including local environment, employment and safety laws.

Suppliers are asked to acknowledge that Delta Galil is committed to responsible management of its environmental impacts, wherever it operates around the world. We encourage all our suppliers worldwide to take steps to create a positive environmental impact.

Before we enter into procurement agreements, we conduct a preliminary audit to check production capacity and quality, compliance with applicable social and environmental laws, and the principles set out in our Code of Ethics and Code of Conduct. These statements are then confirmed through annual supplier compliance audits.

# MANAGEMENT OF LOGISTICS

Logistics can have a positive and negative impact on society, economically, environmentally and socially. We particularly recognize the impact transport can have, and have set policies and procedures to manage these impacts.

## DGUSA Logistics Management

We operate two big Distribution Centers in the USA. Delta Galil USA (DGUSA) publish and distribute manuals providing instructions on many aspects of the supply chain and logistics as well as DGUSA expectations from the suppliers' logistics departments. These are provided to all factories with whom DGUSA does business.

The DGUSA Logistics team works with the DGUSA Finance team to ensure that all internal procedures are followed to guarantee US Customs compliance<sup>22</sup>. Our DGUSA Finance department generates a freight report every quarter, which is sent to DGUSA's Chief Operating Officer for review, providing another level of self-auditing.

# UPHOLDING HUMAN RIGHTS ALONG THE SUPPLY CHAIN

While the primary responsibility for the enforcement of international human rights standards lies with national governments, there is a growing acceptance that corporations also have an important role to play.

As part of our risk assessment, we embed human rights in our business operations, such as human resources and procurement. Upholding labor rights means companies must pay fair wages and not discriminate against employees or potential employees.

We also seek to apply these human rights and responsible work principles throughout our supply chain, which is spread out in different markets and comprises thousands of suppliers of goods and services. The excerpt below from our Code of Conduct summarizes our responsible policies and expectations of our suppliers.



## From Delta Galil's Code of Conduct:

### LEGAL OBLIGATION

To be a responsible company means first and foremost to comply with the laws and regulations of the countries where we live and work. Delta Galil will not tolerate any failure to obey the law, and expects its employees and partners to report any suspected violation of the law or regulations. In all cases where there are differences between this Code, the applicable Customer Code and the law, the highest standard will apply. To this end, all Delta Galil employees will be trained in the content of the Delta Galil Customer Codes.

### TRANSPARENCY

This is an important value in Delta Galil's conduct and relations with its employees, business partners, customers and suppliers. Delta Galil makes a point of providing all its stakeholders with timely, accurate and reliable information.

### EMPLOYMENT RELATIONSHIP

Delta Galil adopts and adheres to rules and conditions of employment that respect workers and, as a minimum, safeguard their rights under national and international labor and social security laws and regulations.

### FORCED LABOR

Delta Galil does not use forced labor, including prison, bonded or other forms of forced labor.

### CHILD LABOR

Delta Galil will not employ any person under the legal working age, or before the completion of compulsory education, whichever is higher. Employees under the age of 18 will be employed in line with local regulations relating to young workers.

### FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Delta Galil recognizes and respects the right of employees to associate, to collective bargaining and to take action to safeguard their rights without fear of harassment or retaliation.

### HEALTH AND SAFETY

We strictly enforce all health and safety laws and regulations and are committed to providing our employees with a safe and healthy work environment. Each Delta Galil site has a program in place, including a safety officer suitably trained in relevant local and international laws and regulations. We take all steps necessary to prevent accidents and injury arising out of, linked with or occurring in the course of work, or as a result of facility operations. We use risk assessments and internal audits to identify and reduce potential risks to the health and safety of our employees.

### SUPPLY CHAIN

Delta Galil believes in doing business with suppliers, manufacturers, sub-contractors, agents, sales agents, distributors, contractors and consultants who demonstrate high standards of ethical business behavior. We do not knowingly engage entities that operate in violation of laws, regulations and internationally accepted standards, including laws and regulations pertaining to the environment, worker employment, and health and safety.

The complete Code of Conduct can be found on [our website](#) .

<sup>22</sup> All ocean shipments comply with the ISF filing requirements of US Customs.



# COMPLIANCE

## Global Compliance Team and Compliance Steering Committee

As the company continues to grow, so does the outreach and responsibilities of Delta Galil's Compliance Officer. We have therefore established a Global Compliance Team, which holds a monthly conference call as a platform for consultations, updates and discussions.

In 2017, the team started convening a Compliance Steering Committee. Its remit includes the planning of the global compliance department, mapping of new functions, creating uniformity in policies and work procedures, indicating how to rank non-conformities and hazards, and developing strategy.



# SUPPLIER AUDITS

As we expand our sourcing efforts, as a responsible business, it becomes increasingly important to inspect supplier workplace conditions.

Delta Galil's supplier audits are mainly based on the Ethical Trading Initiative (ETI), Worldwide Responsible Accredited Production (WRAP), and Business Social Compliance Initiative (BSCI) standards (described in the box to the right).

We also adhere to specific customer standards, including ethical, environmental, product safety and Customs-Trade Partnership Against Terrorism (C-TPAT) requirements. Our Compliance team has created its own audit protocol to check supplier factories, based on factory risk.

We inspect the different entities that form our supply chain regularly to ensure that our business partners do not violate any laws, particularly employee rights, health and safety and environmental protection laws.

Delta Galil has zero tolerance for human rights violations and the majority of our first-tier suppliers undergo human rights screening as part of international human rights initiatives.

We have operations and suppliers in countries where human rights breaches may occur. If any adverse human rights impact is connected to our activities, we acknowledge that it is our responsibility to provide a remedy. We ensure that those with whom we work do not employ anyone under the legal age of employment, employ forced-labor or use corporal punishment to discipline their employees, amongst other standards that we inspect.

We inform our business partners of our expectations and perform audits at their sites of operation. Compliance with local law is the minimum requirement. Each of our business partners receives the Delta Galil Code of Ethics and Code of Conduct and is required to comply with the Codes and/or local law whichever is the stricter. In addition, internal audits are performed at all of our manufacturing sites, in parallel to globally recognized supplier audits. In 2017 and 2018, the Delta Galil compliance team carried out 13 internal audits (six in 2017 and seven in 2018).

During the reporting years, we have implemented a computerized management system for the documentation of internal and third-party audits. This allows us to analyze and rank all of our audited sites (owned and joint ventures).

# TRAINING

At the end of 2018, we began implementing training on our Code of Conduct. Built as a "Train-the-Trainer" program, training is provided to management. They then pass on the training to all employees, to increase understanding of compliance rules and regulations.

## Dealing with forced labor issues identified in our supply chain

In April 2018, Delta Galil was informed of an investigation carried out by the NGO, "Transparentem". This investigation had identified indicators of Forced Labor (FL) in a Delta Galil supplier factory, Whitex Malaysia.

We collaborated with other companies sourcing from Whitex, and a third-party service provider. After a year-long program, FL indicators were remedied. This included repayment to workers of all expenses incurred to obtain and to continue working at Whitex.

Delta Galil has also been collaborating with Fair Labor Association (FLA) and the American Apparel and Footwear Association (AAFA) (Delta is a member of both Organizations) in efforts to remediate some of the root causes of FL in Malaysia including Government lobbying and International Organization for Migration programs for approving Recruitment Agents in the workers' home countries.

Delta is also a signatory to the FLA and AAFA Commitment to Responsible Recruitment, which can be read on the [AAFA website](#).

## We partner with the following organizations to make sure that our associates' rights are upheld:

### FLA - Fair Labor Association

<http://www.fairlabor.org>

Since 2013, Delta Galil has been an affiliate supplier of the FLA, with the aim of improving worker conditions at Delta Galil owned factories by complying with the FLA's Principles and Code-of-Conduct. Our customers, such as Nike, Under Armour, PVH, Columbia and Hanes Brand are also FLA members. Audits carried out by the FLA, as well as follow-up and constant monitoring help us maintain high factory standards. We support our suppliers in addressing any problems that arise, in order to make sure their sites are safe and properly managed, and comply with relevant standards and all legal requirements.

### The Ethical Trading Initiative (ETI)

<http://www.ethicaltrade.org>

This brings together a wide range of organizations working to promote and improve the implementation of corporate codes of practice for working conditions. The Base Code consists of 13 principles that ensure certain worker rights, including prohibiting discrimination, preventing harsh or inhumane treatment, while guaranteeing that living wages are paid, and working hours are not excessive.

### BSCI – Business Social Compliance Initiative

<http://www.bsci-intl.org>

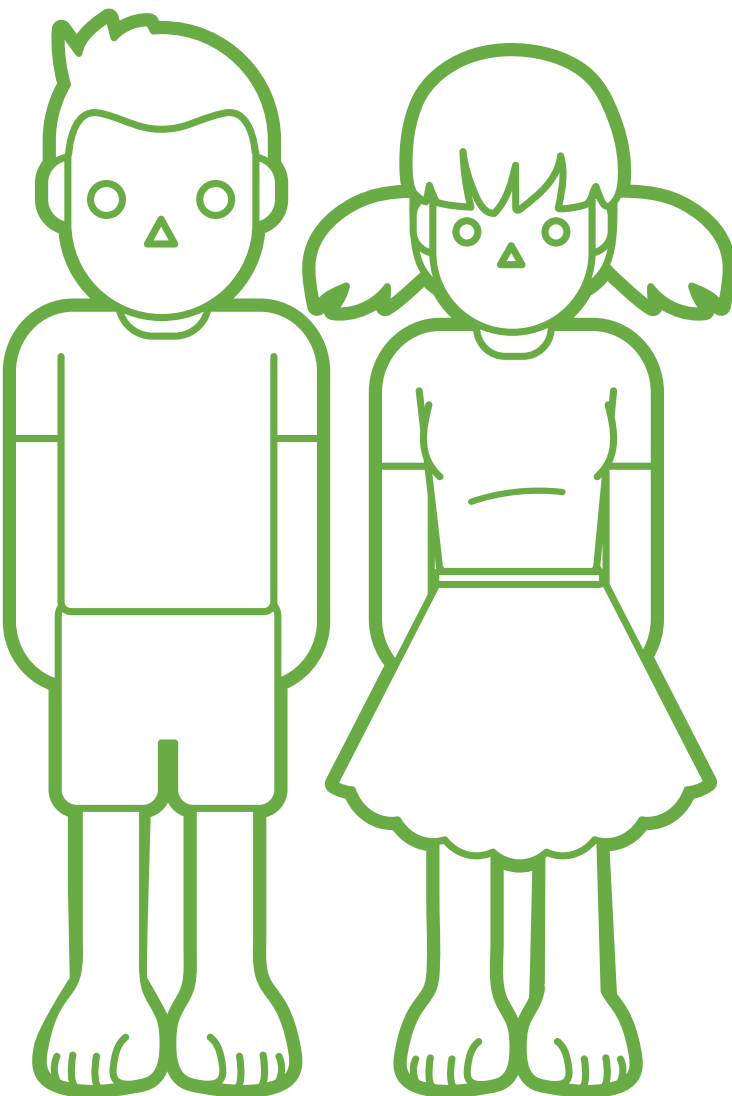
This organization unites over 1,500 companies worldwide around one common Code of Conduct. The organization supports companies in their efforts toward building an ethical supply chain, by providing them with a step-by-step development-oriented system, applicable to all sectors and sourcing countries. It is a leading business-driven initiative for companies committed to improving working conditions in factories and farms worldwide.

### WRAP- Worldwide Responsible Accredited Production

<http://www.wrapcompliance.org>

This not-for-profit organization was founded by companies in the global fashion and clothing industry. It monitors and certifies clothing manufacturing facilities' compliance with workplace regulations, human rights, health and safety, environment and customs. The WRAP Certification Program's objective is to independently monitor and certify compliance with these standards.

# MITIGATING CHILD LABOR



We have several mechanisms for preventing child labor, such as requiring verification of age through official documentation (ID, birth certificate, school certificates etc.) as part of employment procedures.

We conduct at least one annual audit of supplier factories, ensuring that no child is employed, and that there is no presence of a child in the factory that could be interpreted as child labor.

The supplier audit could be in the form of a third-party audit carried out by a reputable audit company, a Delta Galil customer audit, or an audit carried out by Delta Galil's compliance team.

We will support factories that have been found to use child labor to implement a program for the child as follows:

- The underage employee will be removed from the workplace.
- Adequate financial and other support will be provided to enable the underage employee to remain in school until the age of 16.
- The company will continue to pay the underage worker's wage until he/she reaches age 16.
- On reaching the age of 16, the employee should be given the opportunity to be re-employed by the company.
- If the underage employee chooses not to return to school, the financial compensation will be forfeited. This decision must be documented.



# ENGAGING OUR SUPPLY CHAIN

Another tool we use to evaluate the performance of our supply chain, enact positive change, and ensure sustainability is a program<sup>23</sup> called '(AD) Dressing a Sustainable Future'.

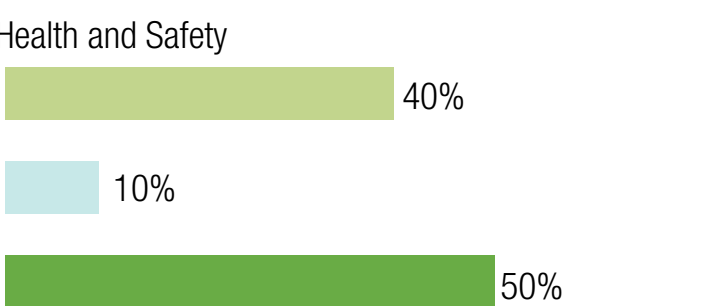
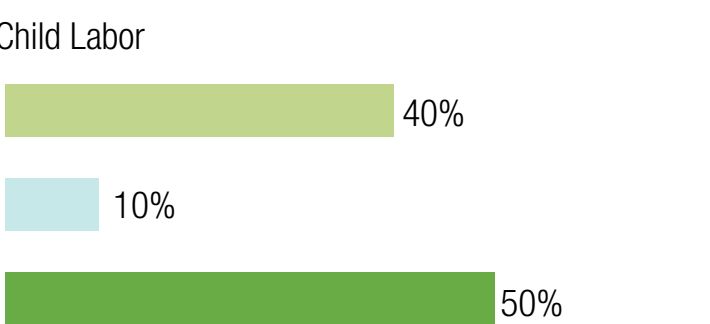
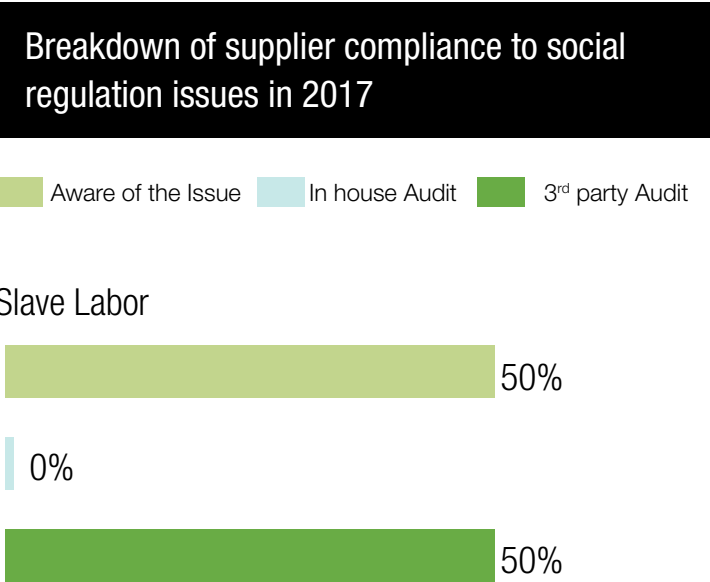
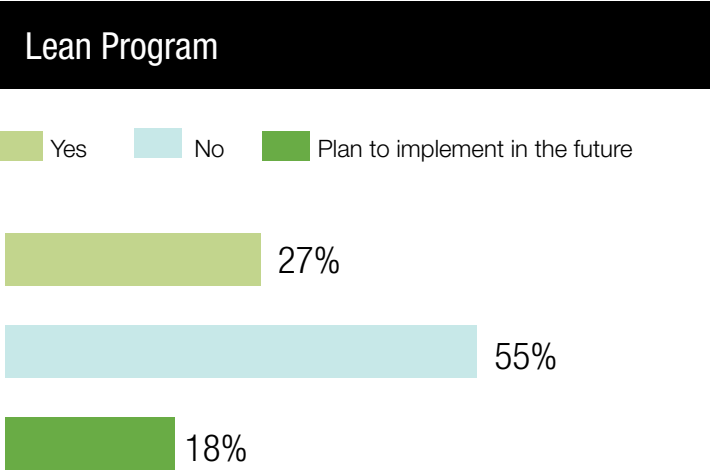
All our suppliers are provided with social and environmental responsibility best practice guidelines, an outline of our expectations, and tools for implementation. In addition, our compliance officer provides dedicated training to ensure these are all understood.

Since 2010, our suppliers have been asked to fill in a questionnaire outlining their practices to enable us to continually improve standards. Following an initial pilot phase, we evaluated participation

and our capability to enact change among our suppliers using the collected data. As a result, since 2014 these questionnaires focus on management systems, energy and water consumption, waste management, safety, and worker's rights.

Our modified supplier survey included detailed questions concerning the manner and management level of social and environmental issues. In 2018, it was sent to Israeli and US Delta Galil suppliers

with an annual turnover of over \$500,000. In general, the responses received were thorough and reflected the willingness of suppliers to adhere to our social and environmental practices. It also illustrated that there is a heightened awareness of environmental issues and social responsibility. An example of our supply chain questionnaire analysis is illustrated in the graphics below:



.....

**57% of the SUPPLIERS**  
Reported that they held an ESG risks survey

.....

**80% of the SUPPLIERS**  
Have a written environmental policy

.....

About **50% of the SUPPLIERS**  
Who answered have environmental reduction goals in all of the categories (energy, water, waste, GHG)

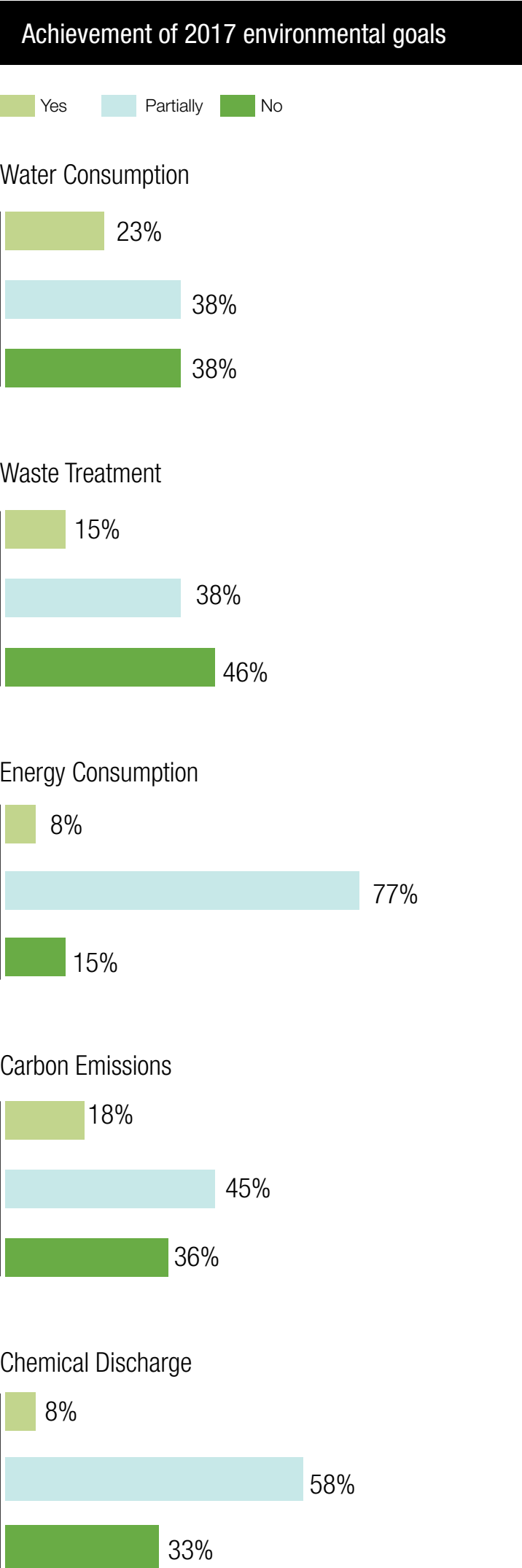
.....

**64% of the SUPPLIERS**  
Have a code of ethics or code of conduct

.....

We intend to upgrade our supplier performance rating system to factor in answers to the survey. Our aim is to establish a rating system that allows us to compare an individual supplier's performance over several years, examine avenues of improvement, and make a comparison between suppliers. This would also provide a cross-learning platform for suppliers themselves, and a helpful tool for Delta Galil when selecting suppliers.

As we are a vendor to various companies, we are part of our customers' supply chains. Among our longstanding customers are world leaders in the field of corporate responsibility. We are required to report to them on our environmental and social performance, and actions taken to improve our performance. This enables us to pass on what we learn from our customers, to our suppliers, creating a learning network.



<sup>23</sup> 102-43



# ENVIRONMENTAL SUSTAINABILITY



<u>Materials Use</u>	40
<u>Chemicals</u>	40
<u>Energy and Climate Change</u>	41
<u>Energy</u>	41
<u>GHG Emissions</u>	43
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<u>Water</u>	44
<u>Wastewater</u>	45
<u>Waste</u>	45



The world in which we live and operate has limited resources. For this reason, we conduct our business with the understanding that protecting the environment is critical for each and every one of us as individuals, as well as for long-term business sustainability.

In 2008, we began incorporating sustainability into our company objectives and worked to identify Delta Galil's and our subsidiary sites' environmental impacts. Our main environmental impacts are closely tied to the raw materials we source - primarily cotton and synthetic fibers - the water we consume and wastewater we release, energy consumption and greenhouse gas emissions, and waste created as part of our activities.

We monitor and deal with these issues, and others, at each of our sites on a regular basis. Our operations are managed in a way to adjust to current developments and necessities. We always carry out operations to fully comply with laws and regulations. During the reporting period, no significant fines or non-monetary sanctions were received for non-compliance with environmental laws.

# OUR LEAN CULTURE

In 2014, we introduced Lean Culture to our operations to further improve efficiency in our manufacturing. Our journey began at our sites in Bulgaria (DTB) and Turkey (DAT) and extended to our sites in China (EZU), Vietnam (DGV) and Egypt.

Our goal is to establish a culture of continuous improvement. Our empowered and engaged colleagues use their initiative to eliminate waste, minimizing environmental impact and maximizing financial growth by cutting costs. Through our Lean journey, we have managed to create standardization and sharing between our sites.

Lean implementation started with massive comprehensive training for all employees, followed by changing the departmental management and operations into Lean lines. As a result of these processes we had to adjust our planning department to support the change.

Lean culture has improved our control and reduced WIP (Work In Process), leading to better results, flow of materials and information. This means that instead of working in divided departments managed in "push" method (where each department is responsible for their local optimization and trying to produce as much as possible, which creates WIP), our Lean lines focus on factory optimization and the next shipment, reducing WIP and waste.

Lean tools that were introduced included SMED, Kaizen, A3 and 5S according to the different needs and strategy.

Our Lean team members are our biggest asset. We train, support and encourage them to lead improvement projects and to take ownership of different processes. This has led us to many fruitful social projects which support the environment as well as the surrounding community.

Beside our operational and mindset focus, we are currently working on improving our strategy deployment, execution abilities and organizational alignment. These will increase our abilities as a global organization and with our client orientation.

KPI	Target	2018 Performance in comparison to 2020 target
Water consumption (m³)	10% reduction from 2017 baseline	On our way - 2% above 2020 target
Energy Consumption (GJ)	15% reduction from 2017 baseline	On our way - 3% above 2020 target
GHG Emissions (MTCO <sub>2</sub> e)	15% reduction from 2017 baseline	On our way - 3% above 2020 target
Waste Disposal (Ton)	10% reduction from 2017 baseline	On our way - 4% above 2020 target

As the operations of the Group differentiate widely, we evaluate data for water, energy and emissions using a system of intensities. In factories where only one type of product is produced, it is possible to normalize performance values to represent one unit of the specific manufactured product category. When referring to the performance of our factories as a whole, performance is measured per one ton of product.

The Key Performance Indicators (KPIs) are also gathered from our five largest logistics centers - one in Israel, three in the United States and one in Germany - with their performance measured by Million Distribution Units (M.D.U.). Even though their impact is relatively low, we also include data from our production/warehouse offices (in Israel, the US and Germany).

We focus on developing sustainable products with positive environmental and health attributes. We have developed various innovative sustainable technologies, which are grouped into four sustainability pillars: Healthy, Long lasting, Energy saving, and Resource efficiency. These technologies enable us to provide customers with a diverse selection that addresses consumer demand for products that are fashionable, comfortable, high quality, and more environmentally-friendly.

Our 'Green Officers Team' is responsible for environmental matters in each of our production sites and logistic centers, and works through a bottom-up strategic model. The team produces a complete picture of environmental impact and activity at each site, assesses solutions and potential alternatives, and creates work plans and targets for individual sites in cooperation with the people who work there, who are familiar with the challenges and options. Those in charge at the sites are in contact with headquarters and with the managers at the plants, and they help raise awareness and implement Delta Galil's Environmental Policy and environmental management system requirements. Data collected by the Green Officers is analyzed per site and used to show the overall performance of Delta Galil. This analysis is reflected back to the sites and presented to management.

By using this framework, site targets have been set for energy efficiency, water consumption and waste treatment, as well as detailed work plans for achieving these goals. Company-wide goals were developed from the targets at individual sites, and the teams set new targets and work plans for the years 2017-2020, replacing our former set of goals which were met in 2016

Delta Galil's performance regarding reduction targets for the four main KPIs is detailed below:

Our environmental performance reflects the organization's impact and does not include upstream or downstream environmental data collection.

## Environmental Reporting Sites

### Israel

HQ Offices, Distribution Center, R&D, Production site & office



### Germany

Distibution Center (DC) and Schiesser Office



### USA

3 Distribution Centers and DGPB Office



### Turkey

Production site



### Vietnam

Production site



### Egypt

3 Production sites



### Bulgaria

Production site



### Czech Republic

Production site



### Slovakia

Production site



### Thailand

Production site



# MATERIALS USE

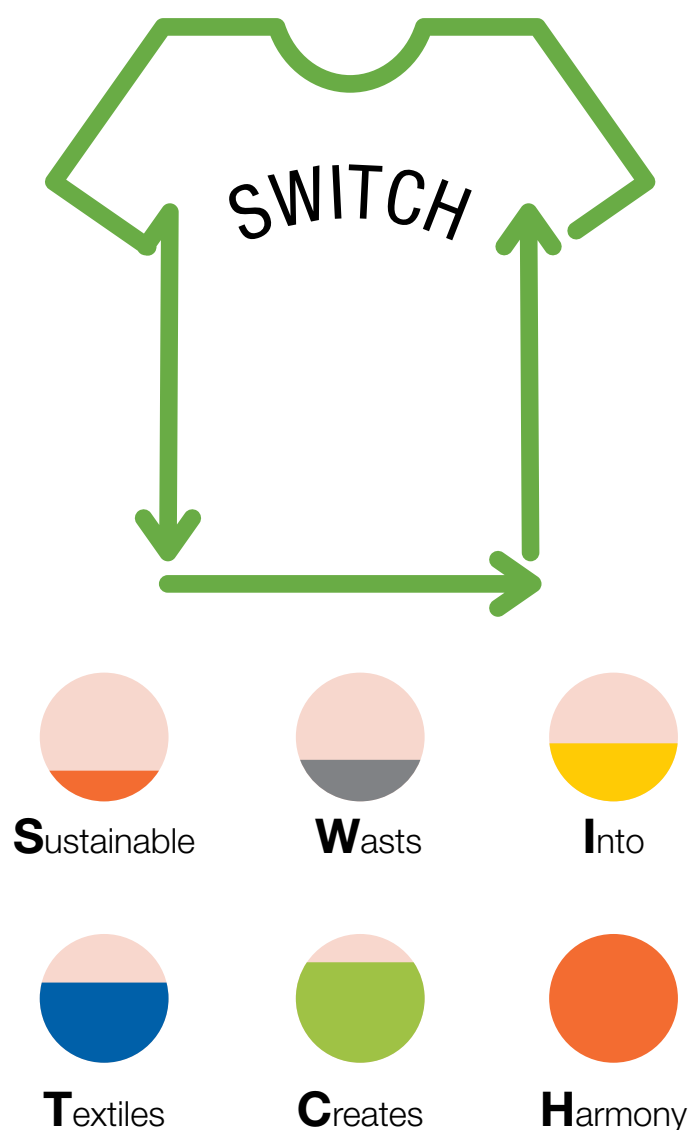
The industrial cycle begins with our consumption of raw materials to manufacture products, and ends with the byproducts of this activity. We aim to streamline this cycle to make it more efficient, by using more environmentally-friendly materials from the initial stages of product design and development, while minimizing depreciation and byproducts of processes. We do everything we can to minimize landfill waste and increase the volume of by-products that can be reused and recycled.

Our products are produced from a large variety of materials and accessories, but the main raw materials we use to manufacture our products include cotton yarns, cotton blends and synthetic fibers. In addition to the raw materials used in manufacturing the garments themselves, we also use a lot of packaging materials, mainly cardboard boxes and wooden pallets.

Most of our products are tailored to customer requirements and clear specification, and our influence on raw material selection is relatively low. In 2017, we used 4,291 metric tons of yarn, 5% of which came from recycled polyester. In 2018, 9,969 metric tons of yarn were used with 23% coming from recycled polyester.

Each year, approximately 2 billion shirts are produced worldwide, requiring 2,700 liters of water, along with chemicals and gases for each shirt<sup>24</sup>. However, our innovative fabrics are designed to extend the lifespan of the product. This reduces the purchase frequency and number of garments ending up in landfill. For example, our Real Lasting Cotton™, ensures garments and intimate apparel remain as good as new even after many washes, while ordinary cotton dramatically ages with every wash.

We find that collaboration and information sharing are key components of sustainability innovation. We have therefore joined with a number of partners to produce new innovative fabrics and apparel products. One of our most recent projects is The T-Shirt with a Story – known as **SWITCH**.



Collaborating with “Lenzing” and “Lenze”, Delta Galil’s vision is to create a benchmark garment that will have a transparent and eco lifecycle from birth to re-birth. The Switch T-shirt will use Lenzing’s Tencel and Refibra technology. This takes waste from the factory floor to create new fabrics, thereby creating a circular economy in textiles.

Every element of Switch will be from a sustainable source using recycled polyester thread (30% upcycled cotton), Eco Verde from “Coats”, and digitally print the thread in collaboration with “Twine”.

This is one example of Delta Galil’s move to a circular economy.



## Sustainable products

To respond to the challenges of climate change and preserving natural resources, we are leading the way in developing sustainable products.

For example, traditional recycled polyester is made using plastic bottles. However, this creates high levels of greenhouse gas emissions due to the energy intensive yarn production. We partnered with Antex to produce recycled PET polyester from off-grade polymers, which had been designated for disposal. The result is 100% recycled polyester producing less GHG emissions.

We developed Greentec Sportswear for Odlo using this method, and the clothes are also designed to be recycled at the end of garment life. For Spandex, we produced recycled PBT polyester, also from off-grade polymers designated for disposal, so avoiding landfill.

During the reporting years, we continued to develop fabrics based on recycled nylon yarns from fishing nets and from industrial waste, soil, biodegradable nylon, biodegradable polyester, and fabric from bamboo and bamboo mixtures.

We collaborate with different partners to achieve sustainable innovation. Collaborations include the “Easy Dye Cationic Polyester” that we have developed together with a Chinese polyester producer. This is the first cationic polyester to allow dyeing at 98°C, saving 30% energy in the process. We have also developed garments using bio-degradable nylon, which will decompose into organic matter once in landfill.

Our new “Eco dye” is a dye additive that saves 30-40% of the dyeing process time which brings around 30% energy savings due to the reduced heating time and a 30% water savings due to the reduction of washing cycles in the industrial tubs after dyeing.

Our new “ECO lasting Color” is suitable for cotton and viscose where all the rinses after color drainage are done at 60°C instead of 90°C, with additional savings in the number of wash tubs cycles. Furthermore, all the colors used do not change color after repeated washings (tested for 20 washings), and so are defined as “lasting”. This is significant both for the environment and end user.

Going forward, we are investigating the possibility of dyeing polyester without the use of water. And we will continue to innovate, creating sustainable products to meet our customer’s needs.

## CHEMICALS

We take special measures to ensure the safety of our people, consumers and the environment through proactively understanding and prudently selecting every chemical and raw material used within Delta Galil.

In 2016, we began to streamline and unify our chemical management procedures and policies in order to achieve Zero Discharge of Hazardous Chemicals (ZDHC). We intend to make Delta Galil products free of toxic chemicals by 2020.

Each site adheres to a strict code of practice to ensure that no materials, dyes or chemicals present an unacceptable risk to health or the environment during their manufacture, use or disposal. This includes compliance with local regulations, customer requirements, ZDHC MRSL and Wastewater Guidelines.

All Delta Galil owned sites carry out chemical management and wastewater studies within Zero Discharge Hazardous Chemicals Roadmap to Zero scope. Chemical management studies are performed according to Chemical Management Procedures. All chemicals in the production line are listed in the Chemical Materials Inventory and regularly updated. Delta Galil trains all the employees in the chemical management teams about the ZDHC Chemical Module.

Each year, we request ZDHC MRSL commitment from all our chemical suppliers. We prefer to use ecofriendly products such as GOTs<sup>24</sup> and bluesign<sup>25</sup> certificated ones which have a lower environmental impact. Before purchasing any new chemical, our Health and Safety Executive (HSE) team checks compliance for health and safety, environment and ZDHC MRSL and customer MRSL lists. In Turkey and Bulgaria, this system works within the scope of ISO 14001 Environmental Management System.

All dyes and chemicals used in our manufacturing are accompanied by a safety data sheet from the supplier warning of any hazards, and advice on appropriate measures for its safe storage, use and disposal. We purchase dyes from suppliers who are members of the Ecological and Toxicological Association of Dyes and Organic Pigment Manufacturers (ETAD). This aims to minimize any adverse impact of colorants on health and the environment.

We have also created a Restricted Substances List (RSL), which consists of the ZDHC MRSL chemicals and some additional chemicals referred to as ‘Research List’ (chemicals that have irreversible impacts either to humans or the environment).

Chemicals and hazardous substances that are required for operations at Delta Galil sites around the world are stored and used in accordance with all relevant legal requirements.

Hazardous chemical waste is transferred to authorized sites for treatment in accordance with all legal requirements, and all shipments of garments to the European Union comply with REACH and ADR standards. Furthermore, most of our customers demand compliance with their RSLs, which also restrict the use of dangerous chemicals in garments. Consequently, some of our products are OEKO-TEX certified.

Going forward, in collaboration with our Green Officers, we will examine our chemicals management activities in-depth and identify any opportunities for improvement.

<sup>24</sup> <https://www.bluecotton.com/blog/articles/55-things-you-probably-didnt-know-about-t-shirts/>

<sup>25</sup> <https://www.global-standard.org/>

<sup>26</sup> <https://www.bluesign.com/en/>



# ENERGY AND CLIMATE CHANGE

Energy consumption in the textile industry is extremely high, and occurs at each stage of the lifecycle of textiles – during production, in use, and at the end of product life (covering either disposal and/or re-use of the materials). Energy use leads to greenhouse gas (GHG) emissions, which are known to cause climate change. Due to the world’s ever-growing human population and demand for food, energy, housing, consumer goods and clothing, reducing GHG emissions and minimizing global warming is an enormous challenge.

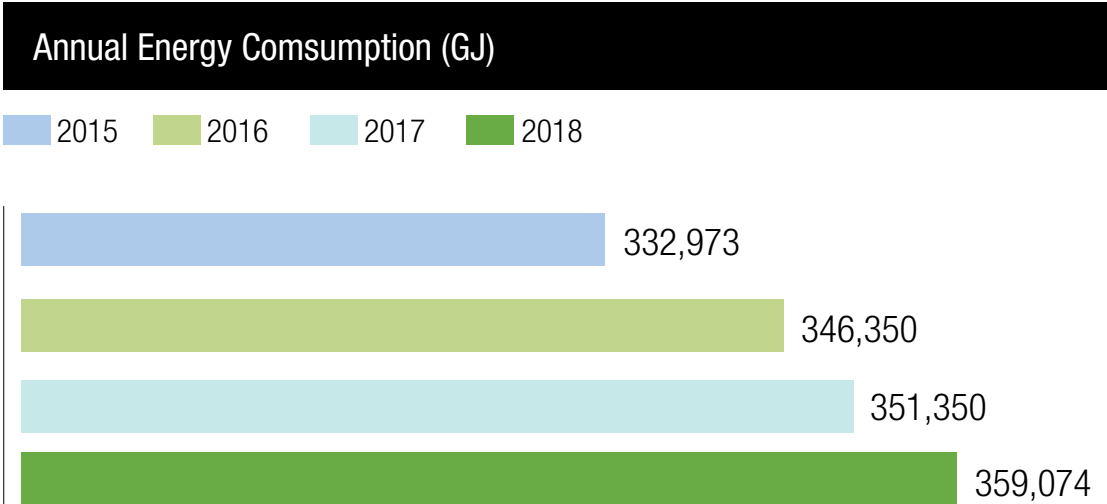
Delta Galil consumes a considerable amount of energy as part of our purchasing, development, manufacturing, marketing and distribution activities. As a result, we constantly seek new technologies, processes and fresh ideas to minimize our energy consumption and maximize our energy efficiency at every site and with every venture.

## ENERGY

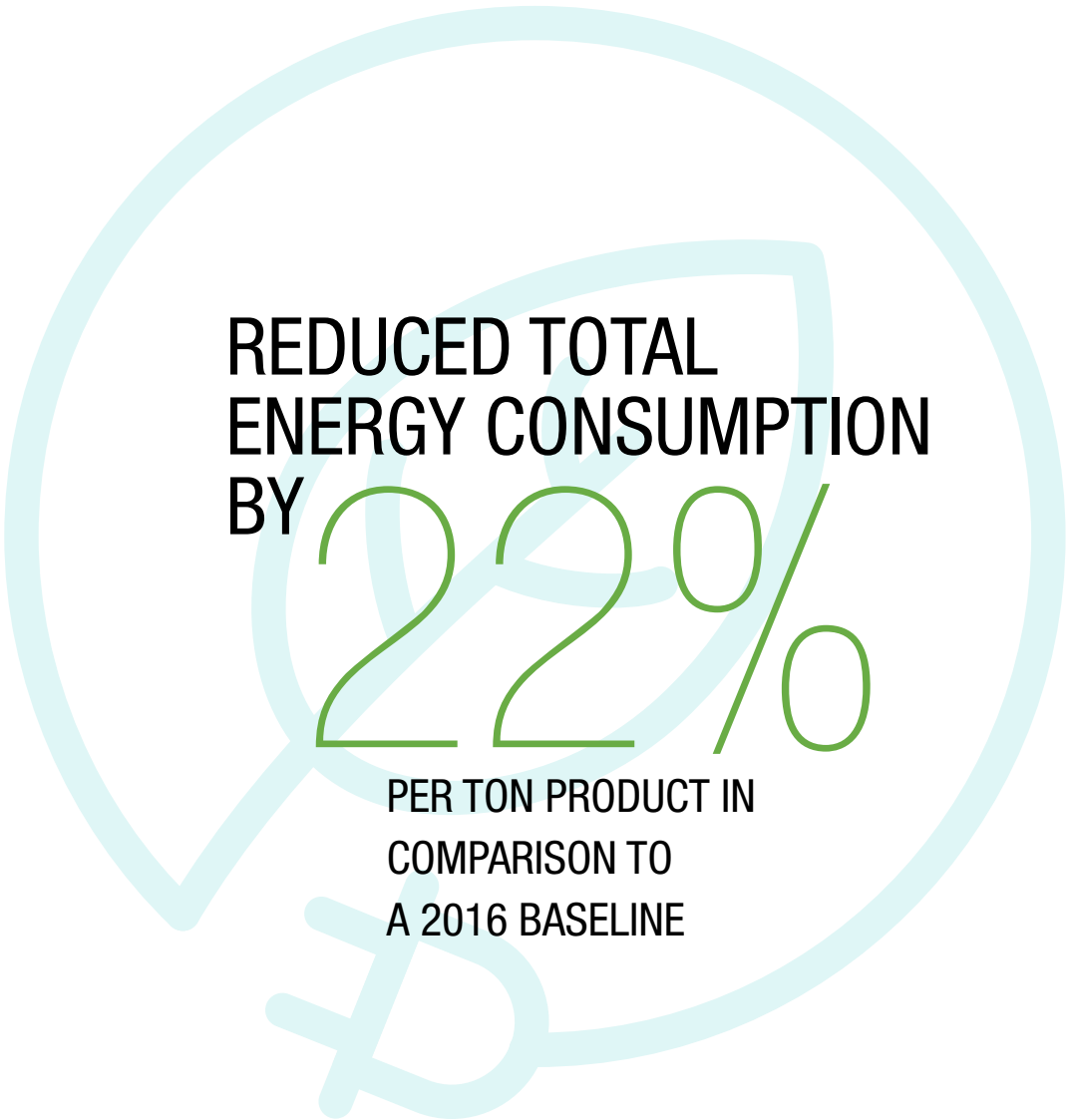
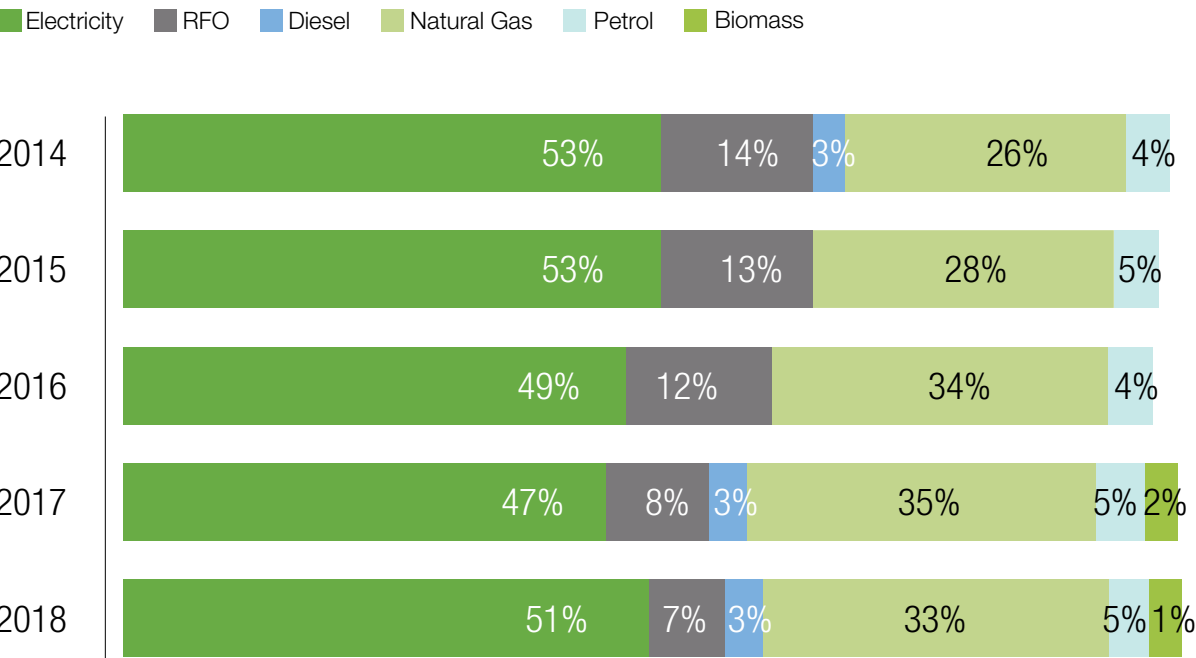
Our total energy consumption during 2017 was 351,350GJ, and increased to 359,074GJ in 2018. This increase was caused by a 17% increase in our production, and also includes the energy consumption of our facility in Vietnam (since 2017) and DGPB activities (two distribution centers and an office added in 2018)<sup>27</sup>.

We take measures at each of our sites to increase energy efficiency. These range from routine maintenance to prevent unnecessary energy consumption, to systematically switching to energy-efficient systems and industrial machinery. Even though production has increased and Delta Galil’s performance includes more sites than those accounted for in 2016, we have reduced total energy consumption by 22% per ton product in comparison to a 2016 baseline.

All sources of energy consumed in our sites are non-renewable. In 2018, the company started to examine the possibility of installing photovoltaic cells on the rooftop of our Caesarea Distribution Center to provide green electricity.



### Breakdown of Energy Consumption (GJ) by Energy Source



<sup>27</sup> Vietnam Site and DGPB activities account for 12% of the energy consumption in 2018



# ENERGY EFFICIENCY AROUND THE WORLD



## Bulgaria

In Bulgaria, we replaced compressors with more efficient ones and improved the piping system. This resulted in creating the same vacuum strength using less energy. Our boarding machines' efficiency was also improved by implementing standardized work for the work stations. The normalized results in comparison to 2017 are as follows: electricity -0.1kWh/pair (-27%); steam -0.00004 MWh/ pair (-11%).

## Turkey

Our Turkey site is now certified for ISO 50001 Energy Management System, as well as ISO 14001 Environment Management System certification.

We succeeded in decreasing electricity consumption between 2017-2018 through various improvement projects. For example, we renewed eight old vacuum motors with high energy efficiency ones, resulting in a 2% saving in energy consumption. We also switched to using residual steam to heat washing machine water, and introduced steam traps to prevent leakages.

## Gemtex, Slovakia

In 2018, our site in Slovakia implemented a thermal insulation project of the canteen building and passage way, using sandwich panel from cotton wool and new, smaller windows. This will reduce natural gas consumption for heating by 31 MWh (6.2 TCO2e/year) with annual monetary savings of €1,500. Additionally, we have also replaced 50 old lights, resulting in savings of €370 over an 8-month period.

During the reporting period, we also replaced six sewing machines. The new ones use about 100-150W less power. They run only when the machines are used, require fewer components to be changed and less cleaning, and do not leak oil. We also replaced two old gas boilers with new ones, which use less gas and create fewer emissions.

## Schiesser, Germany

During 2017-2018, this site replaced lighting for two shipping departments. Electricity savings per year amounted to 47,013 kWh, and an annual fiscal saving of \$12,104.

## Fontana, DC, USA

In 2018, several energy efficiency projects were implemented to our HVAC System:

- Direct Digital Controls (DDC) - 15% to 25% Overall System Savings DDC systems have the ability to monitor and make continual and immediate changes to airflow requirements based on real-time information.
- Variable Air Volume - 40% to 60% Fan Energy Savings These thermostats monitor individual areas of the building and either increase or decrease airflow based on real time space requirements. As the individual spaces require either less or more airflow, the DDC system communicates with the rooftop units and will slow or increase the fan speed.
- Outside Air Economizer - 30% in overall system savings These use outside air to cool the building when temperature and humidity meet certain requirements. The rooftop unit compressors shut down and dampers open, allowing outside air to cool the space.

We compare the performance of all sites and assess the effectiveness of energy reduction measures against ton of production for our manufacturing sites, and measure distribution centers against distribution units.

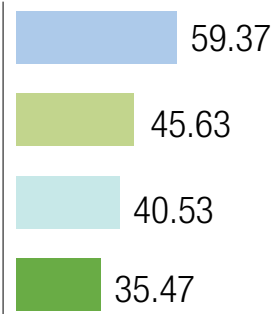
Measures taken to reduce energy consumption and increase energy efficiency at our different facilities are reflected in the reduction of GJ per ton of product, and are shown in the graphic below. This reduction is the result of a number of long-term projects implemented in our various facilities.

The increase in energy consumption per M.D.U in 2018 could be explained by the growth in the number of associates at our Williamsport Distribution Center as well as the colder winter months in 2018 which caused a higher use of electricity and natural gas at our American Distribution Centers.

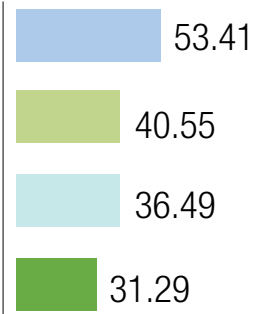
### Annual Energy Consumption (GJ) per Production Unit (Ton/ M.D.U)

2015 2016 2017 2018

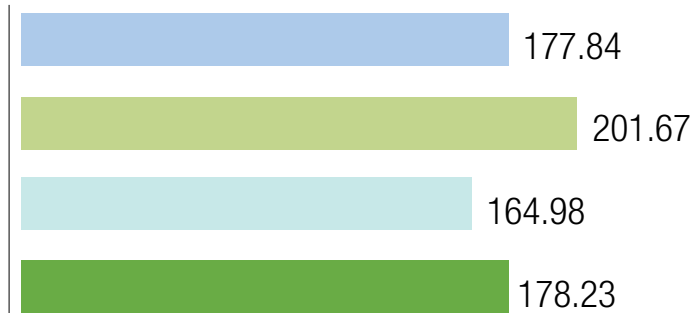
#### Delta Galil Group



#### All production sites



#### Total DC sites





# GHG EMISSIONS

Delta Galil's greenhouse gas emissions, as detailed in the following graph, comprise emissions from fuel combustion for manufacturing, transportation and electricity use. GHG emissions calculations were conducted according to the GHG Protocols methodology for electricity, the Intergovernmental Panel on Climate Change (IPCC) 2006, and DEFRA methodology for fuels.

Our total greenhouse gas emissions during 2017 were 34,127 MTCO<sub>2</sub>e and 34,927 MTCO<sub>2</sub>e during 2018. The increase in GHG emissions is attributable to a 17% increase in production, and also includes the GHG emissions of our facility in Vietnam (since 2017) and DGPB activities (two distribution centers and one office added in 2018)<sup>28</sup>.

Around 69% of the emissions are derived from Scope 2 emissions.

When breaking down the emissions by site, the biggest contributor to the Group's GHG emissions is the Czech Republic. This site is the second largest contributor to our production volume. The site's fuel consumption for manufacturing includes the use of natural gas. This is in contrast to Egypt, the biggest contributor to our production volume (almost 30%), which uses electricity for production. Therefore, our site in the Czech Republic has a larger impact on total energy consumption and GHG emissions.

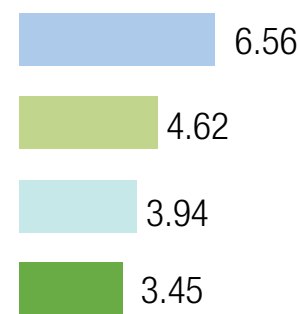
Our sites use a number of Freon refrigerant gases such as R-22, R407c and R410A. These are known as Ozone Depleting Substances (ODS)<sup>29</sup>. The emissions originate from the periodic maintenance of air conditioning units that still use these types of refrigerant gas. We are committed to minimizing the use of synthetic refrigerants wherever possible. When an air conditioning unit fails, it is replaced by one that does not use ODS.

GHG emissions reductions also result from measures carried out to reduce energy consumption, using better fuels and improving equipment. These measures are reflected in Delta Galil's performance per ton of production as seen in the graphic below:

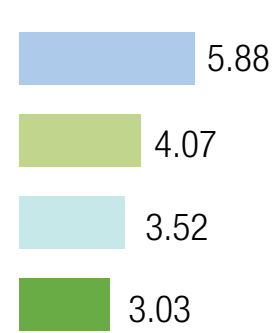
## Annual GHG Emissions (MTCO<sub>2</sub>e) Per Production Unit (Ton/M.D.U)

2015 2016 2017 2018

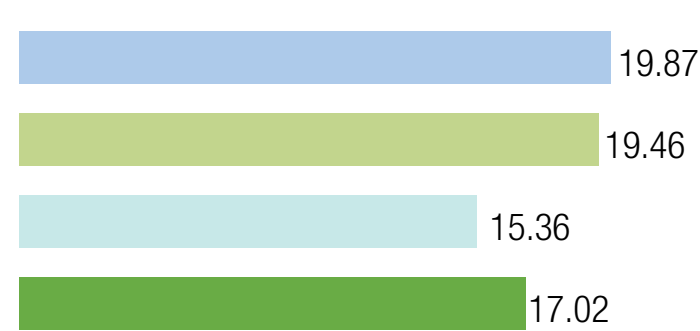
### Delta Galil Group



### All production sites

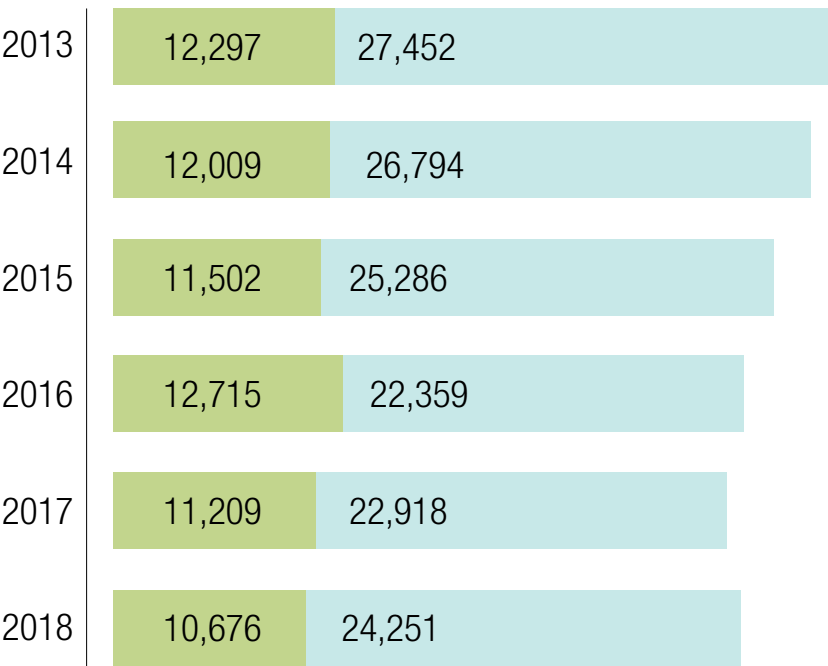


### Total DC sites



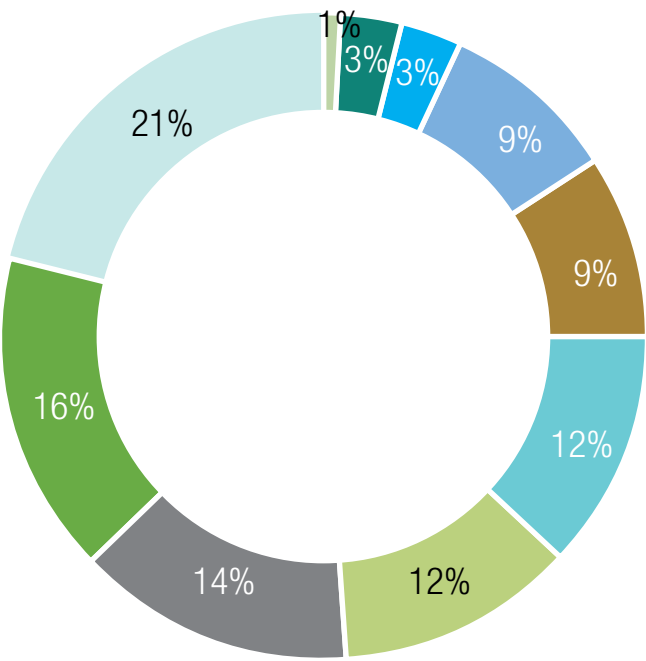
## Annual GHG Emissions by Type (MTCO<sub>2</sub>e)

Scope 1 Scope 2



## 2018 Annual GHG Emission by Site (MTCO<sub>2</sub>e)

Gemtex Slovakia  
Thailand  
Delta Galil Offices  
Vietnam  
Delta Galil DCs  
Turkey  
Bulgaria  
Egypt  
Karmiel  
Pleas Czech



## Measuring our Scope 3 Emissions

Scope 3 emissions vary in sources. These are usually not 'owned' by the company and data collection involves multiple stakeholders and data sources. In 2016, we started to evaluate these emissions, and intend to streamline our approach to assess risk in the most carbon intensive areas in which we can have an influence.

Our scope 3 emissions, are emissions from our transport-related activities in the years 2017 and 2018. The data includes business flights and air freight of materials and garments to and from our warehouses around the world. The data includes import and export activity to and from Delta Galil facilities, and includes activity from Egypt, Turkey, Bulgaria, the US, Germany, Thailand and Israel. These countries are all part of Delta Galil's global supply chain.

In the past few years, through the Carbon Disclosure Project (CDP) supply chain program we have disclosed our activities to reduce GHG emissions in the context of customer requests.

The supply chain questionnaire is designed to help companies assess climate change risks and opportunities embedded in their supply chain. It is identical to the CDP climate change questionnaire, but with an additional module about the suppliers' sustainability initiatives. It helps our customers understand what proportion of our carbon emissions result from products or services we provide to them, and that we welcome collaboration with the customer on emissions reduction projects.

## Taking Part in DHL's GOGREEN Program



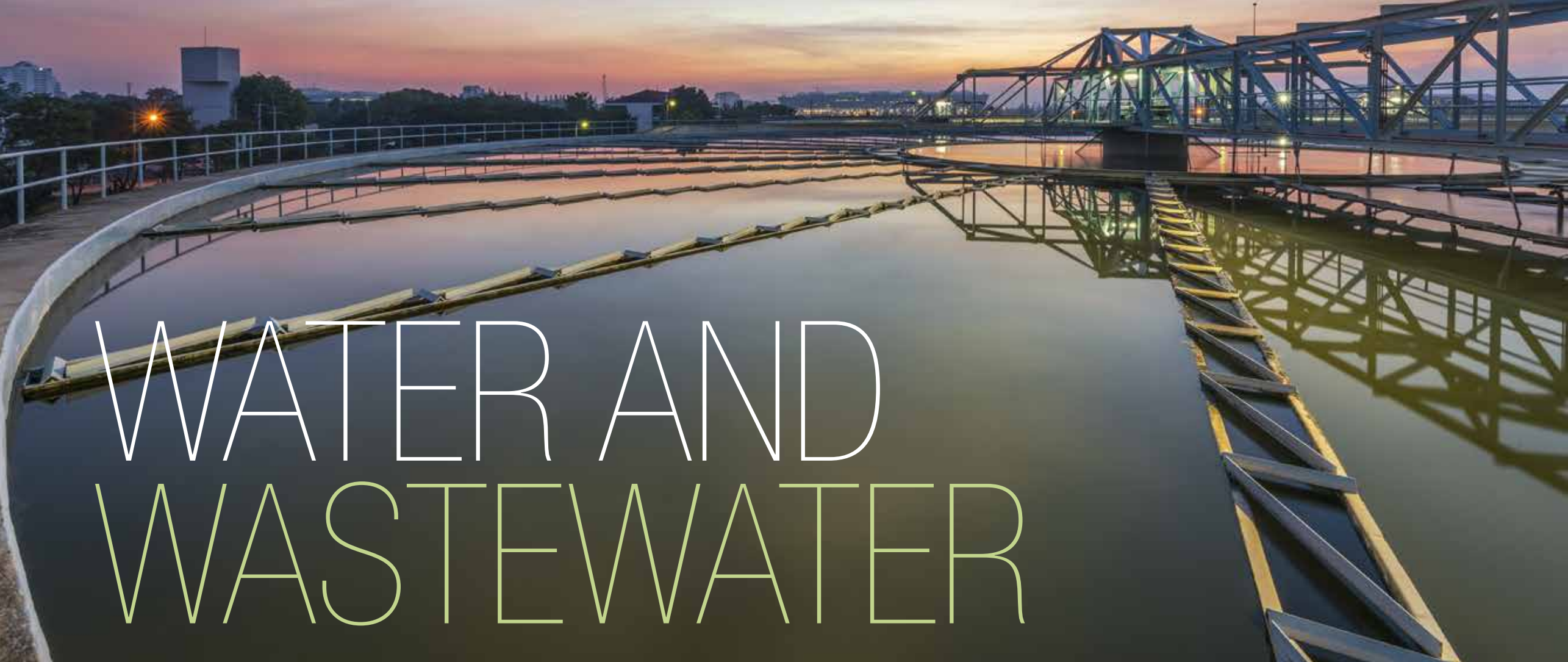
Our subsidiary company, Schiesser, uses the DHL service "GOGREEN", which is a carbon-neutral shipping option for customers of DHL and Deutsche Post. With GOGREEN, all transport-related emissions of carbon dioxide are calculated. They are then offset through external climate protection projects, which are certified according to internationally recognized standards. All parcels sent by Schiesser AG are 100% CO<sub>2</sub> - neutral.

## Air Pollutant Emissions

The textile manufacturing process can have a significant impact on the environment in terms of air emissions. Emissions monitoring varies from country to country and due to this anomaly, we can only monitor emissions at some of our sites. This means that we do not have a global picture. However, we know that the industrial steps we use in our direct activities– knitting, cutting and sewing – have relatively low impact on air pollution. Most air emissions produced by our activities come from steam boilers and transportation fuels.

<sup>28</sup> Vietnam Site and DGPB activities account for 11% of the GHG emissions in 2018  
<sup>29</sup> ODS damage the Earth's protective ozone layer and cause accelerated global warming.





# WATER AND WASTEWATER

Water and wastewater are key components of our production processes, so it makes business sense to invest in their sustainability. The textile industry uses various chemical agents, such as dye and detergent, and as a result large amounts of wastewater are discharged to the environment can contain traces of these substances. Companies operating in this field, including Delta Galil, face significant challenges when it comes to improving the quality of wastewater.

Many of our factories' activities have been modified in recent years, as detailed in previous reports. This has led to improvements in water consumption and wastewater discharge. Nevertheless, we are aware of the potential indirect impact of some suppliers, and we make sure to only deal with suppliers who meet all legal requirements and follow up on their environmental performance (see "Engaging Our Supply Chain").



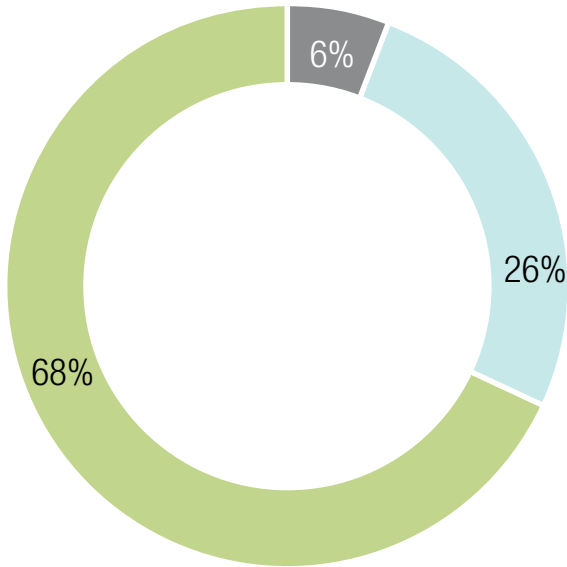
## WATER

61% of our water for production sites comes from utilities and municipal water. In the Czech Republic, we source 100% of our water consumption from River Sázava. 95% of our water consumption at our Turkey site is from groundwater and in 2018 we stopped sourcing water from Slaná river in Slovakia. We know from records of river flow rates and groundwater levels that no water source has been significantly affected by our use of it.

Total water consumption at our sites, including distribution centers (DCs) and offices in 2017 was 552,577 m³, and 594,444 m³ in 2018. In 2017, we had a water leak at our Israeli DC. This more than doubled water consumption at that site until we located the source of the leak. The 2018 increase in water consumption is due to the fact that production increased by 17%, and also includes the water consumption of our facility in Vietnam (since 2017) and DGPB activities (two distribution centers and one office added in 2018).

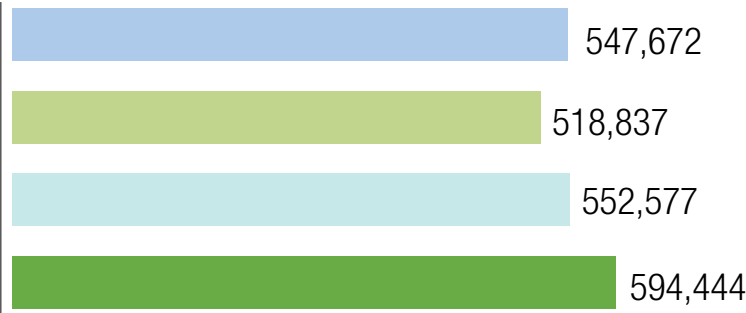
Water Consumption (m³) Breakdown by Water Source

Municipal water supplies   Surface water (river)   Ground water



Annual Water Consumption (m³)

2015   2016   2017   2018



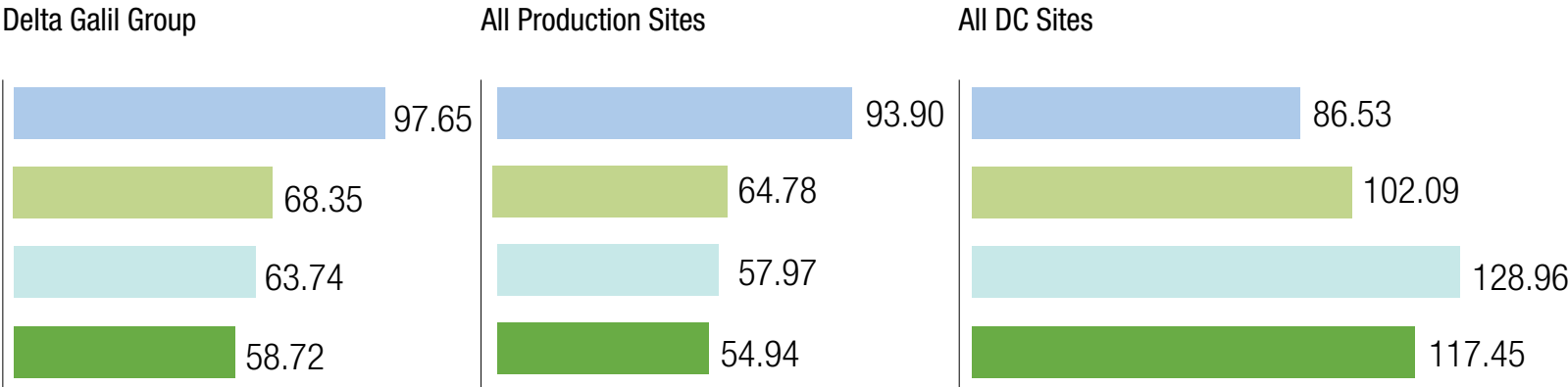
We take various measures to ensure more efficient water consumption. For example, we regularly maintain our facilities and replace ageing equipment. These measures are reflected in our performance over the years.

As seen in the graph, water consumption per ton of product has decreased. The 2017 increase in water consumption is due to the leak in our Israeli DC.

We still have some water intensive products whose production volume is based on market trends. We will continue to explore ways to reduce water use in the production of all our products.

Annual Water consumption (m³) per Production Unit (Ton/M.D.U)

2015   2016   2017   2018





# WASTEWATER

Our manufacturing sites produce industrial wastewater, which amounted to 292,108 m³ in 2017 and 320,744 m³ in 2018. This increase is linked to a higher production volume in 2018 and an additional 30% is attributed to the Vietnam facility, which were not accounted for in previous years. 22% of Delta Galil's wastewater is sent directly to an off-site treatment facility. 76% is treated on-site before being sent to a municipal wastewater treatment facility, and 1.4% is discharged into the ocean with the approval of local authorities.

We comply with all legal requirements for wastewater quality, by regularly monitoring our sites. Some of the tests are done internally, while others are performed by external laboratories in accordance with local laws and regulations. We take measures to reduce our chemical discharge to wastewater treatment systems (see 'Chemicals' subchapter). No water bodies and related habitats are significantly affected by the discharges of water and runoff from our sites.

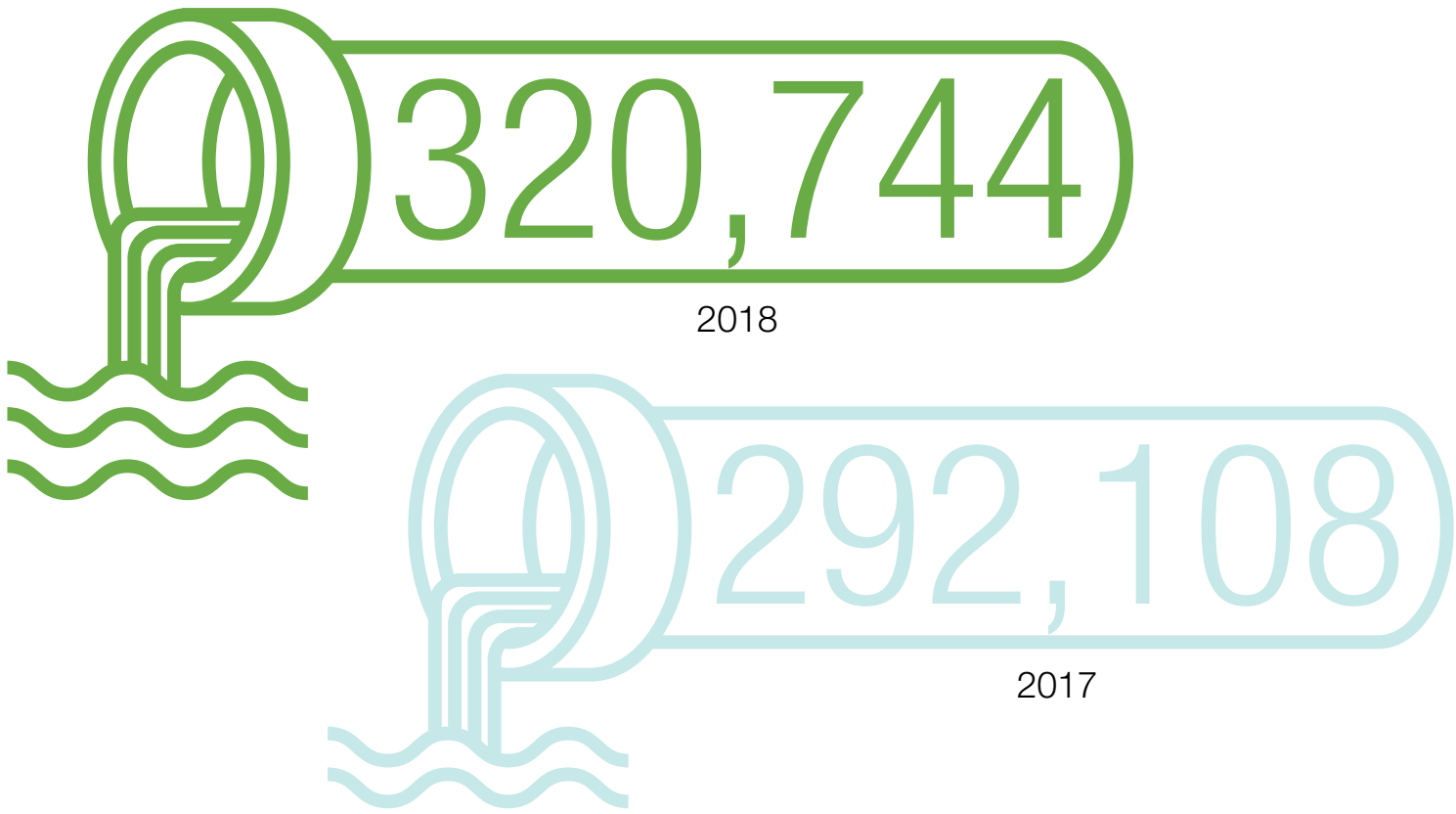
Nevertheless, despite our efforts, sometimes things can still go wrong. In October 2018, Delta Galil Vietnam (DGVN) received a complaint from the local authority that colored water was flowing into a canal through the adjacent village, causing odor. After consultation and verification that the source was the DGVN Waste Water Treatment Plant (WWTP), discharge from the WWTP ceased. The authorities imposed a 135-day sanction on discharge from the facility, according to Vietnamese regulations.

DGVN supplied bottled drinking water to the affected community and paid for the connection of 187 local houses and a school to municipal main water pipes as a permanent alternative to well water. The canal and surrounding area were cleaned and then tested to ensure purity.

A third-party company was employed to identify the cause of the failure, make necessary repairs and modify the treatment process. Systems and a daily testing regime were added to prevent future failure. Relevant factory personnel were also trained on correct operation of the WWTP.

Following the 135-day sanction period, the authorities renewed the discharge license after extensive testing by the Environmental Agency. In 2020, DGVN will switch to a new WWTP now being built for the whole industrial zone, rather than direct to the water canal. In addition, DGVN is exploring a further upgrade to its WWTP to recycle 70% of water and reduce its environmental footprint.

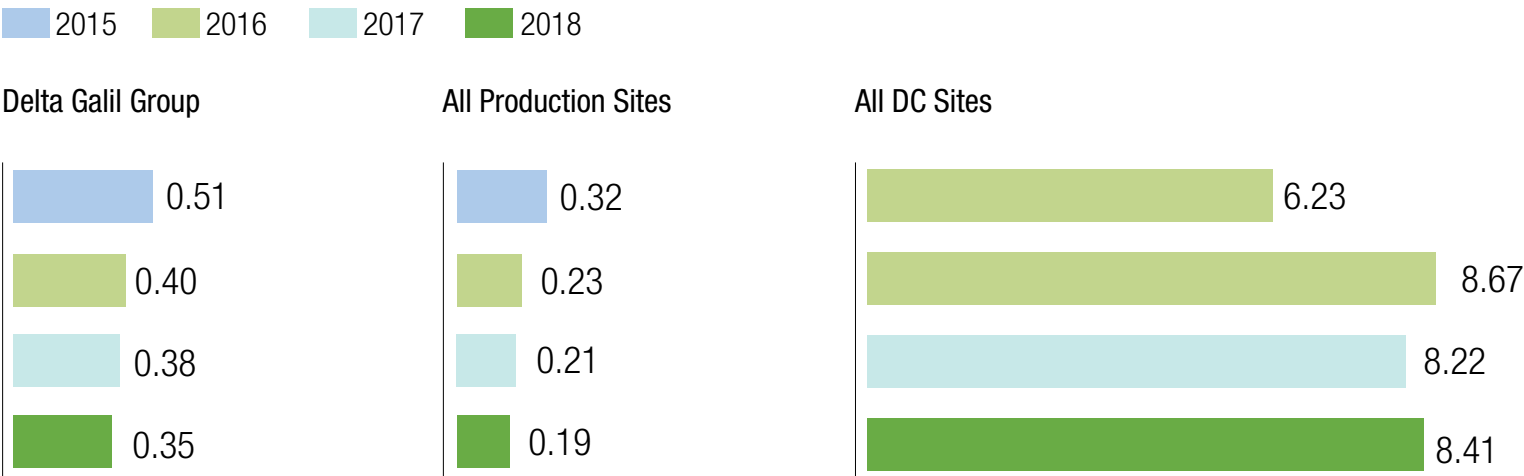
Annual Wastewater Discharge from Manufacturing Sites (m³)



Our commitment to environmental protection includes responsible disposal of our waste. Most of the waste generated by our facilities (textile waste, plastic, nylon, metal and, cardboard) is collected and sent for recycling by licensed contractors.

As well as improving our methods for managing waste, we are working to reduce the amount of waste produced by our manufacturing activities. We are also taking steps to improve waste management in our logistics centers, by implementing changes and modifications that help us produce less waste, such as re-using cartons for storage and distribution.

Annual Waste Disposal (ton) Per Production Unit (Ton/M.D.U)





A group of five models of diverse ethnicities and body types are posed against a solid grey background. They are all wearing white underwear. From left to right: a young man in a white t-shirt and white shorts, smiling and looking towards the center; a young woman in a white lace-trimmed bra and matching shorts, looking directly at the camera; a man with a beard and a topknot hairstyle, shirtless and wearing white briefs, smiling and looking at a woman next to him; a woman with short brown hair, wearing a white tank top and white shorts, smiling and looking at the man; and a woman with long, curly red hair, wearing a white tank top and white shorts, looking away from the camera. The models are standing close together, creating a sense of community and diversity.

# SOCIAL SUSTAINABILITY





[Human Capital 48](#)  
[Diversity 55](#)  
[Equal and Fair Employment 55](#)  
[Health and Safety 56](#)  
[Delta Galil and the Surrounding Community 57](#)



# HUMAN CAPITAL

Our employees are our primary stakeholders, so responsible employment policies and practices are a priority for us. We do our utmost to ensure compliance with employment laws worldwide. This is achieved by adherence to the universal norms and principles of the protection of human rights in employment. These are described in the United Nations Global Compact (UNGC); UN International Bill of Rights; UN International Covenant on Economic, Social, and Cultural Rights; UN Guiding Principles on Business and Human Rights; and Conventions of the International Labor Organization (ILO).

Taking care of our employees' health and welfare is one of our main objectives. This is in line with our aim to promote and uphold transparency, fairness, equal opportunities and employment diversity. We foster excellence and innovation among our employees, with an emphasis on engagement and dialogue.

By the end of 2018, Delta Galil employed approximately 13,260 people across all sites, compared with 11,670 at the end of 2017. This increase largely derives from the purchase of Eminence in mid-2018. In addition, the

number of manufacturing workers increased in 2018, mainly due to the increase in production volume at our Egyptian plant and in Vietnam, and the newly acquired manufacturing sites in France and Romania.

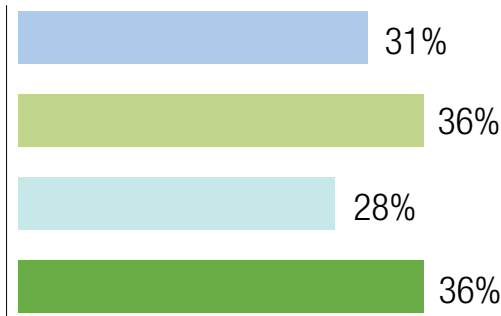
Around 65% of our associates are employed in manufacturing activity, with 35% employed in development, logistics, marketing, sales and administrative activities. The majority of our employees are female (about 73%) and most employees are over 30 years of age.



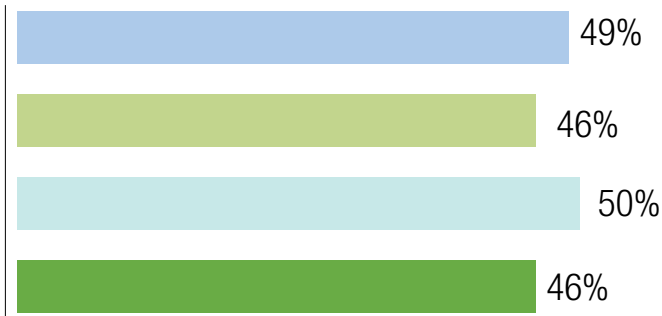
## Employee breakdown by age

2015 2016 2017 2018

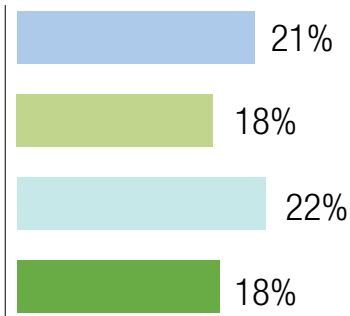
Under 30



30-50

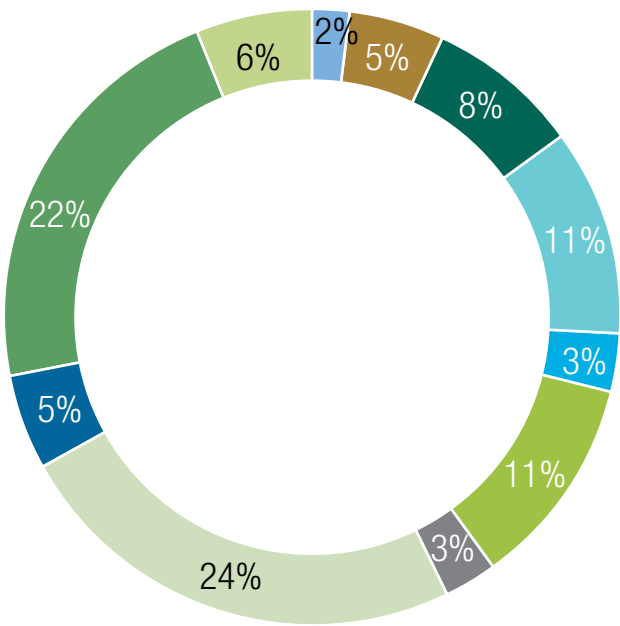


Over 50



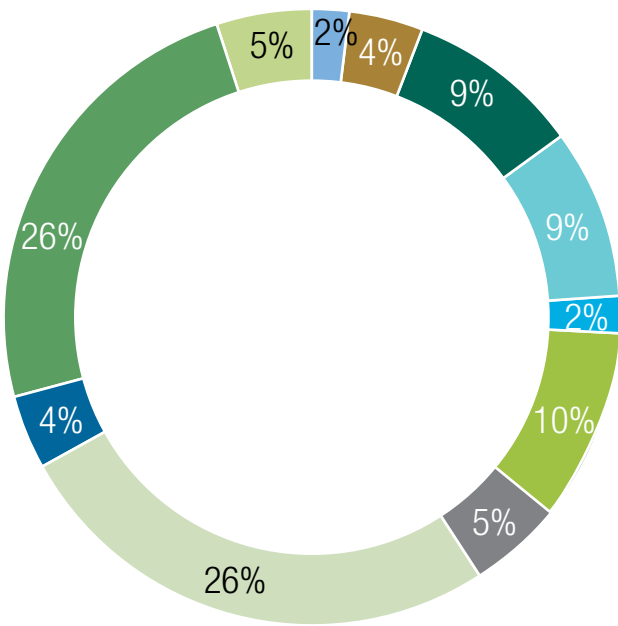
## 2017 Workforce Geographic Composition

- Turkey
- Asia (mainly Thailand)
- Czech Republic
- Slovakia
- Bulgaria
- Germany
- USA
- Others
- Israel
- Jordan
- Egypt

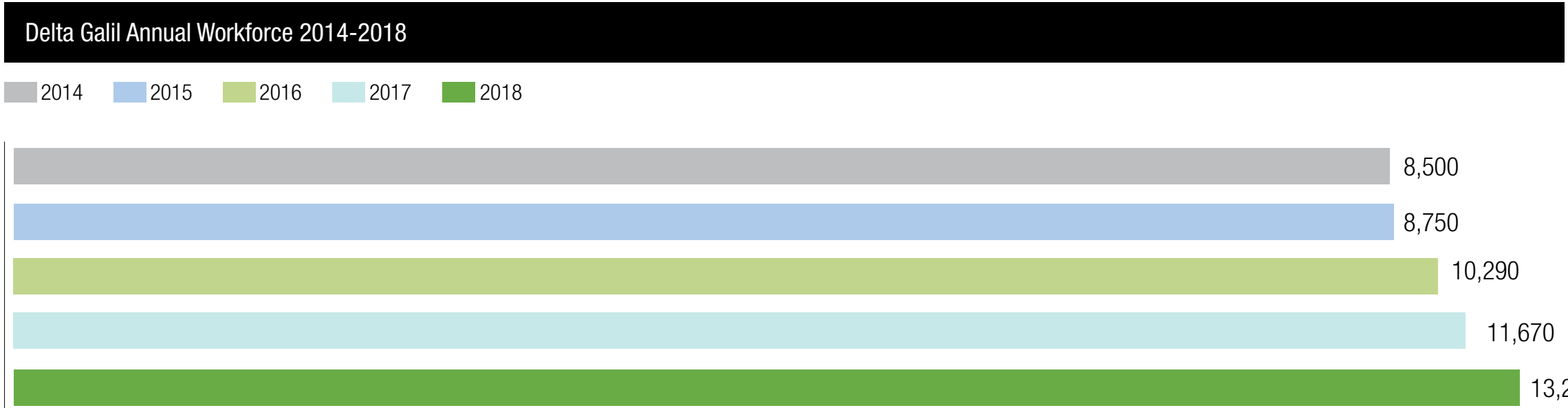
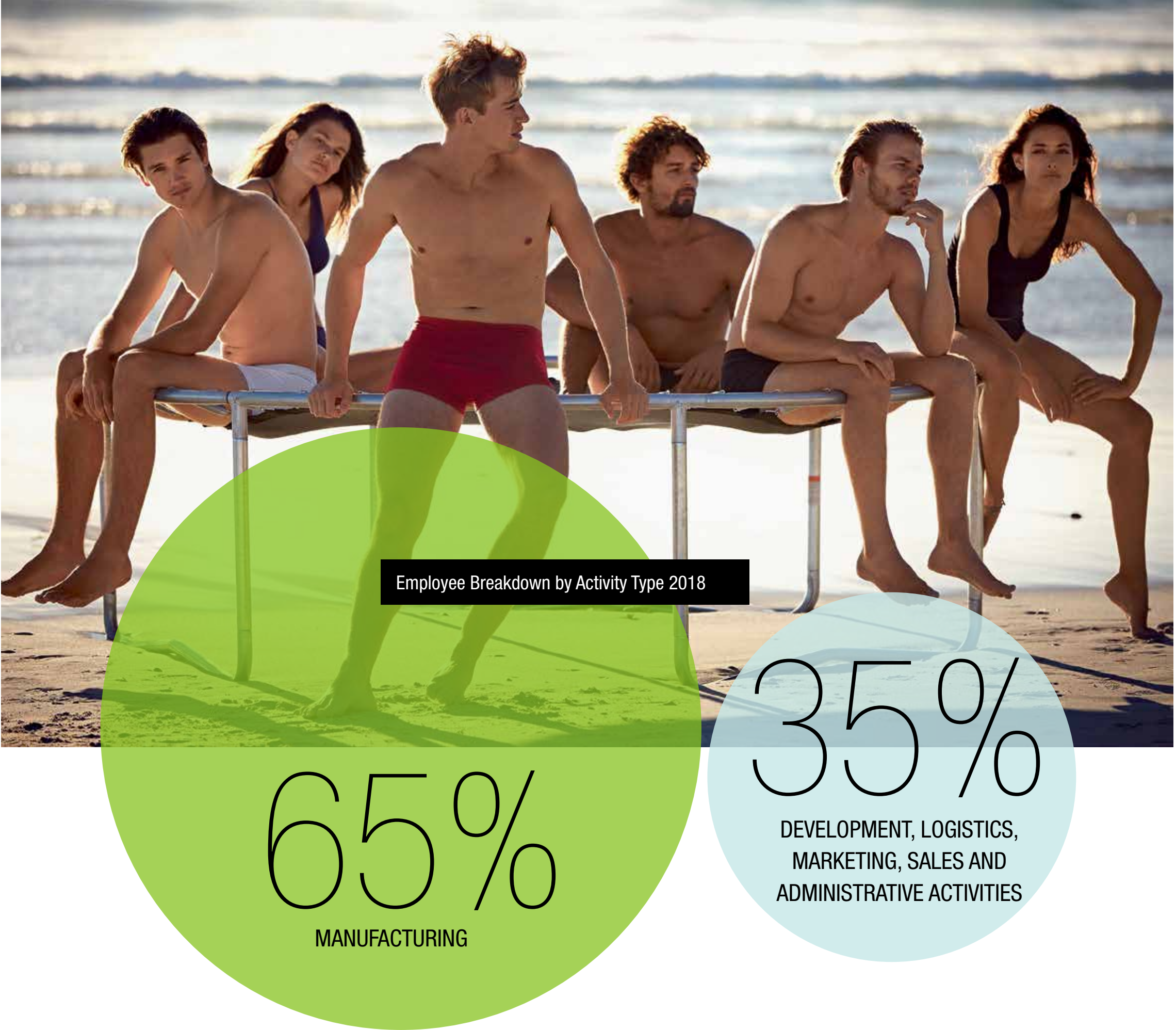


## 2018 Workforce Geographic Composition

- Turkey
- Asia (mainly Thailand)
- Czech Republic
- Slovakia
- Bulgaria
- Germany
- USA
- Others
- Israel
- Eminence
- Egypt







# FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The freedom to associate and to collectively bargain are fundamental rights. They are rooted in the United Nations Global Compact (UNGC); the International Bill of Human Rights and fundamental International Labor Organization (ILO) Conventions.

We recognize the legal rights of employees to associate and act together to maintain their rights. We respect the right of Delta Galil's employees to partake in collective bargaining agreements. In countries where such a right is compromised, we ensure it is maintained by creating internal worker committees, undertaking customer and third-party audits and including clauses in Codes of Conduct. We therefore ensure that our partners are obliged to operate according to Delta Galil's Ethical Code.

Our facilities in Israel, Bulgaria, Thailand, Turkey and Vietnam all have collective bargaining agreements (CBA) with our workers. Schiesser workers in Germany are employed under a collective agreement signed between the company and the Commerce Branch Committee. Employees of Schiesser subsidiaries in the Czech Republic and Slovakia are also employed under similar agreements. Eminence employees have mandatory annual negotiations on their salary agreements.

62% of our workforce in 2017, and 63% in 2018, were covered by collective bargaining agreements<sup>30</sup>.



# "EMPLOYER OF CHOICE" - TAILORED FOR YOU

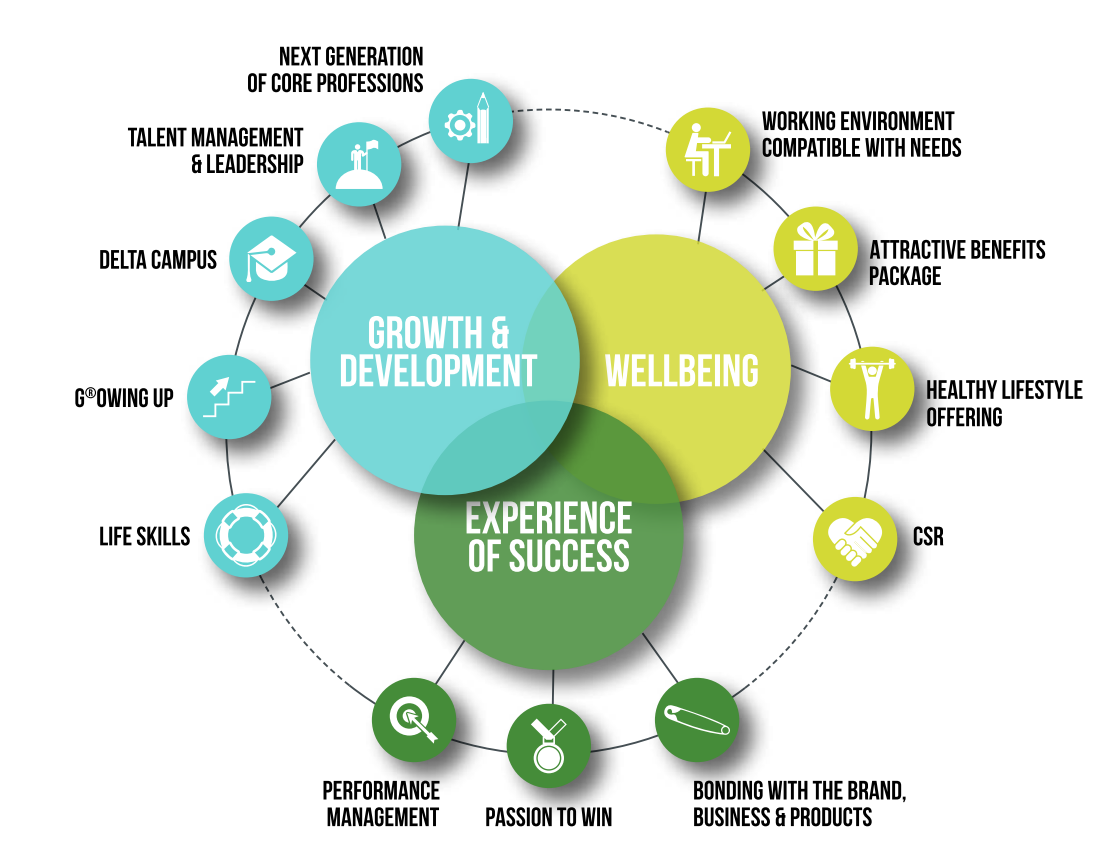
At Delta Galil, we regard our people as the most important element in our success and transformation into a global leader. We treat each and every employee fairly, equally, and respectfully, and provide them with tailor-made tools for growth.

Building a culture that creates and sustains micro-competitive advantages allows us to be fast-moving, agile, and highly opportunistic. At the same time, in today's changing working environments, we take other factors into consideration such as globalization, diversity, technology, social trends and Volatility, Uncertainty, Complexity and Ambiguity (VUCA).

We have built our HR Model with the goal of becoming an employer of choice. This model comprises three components: Growth and Development, Wellbeing and Experience of Success.



Employer of Choice - "Tailored For You"  
Being a Magnet for Great People, Who Choose to Make the Delta, Everyday.



Our approach is based on putting our employees in the center and including them in our processes, like when we built our set of values, or when we experiment with new products. Our "Employer of Choice - Tailored for You" model is a diverse and innovative platform, highlighting the individual and encouraging proactivity, creating a sense of caring, which leads to greater employee engagement.

## GROWTH & DEVELOPMENT

Learning is crucial for organizational development and success, and is beneficial for both employers and employees. Well-trained employees become more efficient and productive and this leads to professional as well as personal growth.

Our learning program is ongoing because we recognize that this leads to innovation and achieving business goals, attracting and retaining the best talent, and ultimately enhances business resilience.

We invest in developing our people by running courses and learning programs to develop leadership. In 2016, we created a new concept

of training and organizational development which introduced three main changes:

- A breakdown of target organization-wide populations (by professional skills, rank etc.);
- Mandatory content;
- An organized and systematic approach.

Within this framework, we developed an annual learning program based on business needs that were identified by unit leads. New, adjustable content was created and the program is flexible over the

course of the year. It provides managers with 5-12 learning days, and employees with 2-5 days. Learning includes internal and external courses, academic studies, coaching and more. Each session is followed by a feedback survey to measure its effectiveness.

As part of our talent management in Israel, during 2018, an interim executive evaluation process was initiated, to identify their strengths on the one hand and on the other to find points to strengthen. This process allowed us to evaluate which of these managers has the potential to advance to more senior positions.





Delta DNA Learning Platform

Our Delta DNA learning program has three main attributes:

- **Drive** – proactive, constant learning.
- **Navigate** – between roles and career paths.
- **Accelerate** – provide platforms and tools for business growth.

The DNA programs allows our employees' to be an active partner in building their individual training and development plan. We design our learning processes tailored to the constantly changing business and professional environments.

In Israel, all Delta Galil employees undergo four obligatory training sessions on specific topics, like cyber safety, occupational health and safety, our Ethical Code courseware and the prevention of sexual harassment courseware (in departments that are more prone to sexual harassment, face-to-face training is also provided).

Each year, a survey is conducted in regards to the areas of learning required to complete employee gaps to achieve their professional goals. At the same time, there is a meeting with the management of the business units (BU) to assess the business unit's objectives for the coming year, and what needs the BU management think their employees need. By incorporating these two approaches (Bottom up - Top down) we create a mechanism that connects managers' and employees' needs.

Delta USA has launched the Delta Galil Learning University (DGLU). This offers training to help build a culture that is collaborative, curious, innovative and drives growth. Among the courses that are offered are skills development (such as office software, sales, design, sewing) and managerial skills (like coaching and giving feedback, innovation, basic management tools and more).



TECHNOLOGICAL INNOVATION FORUM

Technological innovation is at the core of Delta Galil's business. As a global fashion company operating in a hyper-competitive market, innovation for Delta is the X Factor. The company is able to thrive and grow over time, with leading clients such as Calvin Klein, Victoria's Secret, Under Armour, Tommy Hilfiger and others, choosing it as a strategic supplier.

In the past, Delta's innovation process has been top-bottom, carried out separately within each division while identifying customer needs. As a result of our growing organization and changing global trends, we now encourage a company-wide, long-term innovation culture.

We have taken steps to create this cultural change. For example, we define "innovative thinking" as a central component in our recruitment, feedback and evaluation processes, as well as our conferences and meetings. Among these are our "innovation hackathon", recognizing creative thinking and innovative breakthroughs.

Transforming Textile Technologists

One of the most significant moves we have taken is to accelerate innovation among our textile technologists. They are veteran professionals who began their careers on the production floor, advancing to machine technologists. Today, textile technology is a rare and desirable profession, and we want to cultivate our current and future textile technologists.

Since the technologists have a wide interface with many factors in the organization, we knew that creating a conceptual and cultural change in them would necessarily lead to a change in the perception of innovation and the work patterns of the entire organization.

Over the past two years, we have established a Delta Galil textile technologist learning community. They meet regularly, share knowledge, encourage teamwork, innovate and make a significant contribution to our business.

The forum achievements include:

- The establishment of a central R&D unit that includes all of the technologists, enabling knowledge sharing, teamwork and wide response to the company's needs.
- The implementation of ideas which were raised in the framework of the forum and are currently in the process of development and production.
- A platform of organizational knowledge sharing.
- The establishment of new forums, communities and work teams throughout the organization.

The forum produces a newsletter dedicated to innovation news from Israel and the rest of the world, as well as stories of exhibition visits, meetings with suppliers and more. The forum enjoys an excellent reputation within our organization, and we have received additional requests from technologists who want to join this innovative community.

The program has created a significant change in the mindset of Delta Galil staff managers and employees, on ways and resources in embedding one of our values - to create innovation and strengthen teamwork. The change was made possible by adapting and respecting the existing organizational culture and yet undermining and challenging it to create a positive and significant change that leads to a business contribution.

EXAMPLES OF SOME OF THE COURSES PROVIDED IN 2017-2018

- Training on LEAN
- Training on ethics and protection of data
- Environmental, HSE and finance legislation
- Key managment skills
- English language
- Computer skills (Excel, ANDON system and more)
- Design Camp
- Leadership and personal empowerment
- Bio mimicry
- Spark your Delta
- Six Sigma
- First aid
- Leadership
- Life skills
- Parenthood
- Innovative thinking
- Presentation skills
- Coaching for managers





# EXPERIENCE OF SUCCESS

In 2015, Delta Galil established a new platform for employee's annual performance reviews - Time2Talk. These reviews facilitate an open dialogue<sup>31</sup> with our employees, and support ongoing performance improvement. This is crucial for Delta Galil as a company, as well as for individual managers and employees:



## To Delta Galil

- A chance to define future directions and correct past performance and targets.
- A clear picture of HR potential and risks.

## To Managers

- Having an effective dialogue with each team member.
- Focusing efforts, enhancing motivation, listening.

## To Employees

- A chance to hear and be heard.
- Having an impact on their future at Delta Galil.

**Time2Talk** is based on the idea that once effective feedback is given to employees on their progress, their performance will improve. The review also sets between three and five personal targets for the coming year, which, if achieved, translates into an annual bonus. The formula combines personal goals with corporate and unit performance goals, strengthening company-wide accountability.

Our HR unit verifies that each relevant manager has a valid bonus formula and that the Payment for Performance (PFP) personal targets for each employee are well defined. Managers also received training sessions and communications on the subject. Our values are incorporated into our performance reviews, on which part of an employee's appraisal is based.

Our Time2Talk yearly performance cycle includes two feedback sessions with each employee. The first aims to set the annual goals,

and the second to assess the employee's performance, and to provide him/her with the necessary tools to achieve the employee's personal goals. This new feedback system has been used to assess the performance of all managers and HQ employees in Israel, all managers and employees in the UK, as well as all managers in Bulgaria, Egypt, the UK and Asia. These feedback processes have resulted in increased employee trust and greater collaboration on their part.

We also value monitoring employee satisfaction, and send engagement surveys to employees on an annual basis, in Hebrew and English. These are filled out digitally, enabling control and data comparisons between departments and units.



# WELLBEING

Delta Galil attaches great importance to the welfare, satisfaction, and wellbeing of employees. We encourage co-operation and dialogue, and have established mechanisms to enable all employees to communicate with our management about any issue.

Our Wellbeing program is part of our new employee welfare strategy. We focus on offering choice to our many employees, who come from diverse backgrounds, are at different stages of life, and work in different occupations.

## The program has four main components:

- A progressive working environment compatible with employee needs;
- A benefits package, including health insurance, periodic health checks, and a variety of social and welfare activities, including family trips and picnics, a movie night, summer camp and scholarships for employees' children. In Israel, we also have an employee purchasing club;
- A variety of welfare activities;
- Healthy lifestyle activities, including our 'Be Yourself' program (currently in Israel, UK, Bulgaria, Turkey and Egypt) and Delta Galil USA's wellness program.



# Spark your Delta

לְהַחֲמִיץ אֶת הַיְּבוּל עִמָּנוּ

As part of a digital transformation affecting the worlds of employment, we have chosen to use digital tools that characterize social communities and assimilate them within Delta Galil. This is as part of creating a culture of sharing, transparency and collaboration between employees and the organization.

To strengthen Delta Galil as a preferred employer, Delta Galil Israel has worked with Saloona blog to develop an innovative program to establish corporate ambassadors.

Our team of ambassadors come from different disciplines and sites representing the diversity of our organization. They spread Delta Galil's success story through a social media platform, while benefitting from enriching their skills, and being highlighted within the organization.

Each participant told the story of Delta Galil from his or her point of view, collectively telling Delta Galil's organizational and unique story. We embarked on this path in order to expose Delta Galil's uniqueness and employment assets inside and outside the organization. We took a win-win approach; Ambassadors enriched their skills toolbox and received a spotlight from the organization, and Delta Galil has won an authentic story written authentically by the voices from within - by its employees. The blogs have helped to strengthen the feeling of a Delta Galil community, contributed to our organizational culture and employee sense of belonging.





# ‘BE YOURSELF’

This is a holistic program offering a wide range of activities encouraging employees to strive for better living, healthier lifestyles and self-improvement in both their personal lives and the workplace.

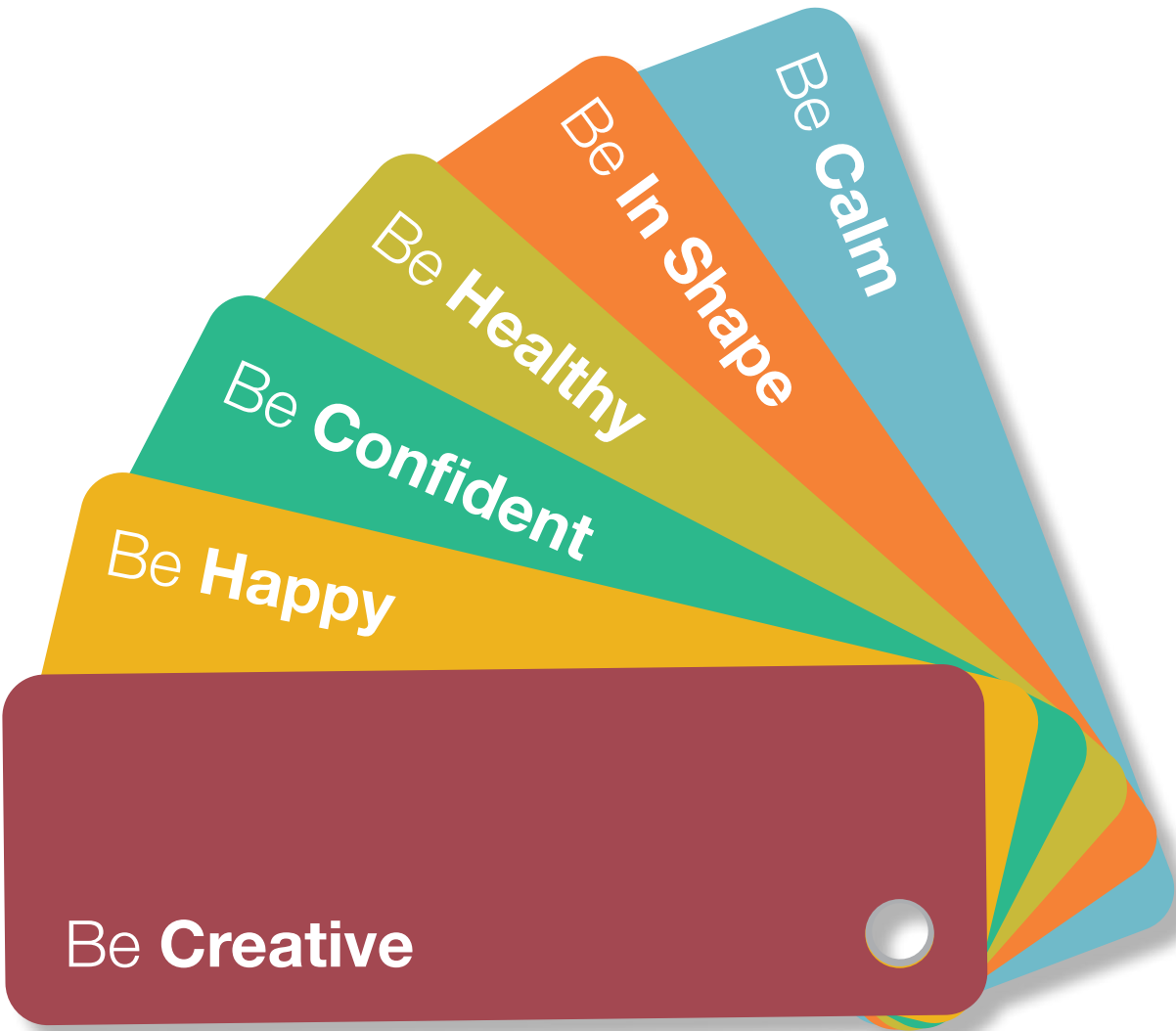
Our vision for this program is that employees will pro-actively improve their health and happiness, by following their dreams and ambitions.

## The program is built around six pillars:

- **Be In Shape** – emphasis on personal fitness through running groups, zumba classes, soccer teams, etc.
- **Be Calm** –self-realization through mind and body activities, such as yoga and guided meditation.
- **Be Healthy** – gaining mental and physical health through professional consultations on balanced eating and athletic training.
- **Be Confident** – emphasis on confidence building and self-improvement through public speaking and personal styling.
- **Be Happy** – creating happiness through positive psychology and achieving personal success.
- **Be Creative** – self-fulfillment through developing hobbies and personal talents.

We launched Be Yourself in 2016 at Delta Galil sites in Israel. During 2017 and 2018, we introduced some of the initiatives at our sites in Bulgaria, Turkey, the US and UK, and are expanding to other sites. This is done through a needs assessment survey for each site.

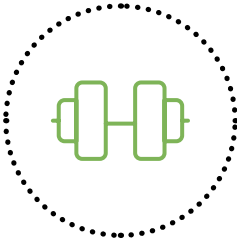
In 2017 and 2018, our “Be Yourself” program offered<sup>32</sup>:



Personal Health Measurements



Styling seminar



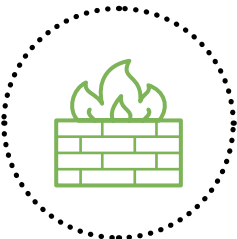
Sport classes



Creative Fair



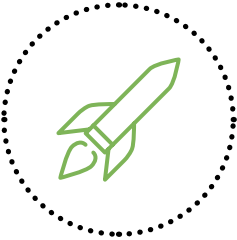
Running groups



Cyber security



Positive Psychology Seminars



Lectures - Motivation, Leadership, Parenting and more



Health is in "Your Hands" – Seminars and Dieting programs



<sup>32</sup> Sport classes includes soccer, Pilates, Nordic walking and other classes



# DIVERSITY

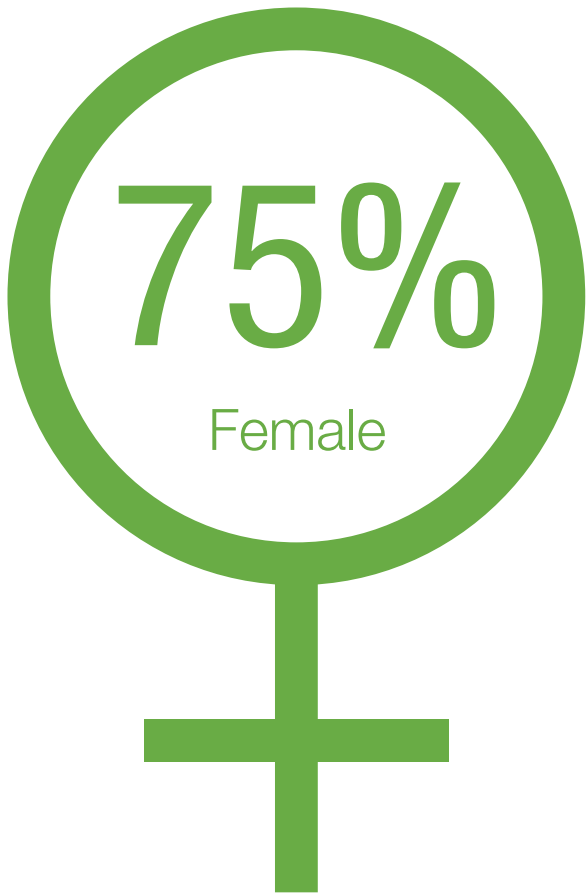
Fashion is dependent on culture and geographical region, and we strive to create products that suit wide audiences, embrace different cultures, faiths, genders and stages of life. To understand the varying needs of individuals, we employ people from all walks of life who reflect our diverse society, in line with the culture of our company. We believe this empowers Delta Galil and is a significant driving force for growth.

While we have no written procedures on local employment, we follow our Code of Ethics. This means that everywhere we operate, our ambition is to engage local employees and managers. We continue the legacy of our founder, Dov Lautman, and see diversity as an inseparable part of equal and fair employment.

In line with our Code of Ethics we oppose any form of discrimination on the grounds of race, skin color, sexuality, gender, religion, nationality, age, disability, or any other characteristic. We believe in mutual respect and co-existence both within the Delta Galil family and among the communities in which we work, and consequently we employ members from any sector of society.

Our policy encourages diversity in our workforce, and we must not discriminate on any basis during the employee recruitment and screening process. Furthermore, we must operate in accordance with local laws and workforce regulations regarding employing people with disabilities.

We aspire to achieve transparency, fairness, equal opportunities and diversity, while avoiding harmful employment. During the reporting period, there were no incidents of discrimination at our sites.



2018 Employee Breakdown by Gender



Marketing and advertising campaigns for Delta Galil and our brands also aim to be representative of all races, genders, and cultures. We see our products as suitable for everyone at any time, and we carefully tailor advertising materials and select models and presenters to reflect our wide-ranging target audiences.

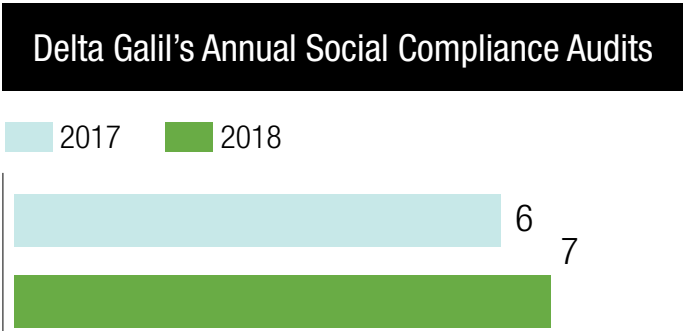
Women make up the majority of our workforce, and we are proud to provide women across the world with employment opportunities. In the reporting period, around 75% of our employees were female.

# EQUAL AND FAIR EMPLOYMENT

We believe it is our responsibility to provide our employees with a safe and healthy workplace, and the opportunity to grow and develop within the Delta Galil family. We believe it is our basic duty to treat every employee fairly, equally, impartially and respectfully. Delta Galil is firmly committed to the fair and equal treatment of all employees and candidates, who are assessed according to their competencies, qualifications and accomplishments.

We condemn any violation of employment laws and regulations, and prohibit child labor, forced labor, exceeded working hours or any other violation. To guarantee compliance with the law and our policies, we follow employment procedures to ensure the authenticity of details such as age, so that we do not employ any children. Customer and third-party audits of our operations, and those of our suppliers, also help to prevent both child and forced labor. During the reporting period, no incidents of child or forced labor were identified in Delta Galil owned facilities.

The graphic below shows the total number of social audits performed by our Compliance team at Delta Galil's-owned sites during 2017-2018:



Using various tools, including audits and inspections, we ensure our employees' rights are upheld without exception. In addition, we have established mechanisms to enable all employees to speak to management and communicate with them about any issue, with complete discretion.

In cases of significant operational changes, such as relocating a plant or any other important change in activity, we inform our employees in advance, usually giving three months' notice. We believe that by engaging employees in the process, these changes proceed more smoothly.

Furthermore, we abide by 'Zero Tolerance' of forced labor as described in most workplace codes of conduct and defined in the Delta Galil compliance benchmarks. We ensure that when we employ workers on a voluntary basis, no forced labor is used. Nor do we tolerate child labor in our operations. Young workers (older than the minimum age for employment but younger than 18) are hired under special conditions as prescribed by local law.

All forms of harassment and abuse are unacceptable, including verbal, physical, psychological or sexual. Working hours must be compliant with local laws or customer standards, whichever is stricter. We also ensure that all workers receive at least the minimum wage and all other mandatory payments. Wages are always paid on time, and we only employ workers using formal employment contracts. (For further information see Responsible Supply Chain on pg.33).



# HEALTH AND SAFETY

We include occupational health and safety among our major sustainability priorities, and regard creating a healthy and safe working environment for employees as our primary responsibility. We strive to continuously improve all aspects of the working environment so our workforce is 'happy, healthy and here'.

Our Code of Ethics emphasizes taking no chances. We strictly enforce all health and safety laws and regulations, and provide a safety handbook containing relevant rules and regulations, including local, Delta and customer requirements. All sites also run a health and safety program and have a Health and Safety Officer who is trained in the relevant local and international laws and regulations.

We take all necessary steps to prevent accidents and injury arising out of, linked with, or occurring in the course of work or as a result of facility operations. We also employ systems, such as risk assessment and internal audits, to identify and reduce potential risks to health and safety.

Delta Galil's Code of Ethics states that every employee is responsible for complying with and upholding the health and safety laws relating to their work area. Employees are responsible for taking necessary precautions to protect themselves, suppliers, co-workers and the public at large. This includes immediately reporting accidents, injuries, and unsafe, unhealthy and hazardous conditions.

## HEALTH AND SAFETY COMMITTEE

All our sites have a formal Health and Safety Committee, run jointly by managers, supervisors and production workers. These committees meet monthly to agree on preventative on-site measures. The committees review any health and safety accidents that may have occurred, develop any necessary emergency action plans, and advise on improvements to our health and safety programs.

Improvements are then implemented by our Health and Safety Officers who are also responsible for developing related procedures at our sewing and textile operations. 100% of the total workforce at our manufacturing sites are represented by formal health and safety committees. The outputs of the committees are reported to Delta Galil's management.

## RISK ASSESSMENTS AND AUDITS

Health and safety requirements cover all areas of employment. Risk assessments determine the possibility and severity of potential incidents. Each scenario is given a rating: "very high", "high", "medium" or "low" risk. Based on these assessments, preventive measures are taken to reduce risk. We collaborate with facilities that face health and safety challenges to help solve any problems. We do this either directly or through third parties, such as "Better Work".

We ensure that at a minimum, an annual audit of our supplier factories is carried out, including monitoring of any possible health and safety violations. This audit is conducted by a third party such as a reputable audit company, a Delta Galil customer, or our Compliance team.



## RAISING AWARENESS AND TAKING PREVENTIVE ACTIONS

We raise awareness of health and safety through our employee training and new wellbeing program (for further information, please see page 52). Seminars and guidance help us to increase knowledge about issues such as chemical management, first aid, forklift driving safety and emergency response, including fire and earthquake drills.

At our manufacturing sites, annual health check-ups are performed for all employees to help prevent or diagnose occupational illnesses and health problems.

The site's health and safety handbooks are updated by their health practitioner and health and safety expert.

All Delta Galil owned textile facilities have built-in fire safety systems, such as sprinkler systems, smoke detectors, emergency exits, fire hoses and extinguishers and fire alarms. Fire drills are performed at least twice a year at all facilities. In addition, at our Vietnamese facility, due to a local legal requirement, the facility stores protective suits for emergency first responders.

Monitoring health and safety is vital to prevent incidents. We aim to reduce work-related injury and severity rates through our unified measuring system. This is based on Occupational Health and Safety Administration (OHSa) principles and indicators.



# DELTA GALIL AND THE SURROUNDING COMMUNITY

## REACHING OUT TO OUR COMMUNITIES

Just like a stone thrown into water creates a ripple effect, we believe that our contributions not only affect individuals, but create a wider influence on the community. As a large employer with global reach, we believe we must use our presence and influence for the benefit of the communities in which we operate. We honor and maintain a long legacy of community involvement and employee volunteering. Today this legacy is an inseparable part of our corporate responsibility strategy.

The beneficiaries of our donations and various volunteer programs are people who generally need our help the most – children, teenagers and young people with special needs. By investing in young people, we believe we are contributing to the future. And by supporting those with special needs, either by providing basic necessities or educational activities, teaching empowerment,

personal responsibility and leadership, we are helping to provide equal opportunities for the next generation.

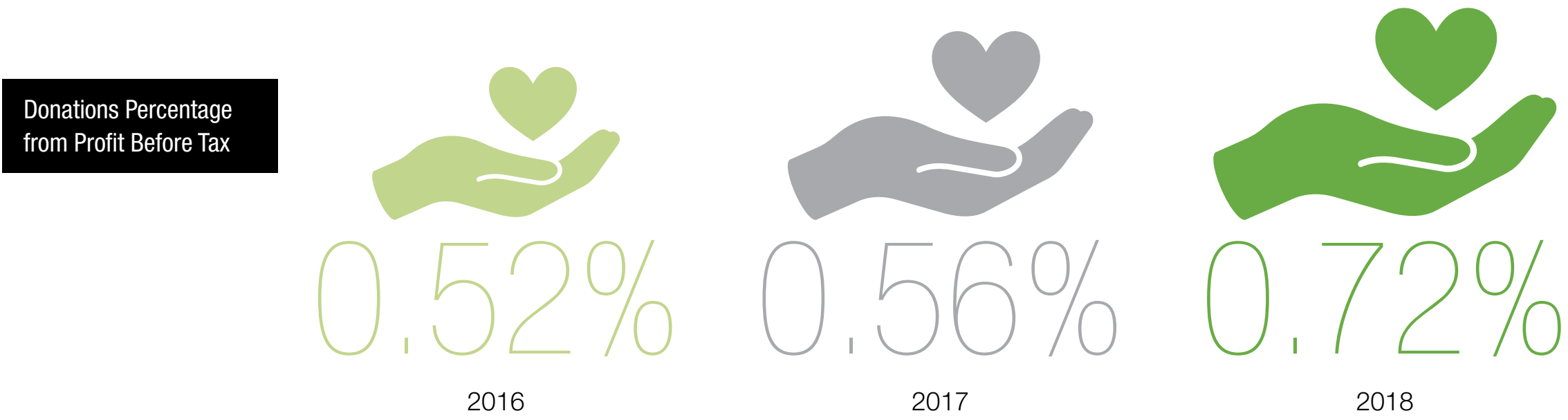
**The company's donations and contributions are part of our overall Social Investment Policy. We contribute through three main channels:**

- 1. Financial donations.
- 2. Donating our products.
- 3. Employee volunteering.

Through the social programs in which we are involved, and our own community work, we want to demonstrate values of tolerance, mutual respect, the importance of education and equal opportunities. We believe that promoting these values helps to create a better,

healthier and stronger society wherever we operate. We receive various requests from local communities for support, and are also proactive in finding and creating our own projects. Projects that are tailor made by Delta Galil and our partners are assessed for their impact on an annual basis.

We believe that our operations have no negative impacts on our local communities. In every site in which operate, we contribute to local employment and are involved in local projects whenever possible. As a policy, we do not donate to political parties, politicians, and related institutions. In 2017 and 2018, Delta Galil donated approximately \$370,000 and \$430,000 respectively to various non-profits and social activities, including donations of products.



Charitable Donations (million \$)						
2012	2013	2014	2015	2016	2017	2018
0.16	0.21	0.27	0.36	0.36	0.37	0.43

## COMMUNITY PROJECTS IN ISRAEL

### Developing Leaders of the Future from the Ethiopian Community

Our Ethiopian Leadership program in Israel was launched in 2013, in cooperation with the Friends of Haifa University and Department for Academic and Personal Assistance. The program aims to advance the Ethiopian community and reduce academic and social gaps within society. Students come from various academic disciplines, and all face similar challenges.

The three-year program provides leadership training to help participants realize their academic potential, increase their community involvement, integrate in academia, and ultimately succeed in the employment market upon graduation.

Each academic year, a new group of students joins the program, and receives a comprehensive support package. This includes

a scholarship, laptop, classes in English and learning skills, as well as individual tutoring throughout the year. In addition, students in their second and third year participate in workshops on personal growth and empowerment, introduction to the employment market and communication skills, including preparation for interviews. In turn, these students also give back by doing volunteer work in the community

So far, we have had three cycles of graduates, and a few have now begun their MA studies.





## Shaping the Future of the Industry

In 2014, we strengthened our collaboration with the Shenkar College of Engineering and Design, Ramat Gan (Israel). We have “adopted” the college’s textile design department and invested in its renovation and facilities. In addition, we granted scholarships to students studying in the textile and fashion design departments, and run activities in the field of textile innovation.

We collaborate with the college on a special course for second year fashion students who specialize in active wear design. As well as sponsoring the course, we supply materials and share information, introducing students to textile technologies by Delta Galil, and providing a tour of our manufacturing facility in Israel. In the spirit of our Company, the course heavily emphasizes innovation, and students are encouraged to develop their own designs and materials. The course introduces students to important factors for work that are often overlooked in academic studies, such as current trends, technologies and manufacturing processes in today’s textile industry.

In 2018, the course was mentored by two of our top designers and colleagues from Innovation, together with a tutor from Shenkar.

In addition, over the past two years, Delta Galil Israel has granted summer internships, donated scholarships and held classes in the faculties for Textile Design and Fashion Design. These serve to build our next generation of designers by emphasizing innovation, technology and fashion.



## ACHARAI! (Follow Me) Association

acharai!, established in 1997, aims to create young leaders and encourages social involvement among youth in peripheral communities in Israel.

Acharai! focuses on self-empowerment and teamwork, and aims to build a love of the country among participants. Other activities include leadership courses, community volunteering, and supporting young people up to the age of 25 through academic preparation courses. The association supports approximately 5,000 participants every year, across 100 communities.

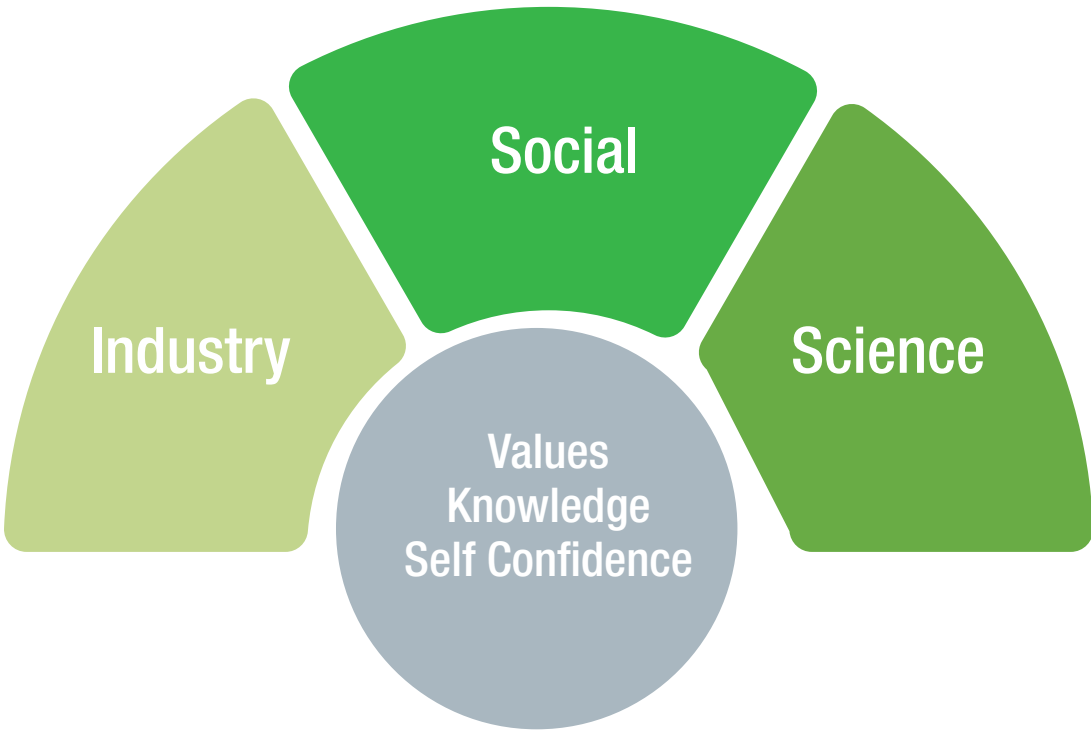
In addition to monetary donations, we like to show moral support to the organization. For example, during the reporting period, one of our senior managers accompanied Acharai! group activities in Karmiel. This chapter was established more than 10 years ago, and caters for 25 youngsters from a variety of backgrounds.



## TECHNODA (Tech-Science) Project

The 'Technoda' center was established in 1986 through the Jewish Agency for Israel's Project Renewal. It is part of a rehabilitation program, aimed at enriching and exposing children from peripheral communities to the fascinating world of science and technology, while providing them with practical skills. On a social level, the center aims to bridge gaps by providing exposure to technology to youths from a low socio-economic background.

Four years ago, we began collaborating with Technoda as part of our policy to invest in communities where we operate. 'To Grow with Delta' is our program for 60 students in grades 6 – 9 who attend four hour sessions each week, each year. They cover courses in science and technology, medicine, industry, product development, textile development, industrial design and more. In addition, the students are provided with a hot meal and have a lot of fun socializing.



## The Israeli Innovation Center (at the Peres Center for Peace)

Delta Galil is proud to be one of the benefactors that helped realize the Israeli Innovation Center in Tel Aviv, which opened in October 2018. This was a flagship initiative of the late President Shimon Peres. He witnessed the growth of our company through his various roles in public service, and so it was natural for us to participate in creating this center.

Visitors can learn about the extraordinary story of how Israel came to be at the cutting edge of worldwide innovation. They are inspired and empowered to become positive agents of change. This hub is an integral part of the many innovative activities focusing on promoting shared-living, peace, and closing social gaps that the Center has developed and implemented.

## The Be'er Sheva Youth Football League

Delta Galil has “adopted” the Be’er Sheva youth football league, which aims to instill positive values and social behavior in young people so that they become upstanding citizens. Our involvement includes:

- A personal grant and mentoring for four youths by Delta Galil Israel's CEO.
- Delta Galil's ‘Excellence tournament’ twice a year.
- Values in Sports' program – Workshops to build personal values among young people in sports.

This project ended during 2018.





# EMPLOYEE VOLUNTEERING

## ISRAEL

Our sites in Israel are involved in a number of charity programs. But one in particular is close to our hearts.

### Special Olympics Association

The co-operation between Delta Galil and the Special Olympics Association in Israel began in 2010. Employees volunteer as aids at national competitions, enabling children and adults with special needs to overcome their limitations through support and guidance. The volunteers help provide these individuals with opportunities to develop physical fitness, demonstrate courage and experience joy.

#### Insights from Special Olympics volunteers

Sarit Naftali, Accountant, wrote after volunteering:

"I want to share with you my personal experience. I have worked in many places but have not worked in a place that also cares for social needs in the community. This experience was amazing for me, we don't always have the leisure to stop for a moment and give back. Luckily for me, Delta Galil was thinking about that too and I, as an individual, and as part of a group can give back to the community. We have given and received quality time as a department, we were able to give time to people in the community and most of all to be a small part of something so big that it is putting a smile on the faces of kids with special needs."

Nurit Meir, Vendor Accounting Manager said after volunteering:

"I really enjoyed today. My volunteering experience left me with such a good and uplifting feeling. When you give, you receive much more... The smiles and satisfaction of the children were a heart-warming experience, and also the atmosphere of team building and team dedication to the objective through an athletic activity, was so much fun. I felt that on this sports day, we were all victorious!"

## UNITED STATES

Our different sites in the USA are involved in a number of charity programs, some of which are summarized below:

- **Salvation Army - Angel Tree** - this program provides new clothing and toys for children of families in need during the Christmas season.
- **Operation Backpack** - providing backpacks, school supplies and funding for academic enrichment to homeless and underprivileged children.
- **Dress for Success** - to empower women to achieve economic independence by providing a network of support, professional attire and development tools to help women thrive in work and life.
- **Shoes that fit** - supporting this non-profit organization, which provides new shoes to low-income children.
- **LA Food bank** - volunteers help by collecting, sorting and boxing food that is later distributed through our network of more than 600 agency partners to neighbors in need.
- **Shatterproof walk** - a national movement of friends, families, co-workers, corporations and community partners joining together to raise vital funds to draw attention to the disease of addiction.





# TURKEY

Through the LEAN program, the site participates in many social initiatives:

Social Visits	Academic	Holiday celebrations	Health	Other
Old age home	Lectures during career days at the Duzce University	Mother's Day celebration	Blood and stem cell donation	World Water Day awareness activities
Martyr families	Internship programs	Father's Day celebration	Activities during health month, including check ups	Beach clean-up on World Environment Day
Society for the protection of children	Vocational and health and safety training programs for high school and university students	New year's celebration		Donation shop where all profits go to the needy
	Providing missing equipment to kindergarden	Iftar Organization		Spring festival



# VIETNAM

Our Vietnamese Facility has several programs in place for employee volunteering, including supporting charities that help the poor, pupils with disabilities, and orphaned children.



# BULGARIA

- "Caps for toys" - a Green charity campaign to collect and recycle caps for payment and use the money to buy toys for children in hospitals.
- "Generous Heart" - collecting clothes, toys, books, and more.
- Partnership of Srebarna Trail Run - an amateur running race.
- Memorial - donation to a memorial dedicated to the victims of the Holocaust.



# THAILAND

On ‘National Children’s Day’, our Thailand facility makes an annual contribution of bicycles. Known as “Wan Dek” in Thai, our employees hold a lucky draw in which the bicycles are given to the children.







# GOVERNANCE



# GOVERNANCE

For many years and across all operations, Delta Galil has strived to act in accordance with the four main principles of Corporate Governance: fairness, transparency, accountability and responsibility.

As of 2018, our Board of Directors comprises nine members - seven men and two women - two of whom are independent external directors. The Board meets at least quarterly to review and approve the company's financial results and future strategic plans.

Four of the directors have a background in the textile industry, and a minimum of two must have accounting and financial experience. The Board comprises three committees that monitor its financial and managerial activities:

## Audit Committee

This consists of three members, two of whom are independent external directors. Committee members are elected by shareholders and appointed by the shareholders' assembly. The committee appoints an internal auditor, and meets once a year to approve its annual work plans. Delta Galil's accountants regularly conduct internal and external audits. The Committee meets to discuss audit reports and their findings on a regular basis.

## Financial Reports Committee

This consists of three members, two of whom are independent external directors. The Committee meets quarterly to discuss the financial results and gives recommendations to the Board for approval.

## Compensation Committee

This consists of three board members. The committee deals with salary and employment conditions, as well as bonuses and options for senior executives. Delta Galil operates a bonus plan for senior management, which includes compensation based on individual and division achievements, as well as meeting consolidated budget goals.

The Board of Directors meets to discuss the relationship between remuneration of senior managers [and stakeholders] and their contribution to the company. The company's senior management

reviews the contributions of every manager to the company's business objectives and their compliance with work plans. The company's performance across various areas in relation to the different responsibilities of the company's managers is also examined.

The Board of Directors determines a fair and reasonable remuneration for each associate and senior manager, which reflects his or her contributions to the company throughout the year. These are based on Pay for Performance (PFP) outlined in Time2Talk on page 52.

Delta Galil employees act according to specific procedures to avoid conflicts of interest. This involves full disclosure and transparency whenever there is a potential conflict.

The Company Secretary and Legal Advisor are responsible for preparing a training program for new directors. The main purpose of this is to explain the business and legal aspects relevant to the Company and its directors. Furthermore, the Chairman of the Board of Directors examines from time to time the need for additional training for serving directors, to update their knowledge in areas for which they have responsibility.

# UN GLOBAL COMPACT PRINCIPLES

Delta Galil expresses support for the 10 Principles of the United Nations Global Compact (UNGC) initiative and works to promote these principles. These are detailed below:

## Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

## Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. The elimination of all forms of forced and compulsory labor.
5. The effective abolition of child labor.
6. The elimination of discrimination in respect of employment and occupation.

## Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally-friendly technologies.

## Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.





# GRI CONTENT INDEX



# GRI

# CONTENT INDEX<sup>33</sup>



Standard	Disclosure	Description	Pg.	UNGC	Comments
General Standard Disclosures					
GRI 101: Foundation 2016	101-1	This GRI content index specifies each of the GRI Standards used and lists all disclosures reported. The index covers activities that occurred during the reporting years and discloses information on all the material sustainability topics identified from both organizational and operational impacts of Delta Galil (for more information please refer to disclosure 102-47). During the development of the report, the GRI reporting principles, highlighted in GRI 101 Foundation, have been applied as well as examined during the external assurance review. The publication year for all Standards in the GRI Content Index is 2016.			
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	102-50	Reporting period	6		
	102-51	Date of most recent report	6		
	102-52	Reporting cycle	6		
	102-53	Contact point for questions regarding the report	67		
	102-54	Claims of reporting in accordance with the GRI Standards	6		
	102-55	GRI content index	64-66		
	102-56	External assurance	6		

<sup>33</sup> For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



Standard	Disclosure	Description	Pg.	UNGC	Comments
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Specific Standard Disclosures					
ECONOMIC PERFORMANCE					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	13,29		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	29,57		
	201-2	Financial implications and other risks and opportunities due to climate change	31		
MARKET PRESENCE					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,55		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	13	6	
MATERIALS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,39-40	7,8,9	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 301: Materials 2016	301-1	Materials used by weight or volume	40	7,8,9	
ENERGY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,39-43	7,8,9	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 302: Energy 2016	302-1	Energy consumption within the organization	41	7,8	
	302-2	Energy consumption outside of the organization	39	8	
	302-3	Energy intensity	42	8	
	302-4	Reduction of energy consumption	41-42	8,9	
	302-5	Reductions in energy requirements of products and services	40	8,9	
WATER					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,39,44-45	7	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 303: Water 2016	303-1	Water withdrawal by source	44	7	
	303-2	Water sources significantly affected by withdrawal of water	44	7	
EMISSIONS					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,39,41-43	7,8,9	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 305: Emissions 2016	305-1	Energy direct (Scope 1) GHG emissions	43	7,8	Delta Galil is presently working on improving its systems to report these data in the future
	305-2	Energy indirect (Scope 2) GHG emissions	43	7,8	
	305-3	Other indirect (Scope 3) GHG emissions	43	7,8	
	305-4	GHG emissions intensity	43	7,8	
	305-5	Reduction of GHG emissions	40,43	8,9	
	305-6	Emissions of ozone-depleting substances (ODS)	43	7,8	
EMPLOYMENT					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,48-50		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	52-53		
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,56		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	56		
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,50-52		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	36,51	6	



Standard	Disclosure	Description	Pg.	UNGC	Comments
NON-DISCRIMINATION					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,55	6	
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	55	6	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	8,49		
	103-2	The management approach and its components			
	103-3	Evaluation of the management approach			
GRI 407: Freedom of association and collective bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	49		





# THANKS

First and foremost, all of our associates, who make this Company a great place to work and develop, and provide our customers with products made with care and attention.

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