

American & Efird LLC
2011-2012 Sustainability Report



Creating a sustainable World
One Thread at a time



Innovate. Create. Deliver.

www.amefird.com



2011-2012 Sustainability Report

Creating a Sustainable World - One Thread at a Time

American & Efid is proud to be a supplier of premium industrial sewing thread, embroidery thread and technical textiles. But, we are equally proud of our global commitment to creating a better world through responsible corporate actions, an environmentally protective stance, and numerous contributions to the communities in which we operate.

For more than 120 years, A&E has recognized the importance of providing quality workmanship in every aspect of business. The world has changed significantly since 1891, and our business has grown considerably since then. But, our commitment to quality has never wavered. We continue to deliver superior threads and textile products to our customers. We strive to exemplify the highest ethical values. And, we pursue rigorous sustainability standards. We do this because we know we will only truly succeed if we are good stewards of our planet's resources and demonstrate behavior reflective of value-based, global citizenship principles.

Sharing this World

As a global leader operating 31 manufacturing facilities and 76 distribution locations in 41 countries, we know our continued success is dependent upon on the individual decisions we make every day. From fiercely protecting our natural resources to showing care and concern in all our relationships, integrity and ethical conduct are embedded within the very fabric of our organization. While we have done much, we recognize there is much more to do. We hope you will partner with us on our journey to make this planet a more sustainable world.

*Fred Jackson
Chief Executive Officer*





The team from the environmental lab in Perundurai, India, shares water sample results from the state-of-the-art zero liquid discharge process with Fred Jackson, CEO of American & Efird (far left). Also pictured is D.L. Sharma, president and executive director of Vardhman A&E (third from left).

Our Business Approach

As a global leader in the thread and textile market, our business conduct demonstrates our commitment to ethical and transparent behavior. For this reason, we require strict adherence to our *Global Code of Conduct* (<http://www.amefird.com/global-standards/sustainability/code-of-conduct/>). A&E associates worldwide are aware of our corporate philosophy and business code of conduct policies. These policies guide how we approach our daily relationships with employees, customers and the communities where we operate.

This same Code addresses compliance with international trade laws, quality testing and financial reporting regulations to guarantee our work force is aware of A&E's expectation that integrity be reflected in all aspects of business conduct.

A&E wants to ensure all employees are treated with dignity, respect and fairness. We have a zero tolerance policy for discrimination and harassment. We will not engage in or condone the unlawful employment of children. A&E is committed to providing a drug-free workplace. And, our policies guarantee competitive wages, so our pay scale never falls below the local minimum wage laws applicable to each operation.

Our employees are our greatest asset because of their excellent workmanship, passion for quality, and dedication to innovation. They set us apart from our competitors in the marketplace. Because we value what they do for our organization, A&E invests in creating a positive and healthy work environment.

Safety is emphasized at all facilities. Through the years, A&E has been recognized for its workplace prevention programs and overall safety performance. In 2011, we received National Safety Awards for our plants in Ludhiana and Perundurai, India. The Enterprise with Excellence recognized the Dongmei, China, facility with the Prevention of Work Injury Award. And early in 2012, we were recognized with gold and silver safety awards from the state of North Carolina, where A&E is headquartered.

A&E continues its adherence to the strictest global guidelines for all fibers, dyes, chemicals and lubricants. We constantly monitor reports for recently banned substances, restricted chemicals and any materials that could affect product safety or the environment. We then adjust our operation to eliminate these possibly harmful substances from the thread-making process to ensure product integrity of the highest standards and to meet our sustainability commitment.

A&E also follows the American Apparel and Footwear Association (AAFA) standards. The AAFA's Restricted Substances List (RSL) provides guidelines for chemicals and substances, which are restricted or banned in the production of home textile, apparel and footwear products. This list is revised twice a year and reflects international chemical and substance restrictions. More information is available at: (<https://www.wewear.org/industry-resources/restricted-substances-list/>)

Early in the 1990s, the Oeko-Tex Institute introduced the Standard 100. A voluntary product certification program for chemical restriction in manufactured products, this label assures consumers the textile is ecologically safe and holds no health concerns for humans. Please see (<https://www.oeko-tex.com>) for more details.

A&E will continue its involvement with AAFA and voluntarily certify its thread through Oeko-Tex, as testimony to its ongoing, Eco-Driven product stewardship efforts. We recognize our vigilance in the use and careful handling of chemicals is essential as it protects the safety of both our work force and the communities in which we operate.

Some A&E customers have developed their own Restricted Substances List. Many times, these customized listings reflect even higher safety standards than the previously mentioned, globally-approved criteria. In these cases, A&E works directly with clients to ensure the thread manufacturing operation complies with our clients' more rigorous and specialized standards.

A&E believes in creating a quality business culture (QBC), too. Consequently, we are focused on delivering value in all aspects of our operation. We achieve this by:

- Delivering extraordinary service and products to customers.
- Improving continuously, using the Six Sigma approach.
- Leveraging sustainable, scientific principles and eco-friendly standards.
- Adhering to the highest standards of integrity in all operational aspects.

Our Planet Stewardship

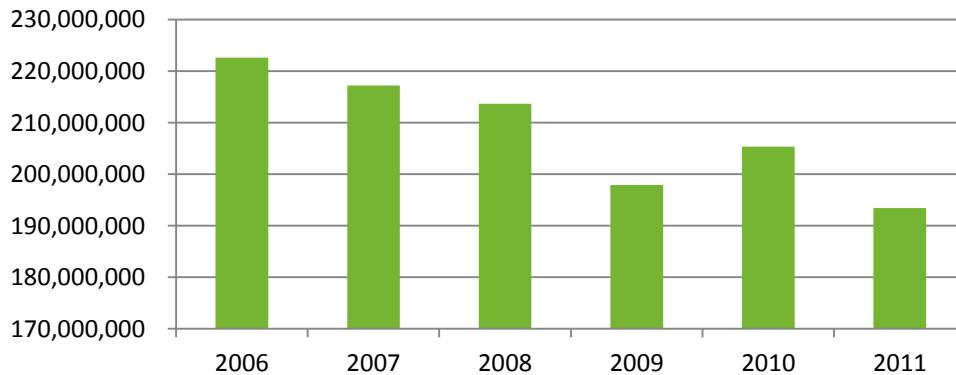
Our Eco-Driven platform is central to our manufacturing process. Our **10 Threads of Sustainability** (<http://www.amefird.com/global-standards/sustainability/environment/>) our commitment to investing in solutions that reduce our environmental impact. Worldwide, the A&E family complies with these standards, which are based on best practices and reflect technological innovation. We are proud to share our recent results with you.

Global Carbon Footprint

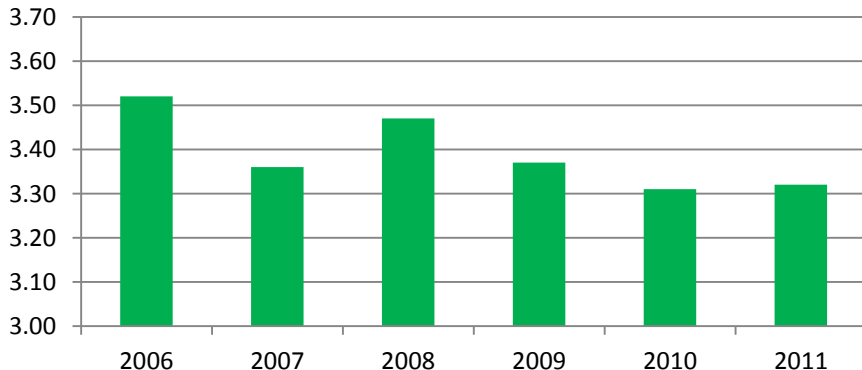
Because of our concern for the planet, A&E has made greenhouse gas emission reduction a priority. We carefully track our progress and are pleased to report our efforts have resulted in a reduction of both power consumption and fuel burning activities. The following charts display a snapshot of our more than 9 percent reduction in greenhouse gas emissions over the past six years.

Engineering protocols, equipment specs, adoption of emerging technology and system upgrades will ensure A&E continues to improve upon our current 9.2 percent greenhouse gas reduction rate. The next two detailed charts illustrate our global carbon footprint improvements.

**Global Carbon Footprint
Greenhouse Gas
CO₂e in Kg Per Calendar Year**



**Global Carbon Footprint
Greenhouse Gas
CO₂e in Kg/Kg of Thread Per Calendar Year**



Dedicated to transparency and committed to globally-accepted reporting standards, we use The Climate Registry's General Reporting Protocol (GRP) to measure greenhouse gas (GHG). Since there is significant variation in the technology and fuels used to generate electricity

worldwide, these factors are taken into account when computing the actual GHG emission rates at each plant. This guarantees accurate reporting and consistent measurement criteria, which can be used for trending purposes.

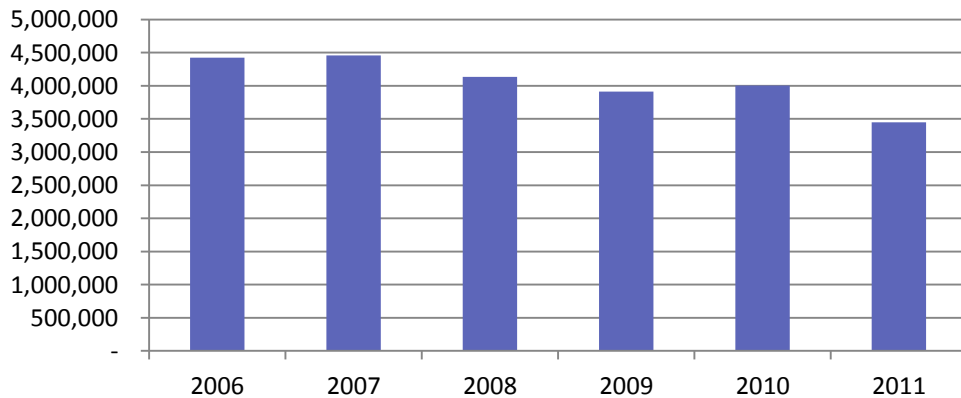
A&E was one of the first thread manufacturers to adopt these metric standards, which are now used worldwide.

Water Conservation

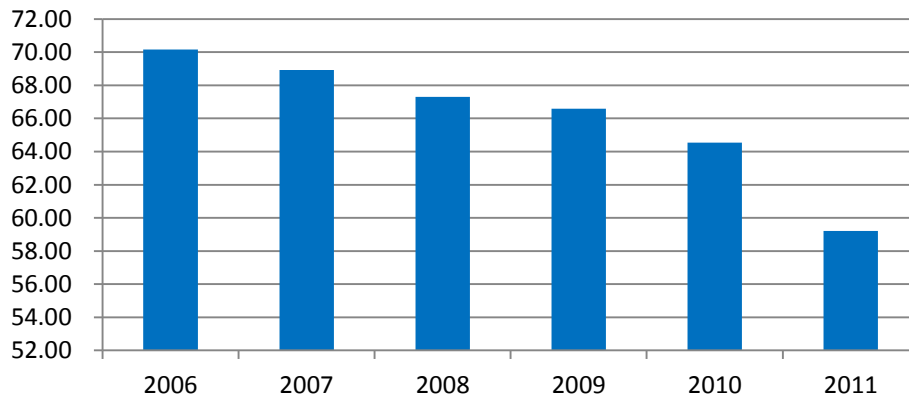
According to a study led by McKinsey, a significant water shortfall is likely by 2030, unless significant, pro-active measures are taken. And according to UNICEF, 1.1 billion people worldwide still do not have access to safe drinking water. A&E understands the gravity of these problems. Consequently, we are committed to doing our part by reducing water consumption and improving its quality, so our planet maintains its life-sustaining water supply.

We have saved more than 557 million gallons, the equivalent of 2.1 million cubic meters of water during the past six years. The charts point to A&E's ability to continue its downward trend of water usage per kilogram of thread produced.

**Global Water Consumption in M³
Per Calendar Year**



**Global Water Consumption Liters/Kg of Thread
Per Calendar Year**



Our 16.8 percent improvement in water conservation is a direct result of our technological advancements. For example, we have witnessed a significant drop in water consumption by using stand wash processing rather than running washes and lower liquor ratio dye machines. Even as our business grows, we are able to keep our consumption exponentially low by combining this technology with other innovative, water-saving methods.

In drought-stricken areas of the world, rainwater is harvested and then reused. All four A&E locations in India have rain harvesting systems. During 2012, the installation of this water-saving system is underway at plants in Sri Lanka and Bangladesh. And, A&E Europe's rain harvesting system will be fully operational by the fourth quarter of 2012.

A&E has long advocated environmental responsibility. For this reason, we are very proud of our zero liquid discharge plant, which began operating in Perundurai, India, earlier this year. This plant uses a biological system to treat the water used in the manufacturing process. The biologically treated waste water passes through a quartz filter before the Ultra Filtration occurs, removing all suspended materials.

The water then passes through a series of pre-treatments before going through the reverse osmosis process to remove the organic color. By using this leading-edge technology, 93 percent of our treated waste water meets our high-quality standards, producing better quality than what is found in our purchased city water.



The reverse osmosis system is an important feature in our zero-liquid discharge plant in Perundurai, India.

The remaining 7 percent of rejected water goes through a series of evaporators – air, mechanical and solar – as part of an energy-saving process. Precautions are then taken to remove the liquid-turned-solid waste and to dispose of it properly.

Our savings are particularly impressive, when you consider the water saved annually could supply 15.5 million people in India with water for a day, where the average per person

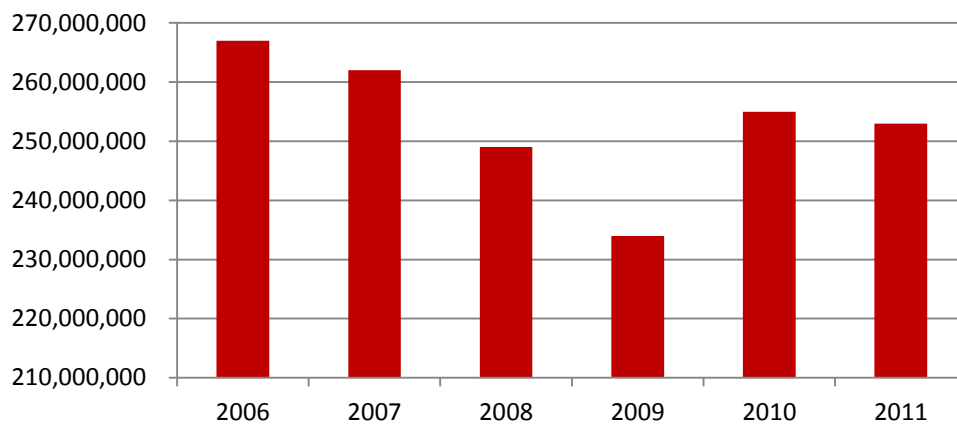
consumption is 36 gallons or 135 liters. In Bangladesh, where daily water use is 12 gallons (46 liters) per person, the water conserved by A&E in a year would supply more than 46 million people with fresh water for a day.

Energy Conservation

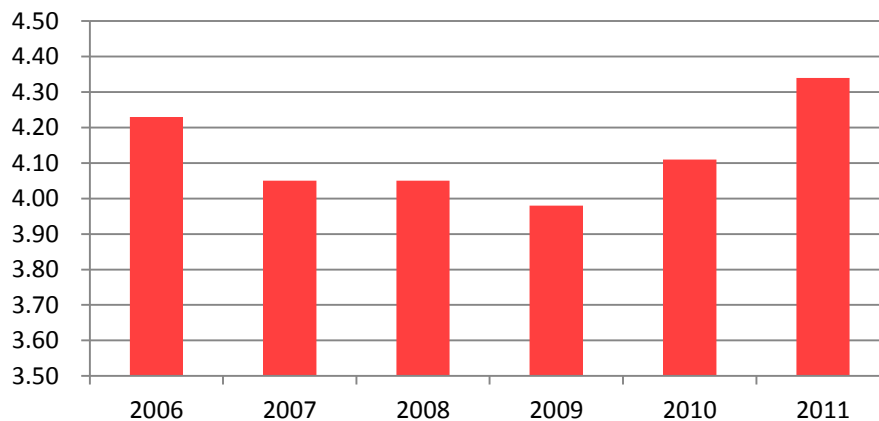
When the United States faced an energy crisis in the 1970s because of an interruption in the oil supply, A&E saw the benefit of curbing our heavy reliance on energy. As part of our business continuity plan, we instituted an energy-reduction program, which complements our sustainability efforts.

Because many of our customers require small lot sizes, it can be challenging to make our operation energy-efficient. However, by tenaciously pursuing our passion for saving energy, we have continued our desired directional trend. From 2006 to 2011, electric consumption was reduced by 2.1 percent.

**Global Power Consumption
KWH Per Calendar Year**



**Global Power Consumption
KWH/Kg of Thread Per Calendar Year**



During the past six years, A&E has saved 85 million kilowatt hours of electricity. Initiatives, such as our heat recovery system from hot dye house wastewater and use of high-efficiency lighting, helped continue our improvements in this area, despite our growth in production. Since energy use is related directly to greenhouse gas emissions, our continued focus on energy reduction will assist us in reducing our carbon footprint as well.

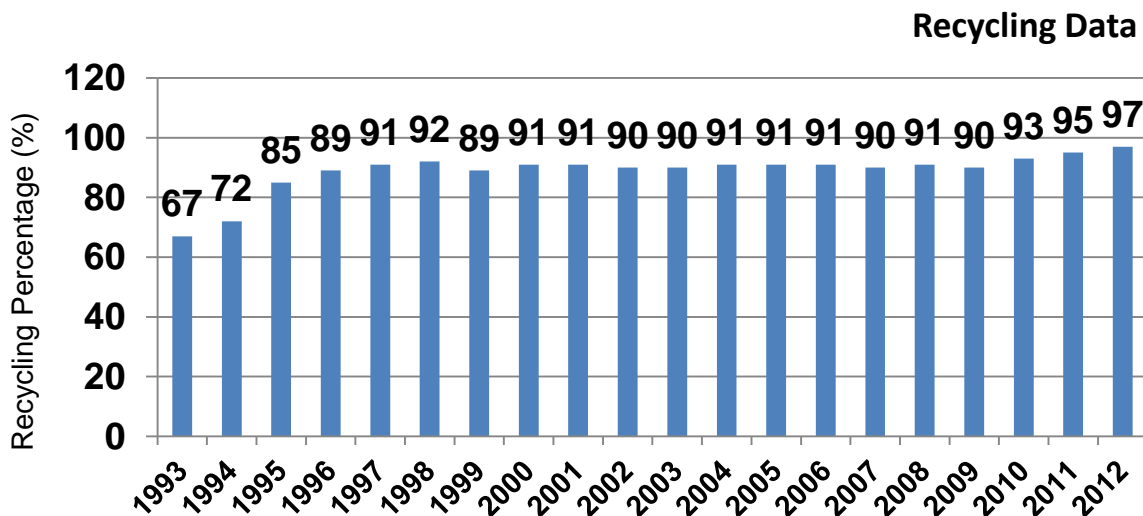
Since an average American family of four uses 10,656 kilowatt hours of energy each year, this means A&E's savings equal what 7,977 American families would consume in an entire year. In Europe, where the annual family usage rate is lower, this same amount of electricity would supply 18,213 families for a year!

Sustainable Packaging, Recycling & Waste Reduction

It's a delicate balance to protect product integrity, ensure consumer safety and minimize packaging, but that's exactly what we do at A&E. We make every effort to conserve natural resources and to divert waste from landfills and incinerators by utilizing innovative packaging techniques.

A&E uses the Outdoor Industry Association (OIA) Eco-Index Packaging Guidelines to track its progress. The OIA packaging standards reflect best management practices in product design and minimize environmental impact. For more details about the Eco-Index, go to (<http://www.outdoorindustry.org>).

Also, we are well on our way to accomplishing our zero-waste-to-landfill goal in the United States by the end of 2012. The following graph displays the significant improvement made since initiating the tracking mechanisms in 1993.



Because we take our sustainability leadership role seriously, we are a member of the United States Environmental Protection Agency's Wastewise Program (<http://www.epa.gov/epawaste/conserva/smm/wastewise/index.htm>) and actively participate in this group.

In the U.S., we partner with customers to help them achieve their sustainability goals. Through A&E's National Recycling Program, businesses rely on us to recycle plastic cones and spools. We collect discards, grind them and forward the material to a certified recycling facility. This same substance then is re-used in the production of black thread cones and other products. By taking such steps, we further reduce our carbon footprint.

Continuing Our Leadership Position

A&E's leadership knows well-informed and productive employees generate quality products in an efficient and sustainable manner. That's why we encourage our workforce to be involved in industry organizations, offer company and manufacturing-related training, and provide access to emerging industry trends.

As an industry leader, A&E actively shares knowledge and data with supply chain partners, policy makers, trade and industry organizations, and key stakeholders. We believe this open exchange of environmentally-friendly best practices is consistent with our sustainability mission and ensures our world is a safer and healthier place for all.

We have committed both financial and personnel resources to implement our Eco-driven education program focused on improving technology, advancing technical expertise, and developing industry, agreed-upon measurement methodology. A&E associates have served repeatedly in a variety of leadership roles in the American Apparel and Footwear Association's Environmental, Product Safety and Social Responsibility Committees. We also are actively involved in the Business for Social Responsibility (BSR) Apparel, Mills and Sundries Assessment group. Click here for more information: (<http://www.bsr.org/en/our-work/working-groups/apparel-mills-sundries>).

A Community Pillar

To bring our sustainability philosophy to life, A&E looks beyond the walls of our facilities. We invest in our global work place because that's what good neighbors do. For example, in Sri Lanka, we have extended our health and wellness focus into the community. A&E joined with Colours of Courage Trust to help build an intensive care unit in the National Cancer Hospital – Maharagama. The intensive care unit, which is now operational, continues to receive our support.

In July 2011, A&E was a silver sponsor in a 670 km walk to help raise funds to build the National Cancer Hospital-Jaffna, in a northern province of Sri Lanka. It also provided water to all trail participants during the 27-day walk.



A&E Sri Lanka employees celebrate the completion of their 27-day walk, which helped to raise funds for the National Cancer Hospital-Jaffna



It was a long walk but it was for a good cause. This map shows the 670km-trek A&E's Lanka-based associates walked to raise funds for the cancer hospital.

Exercise is integral to a healthy lifestyle, so we provided cricket uniforms to Tikiri Kumaru Vidyalyaya and also partnered with the local government in Pradeshiya Shabawa, Sri Lanka, to sponsor a cricket match for individuals over 40.

At Vardhman A&E in Ludhiana, India, we've brought our health and wellness and sustainability platforms to life by organizing a medical camp for our employees and their families. Nearly 250 people had eye exams to detect vision problems, eye disease, and even general health problems. These vision screenings are important for early diagnosis and treatment of eye problems and for maintaining good vision. More than 300 people benefitted from the other medical checks provided at the camp. All female employees were offered consultations with gynecologists, along with a comprehensive medical check-up



Vaccinations were one of the many offerings at the medical camp in Ludhiana, India.

Since trees are a critical environmental element that contributes to clean air, Vardhman A&E initiated a re-forestation initiative in which it planted 435 trees during June and July of 2012.



In its sustainability journey, A&E recognizes every tree makes a difference. At the Vardhman plant, 435 trees were planted.

In Baddi, India, the neighboring villages surrounding the Vardhamn A&E plant receive free water for six hours a day. Through this initiative, nearly 550 people receive free, clean water daily.

In Costa Rica, A&E is in the process of launching a reforestation campaign. A tree nursery is being developed in the rear grounds of our plant site. Five varieties of trees, environmentally compatible with the area, were carefully selected. The 266 donated saplings will be grown to planting size, an 18 month process. They then will be planted during the rainy season in the mountainous terrain, along a natural spring.



A&E Costa Rica employees show off the banner they used to promote their reforestation campaign.



It's tough work planting trees in the rough Costa Rican terrain behind A&E's plant.

We combined our environmental and socially responsible commitments with Costa Rica's free zone regulations to create a program sustainable on multiple levels. Waste thread is donated to

a local artist, who makes hammocks, and to a company, which alters and repairs personal clothing. Both entities are developing micro-companies that are helping to build the country's economy. Understanding the world's future is in the hands of today's children, we donated the equivalent value of the waste thread to finance projects at four educational institutions. These projects are based on our health and wellness and environmentally-friendly Corporate Social Responsibility platforms.

In the United States, A&E participates in a wide range of community activities, including blood drives; contributions to local United Way chapters; the creation of walking trails; school fundraisers; and other educational, health, and eco-friendly community initiatives.



A&E associate donating life-saving blood during one of A&E's multiple American Red Cross blood drives.

In addition to our philanthropic efforts and community support, being a pillar of the community means taking good care of our work force. In the United States, we work closely with Wellness Coalition America (WCA) to introduce and implement initiatives focused on maintaining and improving employee health. A registered dietician and a nurse practitioner serve our associates at five on-site plant clinics.

Our health coach even works with the spouses of our employees to identify potential health issues and to develop disease management and health improvements plans. Plus, lifestyle management programs are offered. Classes on diabetes prevention, smoking cessation,

nutrition, and exercise are featured during lunch-and-learn sessions. All employees can take advantage of the mobile mammography bus, which visits all plant locations. And, flu shots are offered each fall to associates.

A&E's headquarters became a tobacco-free campus in 2010.

Doing Our Part

Sustainability is not an end-product. It is a journey that starts with a commitment to make the world a better place. At A&E, we have pledged to make a difference, and we deliver on that promise every day.



Innovate. Create. Deliver.

