



OLD NAVY



INTERMIX



BANANA REPUBLIC



ATHLETA



GAP



Gap Inc.

Global Sustainability Report  
2015 – 2016

## Strategy

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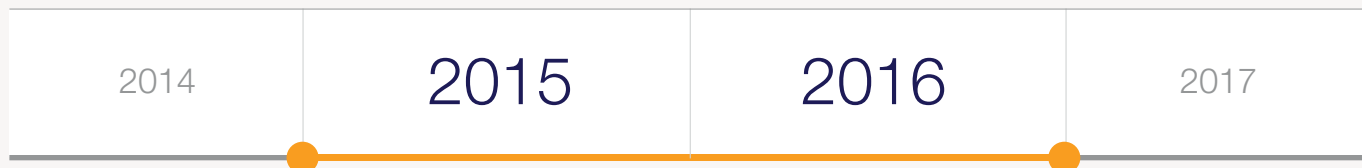
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## Reporting Fiscal Years



### About Gap Inc.

Gap Inc. is one of the world's leading specialty retailers, based in San Francisco, California. As of January 28, 2017, we had approximately 135,000 employees and approximately 3,200 company-owned stores and 459 franchise store locations. We offer apparel, accessories and personal care products for men, women and children under the Gap, Banana Republic, Old Navy, Athleta and Intermix brands. In December 2016, we acquired Weddington Way.

Gap Inc. is an omni-channel retailer, with sales to customers both in stores and online, through company-operated and franchise stores, websites and third-party arrangements. Gap Inc. has company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan and Mexico. We also have franchise agreements with franchisees to operate Gap, Banana Republic and Old Navy stores throughout Asia, Australia, Europe, Latin America, the Middle East and Africa.

Most of the products sold under our brand names are designed by us and manufactured by independent sources. We also sell products that are designed and manufactured by branded third parties, especially at our Intermix brand. We purchase private-label and non-private-label merchandise from suppliers with approximately 800 facilities in about 30 countries. Approximately 25% and 23% of our fiscal 2016 purchases, by dollar value, were from facilities in Vietnam and China, respectively.

[More information is available online in our annual filings. >](#)

### About this Report

This report covers Gap Inc.'s global operations for the two fiscal years ending January 30, 2016 (fiscal 2015) and January 28, 2017 (fiscal 2016). Our last report covered the fiscal years 2013 and 2014.

[Previous reports can be accessed online. >](#)

We sought to prepare the report in accordance with the core option of the Global Reporting Initiative's (GRI) Standards.

The Public Reporting Working Group has reviewed and provided feedback on our sustainability report. The results of their assessment can be found at the end of this report. We have not conducted external assurance for this report. Gap Inc. is committed to the United Nations Global Compact (UNGC) Ten Principles and this report serves as our Communication on Progress (COP).

[Please direct any questions to press@gap.com. >](mailto:press@gap.com)



# Letter from Our CEO

Good business can change the world.

When Doris and Don Fisher opened the first Gap store in San Francisco in 1969, they didn't expect to transform retail. They just couldn't find a pair of good jeans that fit. From that single store to today's global business, Gap Inc. is synonymous with equality, community and laid-back American style. Good business – the kind that puts people at its center – has the potential to change the world, no matter how small it starts.

At Gap Inc., we still sell good jeans, and we still believe in good business. We're also part of a world that's changed a lot since 1969. Today, customers expect more from a product. They want to know the story behind it. Where did it come from? Who made it? Was it created in a fair, safe and environmentally responsible way? What was the impact on people and the planet?

We owe it to our customers to ask ourselves those same questions. Some of the answers have brought us back to our core values, and some have compelled us to find new solutions and build new partnerships. Gap Inc. is one of the world's leading

global apparel retailers. Our global scale affords us the opportunity and responsibility to make business more sustainable, not just within our own company, but across the industry as well. Addressing the apparel industry's systemic challenges is a big job, so we're collaborating with suppliers, governments, NGOs, multilateral organizations and industry leaders to find solutions that work. Our success depends on our people: the ones who design, make and sell our products, and the ones who buy them.

To see this progress in action, you can visit Gap and buy a pair of Gap for Good denim, made with 20% less water than conventional manufacturing methods, saving nearly 65 million liters of water per year, or about as much water as the city of San Francisco consumes every day. By 2021, 100% of the cotton you buy from Gap will be more sustainably sourced.

Good business—the kind that puts people at its center—has the potential to change the world, no matter how small it starts.

You can go to Athleta for clothing designed by and for women athletes, and activewear made from organic cotton and recycled polyester. By 2020, 80% of Athleta's materials will be made with sustainable fibers.

You can go into one of our flagship Old Navy, Gap, or Banana Republic stores and there's a good chance you'll meet a graduate of This Way Ahead, our job training and paid internship program for 16-24 year olds from low income communities. By 2025, 5% of our entry-level sales associates will be hired through This Way Ahead – that's thousands of young people helping to shape the future of our company.

You can travel to one of the factories we partner with, and you'll meet one of the 65,000 graduates of P.A.C.E., Gap Inc.'s life skills and education program. By 2020, one million women from factories and communities around the world will have completed the program. That's one million women with greater confidence, new skills and a brighter future.

If you can't travel to one of these factories, you can go to [www.gapinc sustainability.com](http://www.gapinc sustainability.com) and see a published list of all our suppliers. You can also learn about our partnerships with organizations like ILO Better Work, Verité, and the Sustainable Apparel Coalition. With them, we're working to improve our supply chain and amplify the voices of garment workers. Cooperative relationships between factory workers and managers are good for business, plain and simple.



We've made good progress. I'm proud of this work. But there's so much more we need to do. And it's not just about the clothes we make, it's about our impact on the world we live in. The human and environmental threat of climate change is more present than ever, and we need bold action from communities, companies and customers to move towards a low-carbon economy.

By 2020, we're reducing absolute greenhouse gas emissions from our global owned and operated facilities by 50%, and we're diverting 80% of our waste from landfill for our U.S. facilities. To make that happen, we're monitoring our energy use, pursuing new approaches to increase efficiency, and looking for ways to reduce waste and save money in the process.

We're in a time of great transition, from a changing retail landscape to a changing climate, but there's one thing that hasn't changed since 1969: good people make good business. While much work lies ahead of us, our collective commitment to action will not waver. Ultimately, our customers are the ones with the real power to change the world, every time they purchase more sustainable, humane and responsible products. Thanks to them, we're facing the future with creativity, vision and a clear sense of purpose.

**Art Peck**

CEO, Gap Inc.



# Business Strategy

As Doris and Don Fisher built Gap Inc., they imagined a company that would also create opportunities for the people and communities touched by their business. In the decades since, we have been on a journey to realize this vision.

## Our Commitment to Sustainability

We strive to ensure that the people who make our products work in safe, fair conditions. We are committed to minimizing our environmental footprint. And we are dedicated to supporting the communities where we operate. We do this by collaborating throughout our value chain and across government, business and civil society to address systemic challenges. We also seek to engage our employees and customers across all our brands in our effort to build a more sustainable world.



## The Short Story

# Sustainability Strategy

- Our sustainability strategy aligns with the global sustainable development agenda, including the United Nations (UN) Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.
- We are integrating sustainability more deeply into our business to create greater impact across our value chain.
- We focus on issues where we have the greatest opportunities for influence and impact: advancing people and communities, improving working conditions and water stewardship.

Using the global agenda as our guide, we have identified issues that are the most material to our business, and we apply our company's core strengths, reach and skills development to maximize our impact.

As one of the leading apparel retailers, we rely on a world where people and the environment thrive. Like other global businesses, we recognize that we contribute to and have the opportunity to address systemic social and environmental challenges. We are committed to augmenting business value, minimizing our environmental impact and working with all sectors to achieve progress on global goals. That's why we have aligned our sustainability strategy with the United Nations (UN) Global Sustainable Development Agenda. Frameworks such as the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change have established a foundation that informs how business can contribute value to the planet and society. Using the global agenda as our guide, we have identified issues that are the most material to our business, and we apply our company's core strengths, reach and skills development to maximize our impact.

One of the key frameworks we use is the UN Guiding Principles on Business and Human Rights, which defines the private sector's responsibility to protect, respect and remedy human rights. The principles outline the rights and needs of vulnerable people and emphasize how women and men may face different risks. Our Human Rights Policy is based on the Guiding Principles to honor and protect the human rights of our approximately 135,000 employees and the millions of people involved in our supply chain. We want to ensure that all of our employees and the people in our partners' facilities work in safe, fair conditions, and that they are treated with dignity and respect.



Alongside hundreds of companies, we recognize the urgent need to address global climate change caused by anthropogenic greenhouse gas emissions, as well as other environmental impacts caused throughout our value chain. In addition to tracking and reporting on goals aimed at ensuring a healthy planet, we have added our voice to the We Mean Business coalition. As a company, we are committing to leadership on climate action, which complements our ambitious work protecting and ensuring access to the world's water resources.

We are also proud to support the UN SDGs, which codify the global community's commitment to ending poverty, protecting the planet and ensuring prosperity for all. To meet these goals, everyone—from business to government to civil society—must do their part.

In 2015, after the SDGs were adopted, we assessed Gap Inc.'s opportunities to advance progress on the SDGs. This assessment revealed that our company's sustainability efforts align most closely with eight of the goals. In particular, we have a leadership opportunity to support SDG 8, Decent Work and Economic Growth, through our [Workplace Cooperation Program](#), and our youth-employment program [This Way Ahead](#). Some of our leading programs, such as our P.A.C.E. women's empowerment program, support SDG 5, Gender Equality, as they're focused on achieving gender equality and empowering all women and girls.

This assessment also highlighted how we are advancing SDG 12, Responsible Consumption and Production, for the apparel retail industry. We do this through efforts such as our [Mill Sustainability Program \(see page 77\)](#), [our goals to eliminate hazardous chemicals \(page 80\)](#), [significantly reduce our carbon emissions \(page 91\)](#), [waste \(page 92\)](#) and [water consumption \(page 71\)](#).



We are proud to support the UN SDGs, which codify the global community's commitment to ending poverty, protecting the planet and ensuring prosperity for all. To meet these goals, everyone—from business to government to civil society—must do their part.

# How We Support the Sustainable Development Goals

We aim to create opportunities for our employees, for women and girls around the world impacted by the apparel supply chain, and for young adults seeking to begin their career, so they can reach their goals and fulfill their greatest potential.



1. End poverty in all its forms everywhere.



10. Reduce inequality within and among countries.



2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



11. Make cities inclusive, safe, resilient and sustainable.



3. Ensure healthy lives and promote well-being for all at all ages.



12. Ensure sustainable consumption and production patterns.



4. Ensure inclusive and equitable quality education and promote lifelong learning.



13. Take urgent action to combat climate change and its impacts.



5. Achieve gender equality and empower all women and girls.



14. Conserve and sustainably use the oceans, seas and marine resources.



6. Ensure access to water and sanitation for all.



15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.



7. Ensure access to affordable, reliable, sustainable and modern energy for all.



16. Promote just, peaceful and inclusive societies.



8. Promote inclusive and sustainable economic growth, employment and decent work for all.



17. Revitalize the global partnership for sustainable development.

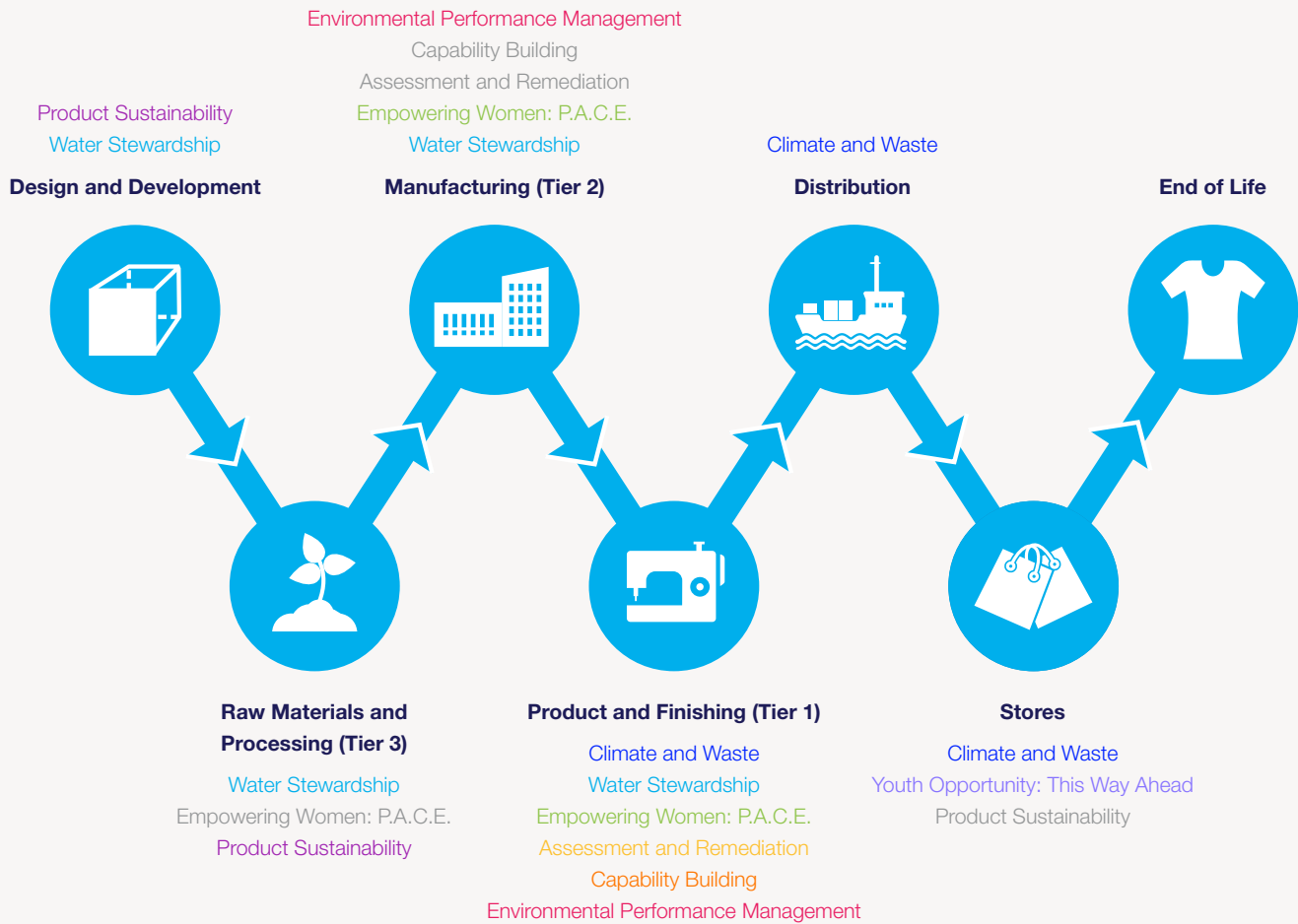


9. Build resilient infrastructure, promote sustainable industrialization and foster innovation.

**SUSTAINABLE DEVELOPMENT GOALS**

# Sustainability Investments in Our Value Chain

■ Programs in progress



## Assessing Materiality

Our reporting is built on transparency, impact and accountability. We conducted a materiality analysis to ensure our strategy and reporting is focused on the most important current and future economic, environmental and social impacts, as well as the people and communities we touch. We use our materiality assessment in four ways:

1. to identify the most material sustainability issues for Gap Inc. in terms of business value, risks and opportunities for long-term planning
2. to understand how sustainability and key business issues intersect
3. to inform future sustainability commitments and resource allocation
4. to support Gap Inc.'s engagement with external stakeholders

Some findings affirmed our current direction, particularly those related to the importance of our employees and supply chain workers, as well as our role in water stewardship. Other arising issues are driven by the trend toward increased transparency, which is changing the business environment as consumers and stakeholders seek greater openness about products and services. We are adapting to these important advances and continuing to manage our most material topics.

**Gap Inc. Material Issues**

The garment industry is estimated to be the second highest polluting industry after oil. It is also a massive global employer, with over 60 million jobs throughout the supply chain, according to the International Labour Organization (ILO). Underscoring these facts, the World Economic Forum’s 2015 Global Risk Outlook names climate change, water and unemployment/underemployment as high global risks to both governments and businesses with “significant negative impacts within in the next 10 years.”

**These issues, among the others listed below, must be addressed to ensure the sustainability, resilience and basic viability of Gap Inc.’s continued business.**

<b>Governance and Operating Context</b>	<b>Human Rights and Social Impacts</b>	<b>Resource Use, Scarcity and Impacts</b>
Corporate Governance	Worker Right and Well-Being	Water
Country/ Regional Legal and Economic Conditions	Income, Wages and Inequality	Chemicals and Toxic Management
Radical Transparency	Human Capital and Development	Energy and Climate Stewardship
Technology and Product Innovation	Diversity and Inclusion	Waste and End of Life
Resiliency	Reputation and Consumer Engagement	Sustainable Materials Sourcing

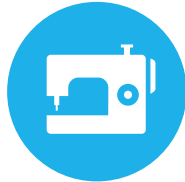
## Core Sustainability Focus Areas

We recognize that we cannot lead on every issue; given our business operations and strengths, we prioritize our greatest opportunities for leadership to maximize impact. Gap Inc.'s sustainability materiality assessment set our overarching sustainability agenda and helped establish our five core focus areas: Advancing People and Communities, Improving Factory Working Conditions, Water Stewardship, Product Sustainability and Operational Eco-Efficiency.



### Advancing People and Communities

We could not succeed as a company without the exceptional people who support our business—from the employees in our retail stores, to the workers on the factory floors to the communities near our operations. We aim to create opportunities for our employees, for women and girls around the world impacted by the apparel supply chain, and for young adults seeking to begin their career, so they can reach their goals and fulfill their greatest potential.



### Improving Factory Working Conditions

We partner with all our suppliers to provide safe, fair and healthy working conditions for the individuals who create our clothes. Together, we're building the capacity of our suppliers to manage and improve their practices, designing industry-leading programs to improve worker and manager relations, assessing and improving working conditions to meet legal and international standards and increasing transparency about our efforts.



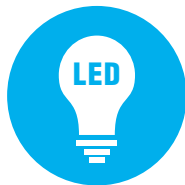
### Water Stewardship

Water is essential for our business and for the people and communities where we operate. We look for ways to address water impacts at all product life stages. Our programs aim to reduce water use, eliminate discharge of hazardous chemicals and work directly with women to improve access to clean, safe water.



### Product Sustainability

Our integrated commitment to sustainability begins with our design teams and the development of products that look good, have lower impact on the environment and bring confidence to our customers. Since the materials in our clothes greatly contribute to each garment's environmental impact, our design and production decisions have significant power to make our products more sustainable.



### Operational Eco-Efficiency

A dedication to reducing the impacts of our owned and operated stores, distribution centers and offices means reducing our operational greenhouse gas emissions and waste production, and working with our logistics and procurement partners to identify practices that are more efficient and have lower environmental impact.

## Our Management Approach

Given our size, we feel a great responsibility to the planet and to the people who make our clothes. Our global scale also provides an opportunity to make a real difference. Our aim is to reimagine the way business can change the world. We are doing this by supporting long-term business performance while creating greater equality and opportunity, developing social and environmental innovations that allow people to fulfill their potential, and scaling these innovations by integrating them into our business and products.

**In addition to aligning our goals with the global sustainable development agenda, we follow an intentional approach. For all of our social and environmental programs, we:**

1

### **Integrate Sustainability into Our Business**

By integrating sustainability into our business as a core driver, we create wider accountability for sustainability goals. This allows us to leverage our talent across all of Gap Inc. to achieve our ambitious sustainability goals.

2

### **Set Ambitious Goals**

By setting ambitious goals, we establish focus on key indicators across our company so that we can measure our progress on delivering real benefits to the people and communities we serve.

3

### **Deliver on Our Commitments**

By delivering on our commitments, we contribute in a meaningful way to the people and places we rely on for our business—which also helps our company succeed.

4

### **Form Partnerships with Civil Society, Governments and Other Sectors to Increase Collective Impact**

By partnering with organizations from the local to the global level, we are able to deliver impact on a bigger scale and create long-term, sustainable progress.

## The Short Story

### Stakeholders

- The scale of issues such as climate change and worker safety demands that we join with others to forge solutions.
- A range of perspectives enables us to conceive initiatives that help bring about long-term, sustainable change.
- Our latest collaborations take an innovative approach to challenges facing our industry and the world.
- One example is our new five-year partnership on Women + Water with the United States Agency for International Development (USAID).

Engaging stakeholders and establishing partnerships is a critical part of our sustainability strategy.

### Partners and Stakeholders

Advancing progress on issues such as water access and climate change, women's empowerment and inclusive economies, and safe and fair working conditions demands collaboration and jointly developed solutions. These issues are systemic, complex and intertwined and cannot be solved by any one actor alone. By working together, we can combine the right expertise and tools to develop holistic perspectives and help address these challenges.

Engaging stakeholders and establishing partnerships is a critical part of our sustainability strategy. We work with diverse groups of experts and organizations to foster clearer understanding of complex issues, as well as local conditions in the countries where we do business. As conditions and challenges evolve in our industry, these dialogues give us insights to improve our programs and refine our strategies. The dialogues also reveal unexplored issues and encourage us to expand our ambitions.

We have many key stakeholders: the people who make our clothes, our customers, suppliers and factories, employees, unions, governments, multilateral institutions, NGOs, industry associations, investors, communities and others. We also belong to a number of organizations that enable us to more effectively collaborate with and learn from stakeholders. Multi-stakeholder initiatives bring together organizations and people from different sectors that play a key role in finding new approaches and creating collective action.

[See a list of member and partner organizations and initiatives. >](#)



Our latest collaborations take an innovative approach to our industry's challenges. In 2016, we formed the five-year Women + Water Global Development Alliance with the United States Agency for International Development (USAID). Through this alliance, we will expand our P.A.C.E. programs to advance the health and well-being of women, families and communities touched by the apparel industry—with an emphasis on access to sustainable water, sanitation and hygiene services, as well as the effective



management of water resources. Alliance partners—including Water.org, CARE India, Institute for Sustainable Communities and the International Center for Research on Women (ICRW)—will apply a systemic, gender-sensitive and flexible approach to maximize progress on our shared goals.

We are also collaborating on solutions that matter most to workers and our suppliers' facilities. For example, with the ILO's Better Work program, we have developed Gap Inc.'s Workplace Cooperation Program, which gives workers and management the skills they need to resolve workplace issues, engage in respectful collaboration and drive continuous improvement in the workplace. Through other partnerships, we developed our Workforce Engagement Program to measure and improve the degree to which garment workers feel valued and engaged at work.

Looking forward, we will continue to engage our stakeholders and partners in taking a proactive, systemic approach that addresses root causes and accounts for more of the people and organizations who may be affected by an issue.

“To create the change we're after, we can't do this work alone. We partner with organizations large and small to make this work happen. The United Nations is one of them. For years, we've supported the UN Global Compact and its guiding principles.”

—Art Peck, CEO, Gap Inc.

### **Sustainability Governance**

We implement a robust governance structure to ensure that our Global Sustainability program both meets our company's social and environmental goals and supports our business. Gap Inc.'s Board of Directors, particularly the Board's Governance and Sustainability Committee, oversees our Global Sustainability program and receives regular updates directly from David Hayer, Senior Vice President, Global Sustainability, and President, Gap Foundation. Hayer also meets quarterly with Gap Inc. CEO Art Peck, and he meets regularly with the Executive Vice President of Global Supply Chain. Hayer reports to Brent Hyder, Executive Vice President, Global Talent and Sustainability, who reports directly to our CEO.

Our organizational structure allows collaboration across key departments at Gap Inc. Our Global Sustainability department works closely with our Supply Chain, Government Affairs, Public Affairs, Legal and Gap Foundation teams, among others. Gap Inc.'s Environmental Council—which is sponsored by Shawn Curran, Executive Vice President, Global Supply Chain: Logistics and Product Operations, and includes other functional leaders and subject matter experts across our business and brands—

is integral in building this alignment. The Council is responsible for evaluating new initiatives and reviewing progress on our existing environmental goals and programs, particularly those that relate to Gap Inc.'s overall climate change strategy and waste-reduction efforts.

Gap Inc. has developed systems and procedures focused on identifying and managing risks—including those related to sustainability.



### **Managing and Prioritizing Risks**

Gap Inc. has developed systems and procedures focused on identifying and managing risks—including those related to sustainability.

At the enterprise level, our Internal Audit team conducts annual risk-assessment interviews with more than 60 of the company's top executives and Board members. The team interviews a subset of these executives every quarter to track changes in the company's risk profile. Our Internal Audit team uses these risk-assessment interviews, as well as a consideration of external factors affecting our company and industry, to develop heat maps that identify the most significant risks to the company. The team prioritizes risks based on the likelihood and severity of their potential impact on meeting the company's strategic initiatives and maintaining business operations. We then monitor these areas for trends. Our executive leadership team and the Board review and sign off on these enterprise risk assessments.

In addition, our Global Sustainability team works with business partners and experts to assess the importance of potential social and environmental risks and opportunities to our business and external stakeholders, including suppliers and the people who make our products. These include the risks that climate and environmental impacts could pose to our business. The team uses tools to help prioritize risks and opportunities, including a [sustainability materiality assessment \(described on page 11\)](#), [life cycle assessment of representative products \(page 84\)](#) and a stakeholder engagement process. For these materiality and other risk assessments, we consider such factors as the magnitude, likelihood and time horizon of potential impacts on our business and stakeholders.

Within our supply chain, tier 1 suppliers of branded products, and some tier 2 suppliers, use the Sustainable Apparel Coalition's Higg Index to perform environmental self-assessments. In 2016, our Internal Audit team conducted comprehensive risk assessments of the management of social and environmental issues at both tier 1 and tier 2 suppliers. Their goal was to identify risks impacting our business and evaluate the response in place to mitigate those risks. These results have been integrated into our programs and are detailed throughout this report.

At the physical asset level, our Business Continuity Planning (BCP) team analyzes, prioritizes and helps mitigate risks to our owned and operated facilities and stores resulting from extreme weather, natural hazards and other external events. The BCP team uses predictive and actual models from the US National Oceanic and Atmospheric Administration (NOAA) and other national and international agencies, which are overlaid against all of Gap Inc.'s facilities for tracking potential and actual impacts. The team uses a risk-assessment tool to determine the event and company risk and the residual risk remaining after preparedness plans are developed.

How we do  
business is just  
as important as  
what we do.



## Acting with Integrity

How we do business is just as important as what we do. Our Global Code of Business Conduct (COBC) serves as our ethical compass for the commitment to high standards that we make to our stakeholders, customers and one another.

Our Global Integrity team manages our COBC program. The program is led by Gap Inc. Global General Counsel and Chief Compliance Officer Julie Gruber, who reports directly to Gap Inc.'s CEO. In addition to the Global Integrity team, we have a Global Integrity Committee, consisting of senior cross-functional leaders. This committee meets quarterly to provide program guidance, offer insights into the business that may impact the COBC and raise overall awareness of the COBC within the company. The Global Integrity leader presents to the Audit and Finance

Committee of the Board of Directors at least semi-annually to provide program updates. The Board of Directors also receives training on compliance and integrity-related topics.

When issues arise, our employees are encouraged to use our open-door process for discussing any concerns with their supervisor, next-level manager or human resources representative. Employees may also contact our Global Integrity team, which oversees our COBC program. We also provide a confidential COBC hotline, email box and web portal for use 24 hours a day, seven days a week, to employees and anyone who conducts business with Gap Inc. or is affected by our business. We have investigative teams that log, process and address complaints received through any channel, including our COBC hotlines.

### **Key Aspects of How We Implement Our COBC:**

- Within 30 days of their initial hire date, all employees globally are required to take a COBC overview course.
- In addition, we provide ongoing compliance training to various targeted employee audiences on topics of nondiscrimination and harassment, wage and hour compliance, workplace accommodations, anti-corruption, competition law compliance and data privacy and security. Our Global Integrity team also conducts general in-person training sessions through the year.
- We provide a variety of online self-help tools for compliance education and communication, including leader tools (which guide leaders on how to have effective conversations with their teams), FAQs, policy links and contacts.
- Each year, for various business units or offices, our Global Integrity team conducts interviews with employees and selected suppliers. These interviews allow us to gauge how well our employees understand our COBC, remind our employees and suppliers of their responsibilities and our expectations as to how we engage with each other, and ensure that employees know how to report COBC violations.
- Senior-level employees must certify their COBC compliance annually and are briefed on relevant compliance or integrity topics to raise awareness.

We are diligent about addressing corruption risks, particularly in developing countries with limited rule of law. We have a company-wide program for monitoring, enforcing and addressing any issues related to our Anti-Corruption Policy, which combines elements from our COBC with anti-bribery requirements under the U.S. Foreign Corrupt Practices Act (FCPA) and other similar laws around the world. The policy and related training programs help employees recognize and avoid corrupt business practices in all aspects of Gap Inc.'s business.

# Sustainability Policies

In order to clearly demonstrate our commitments, we have developed several policies that address specific social, governance and environmental concerns. Here is a brief summary of our policies, which are updated and [available online](#).

## Animal Welfare Policy

Our Athleta, Banana Republic, Gap and Old Navy brands are deeply committed to the ethical sourcing of our products, which includes the humane treatment of animals. We expect all suppliers to make our products in an ethical and responsible way.

## Anti-Corruption Policy

Our Anti-Corruption Policy, which is incorporated by reference into our COBC, prohibits bribery by an employee or agent of Gap Inc. The policy combines elements from our COBC with anti-bribery requirements under the U.S. Foreign Corrupt Practices Act (FCPA) and other similar laws around the world.

## California Transparency in Supply Chains Act

On January 1, 2012, California enacted this law, requiring companies of a certain size to publicly disclose the steps they are taking to identify and eradicate forced labor in their supply chains. Gap Inc. supported this legislation, which we also view as an important statutory policy lever to assist in the global fight against human trafficking.

## Climate Policy

Gap Inc. is committed to reducing our impact on climate change. The consequences of a changing climate are profound and wide-ranging, from biodiversity and water resource impacts, to public health and agricultural impacts, to increased risk to our business in the short and long term. Addressing climate change makes us more resilient and efficient while enhancing our connection with consumers, employees and other stakeholders.

## Code of Business Conduct (COBC)

Our global COBC serves as our ethical compass for the commitment we make to our stakeholders, customers and one another. It is our guide to working with integrity and doing what is right in every situation, every day, no matter where we work.

## **Code of Vendor Conduct (COVC)**

Our COVC sets forth the basic requirements that all factories must meet in order to do business with Gap Inc. This code is based on internationally accepted labor standards, including the ILO's Declaration on Fundamental Principles and Rights at Work (ILO core conventions) and the Universal Declaration of Human Rights.

## **Conflict Minerals Policy**

Gap Inc. is committed to ensuring compliance with section 1502 of the United States Dodd Frank Act relating to trade in conflict minerals.

## **Human Rights Policy**

Gap Inc. is committed to respecting internationally recognized human rights and eliminating human rights abuses. We support the principles contained within the Universal Declaration of Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO core conventions.

Our Human Rights Policy applies globally within our wholly owned operations and across our branded apparel supply chain. It highlights our commitment to respect fundamental human rights throughout these operations, as well as our intent to promote human rights within our sphere of influence.

## **UK Modern Slavery Act**

Gap Inc. is committed to supporting and improving labor rights and working conditions globally across the retail and apparel industries. As a business, we have a moral responsibility to protect and care for those whose work goes into creating our products and bringing them to our customers. Our commitment in this regard applies equally to all of our brands. Wherever we operate, and whomever we are operating with, we strive to do so in compliance with our overall Human Rights Policy.

## **Wood-Derived Fabric Policy**

Gap Inc. is committed to the ethical sourcing of our products and the use of sustainable raw materials. Gap Inc. is against the use of ancient and endangered high-carbon-value forest areas to make cellulose-based textiles, including but not limited to rayon, viscose, lyocell and modal.

## Executive Q & A

**A Conversation with David Hayer, President, Gap Foundation,  
and Senior Vice President, Global Sustainability, Gap Inc.**



### **Why is sustainability so important to Gap Inc.?**

We were founded in 1969 by Don and Doris Fisher, a husband and wife team who believed in giving back to the community, the people who make our products and the environment. To them, success has always been about so much more than selling clothes.

Sustainability is becoming mainstream. Gap Inc. is in a unique position to influence the industry, government and our customers by leading the way with best practices.

### **What is the biggest change in our sustainability work since our last report was published covering 2013 through 2014?**

Today, we know more about what works and what doesn't. We are doubling down on models that truly show value, like the ILO's Better Work program, which now covers a majority of the facilities we source from in Bangladesh. It's less about testing an approach, and more about building programs that scale.

Our global portfolio of brands positions us well to accelerate impact worldwide. Some of our brands, like Gap and Athleta, have set ambitious goals on sustainable cotton and synthetic fibers. As our understanding grows, we are infusing better environmental practices into every part of the business.

### **What do you see as the biggest challenges to our work?**

There are five key levers that I feel need to be addressed to propel the apparel industry forward: building effective partnerships, reducing fragmentation, converging on what works, integrating accountability, and recruiting and developing top talent. Each of these components is important to improve working conditions and reduce environmental impacts.

**How do you define effective partnerships, and how do we select our partners?**

As a company, we're estimated to represent a small but significant fraction of the apparel industry, which is humbling. We need help to continue to drive lasting impact. We need external collaborations and multi-stakeholder initiatives—it's NGOs, manufacturers, government, labor groups and consumers. Today, we vet partners based on shared vision and work style, supplemental capability and a true commitment to long-term impact.

**Why is streamlining sourcing relationships and efforts an important part of our strategy?**

The high degree of fragmentation across the industry is a significant challenge to improving sustainability. Over the past seven years, Gap Inc. has strategically reduced its number of sourcing facilities by over 25%. Prioritizing resources and ensuring that brands and suppliers collaborate more closely on social and environmental performance has been critical to our evolution. We need tougher expectations across the industry. As we raise our standards and source solely from higher-performing vendors, we necessarily reduce the amount of relationships we maintain.

When it comes to sustainability, we're focused on efficacy and efficiency. We're pursuing the most innovative work with like-minded apparel companies, multilateral institutions, governments, labor organizations, environmental groups and other key stakeholders. That collaboration stands to change the way we assess our facilities and build capacity; it will help us save water and diminish chemical usage. Competition is a healthy part of any business, but this is one place where we need to converge within the industry.

**You mentioned integrating accountability as a key lever, how is that going?**

Sustainability must continue to become a seamless part of how we run our company. The days of it being a small program off to the side of the core business are long over. We are evolving the work to increasingly be a part of what we do regularly. We've made progress, but fully integrating sustainability across our business will unlock the biggest opportunities.

Tactically, it's about education, empowerment and accountability. We want to enable the people who are making real decisions, asking real questions and having real debates about our products to understand how to push forward what is right for people, the planet and our company.

This work requires recruiting the best talent possible, from experienced and diverse backgrounds. It requires the most qualified and creative professionals dedicated to creating innovative supply chain solutions. We need to invest in them and support their development. We've made good progress, but we still have room to grow.



## Where do you see the future of reporting for Gap Inc.?

We have a responsibility, to be accountable and maintain high levels of transparency. To do so, we will identify opportunities to publish our program impact in ways that are more accessible and more frequent, including reporting on our sustainability metrics and progress at least annually.

## What keeps you fired up about your work?

I can't believe I get to wake up and do this job every day.

I've met hundreds of mothers in our cut-and-sew facilities across the globe; I've met dozens of young men and women beginning their first jobs in our stores in urban centers across the US. We all want the same thing: to build a better future for ourselves and our families. I'm fired up to help each one of them.

To me, leading sustainability at Gap Inc. is really about equality—equal treatment, equal opportunity and the ability for everyone to enjoy a healthy environment.

We have a tremendous opportunity to connect the dots on our progress and our challenges. We must translate the activity we're seeing across the industry into better results. As we continue to weave sustainability into all we do, I'm confident that Gap Inc., is taking the right steps toward the future we all want to see.

# Goals and Progress

Holding ourselves accountable is fundamental to our approach to sustainability—below are key goals, our progress to date and where we are heading in the future.

## Existing Goals





Advancing People and Communities		Details	Completion Target*
<b>Employees</b>			
Gap Inc.	Ensure female representation at all leadership levels is meaningfully above external norms	Women make up 74% of our employees, 68% of our global store managers, 51% of our leadership (VP and up) and serve equally as our brand leaders	Ongoing
Gap Inc.	Pilot and commit to expand programs that provide advance notice and stable, flexible scheduling to store employees	We've eliminated on-call scheduling and provide store employees with at least 10 to 14 days' notice for their schedules, throughout our brands	2017
<b>Youth Opportunity: This Way Ahead</b>			
Gap Inc.	60% of This Way Ahead participants report increased on-the-job skills and confidence as a result of their internships	97% of youth report increase in soft skills and 66% of youth report increase in confidence	2018
Gap Inc.	65% of This Way Ahead interns receive offers to continue as Gap Inc. sales associates upon the completion of their internships	74% of interns received job offers	2020
<b>Community Investment</b>			
Gap Inc.	All teams have a Community Leader (CL), and all CLs organize and lead at least 3 volunteer projects per year	62% of teams have a CL; 74% of CLs led at least 3 volunteer projects	2018
Gap Inc.	All Community Leaders form a long-term relationship with one nonprofit partner to maximize volunteering impact 2018	70% of have established relationships	2018

\*By end of year

<b>Empowering Women: P.A.C.E.</b>		<b>Details</b>	<b>Completion Target*</b>
Gap Inc.	Improve the lives of one million women and girls in Gap Inc.'s supply chain and other manufacturing and community settings through the Gap Inc. P.A.C.E. program	68,000 women have participated through 2016	2020
Gap Inc.	Expand P.A.C.E. to a suite of learning programs that provides multiple entry points for addressing the needs of adolescent girls and women leaders	Expanded program to bring new educational opportunities to girls ages 11 to 17. New curriculum focuses on improving self-confidence and helping girls develop future goals and aspirations	2020
<b>Factory Working Conditions</b>			
Gap Inc.	100% of Gap Inc.'s suppliers producing branded apparel are rated yellow or green by 2020	84% of facilities rated yellow or green through 2016	2020
Gap Inc.	Partner with Verité and strategic suppliers to measure workers' sense of value and engagement at work, and launch projects aimed at improving 20,000 workers' engagement. Publicly report on findings and impact, and share best practices with all Gap Inc. suppliers	Implemented Workforce Engagement Program at 89 facilities representing 220,000 workers with Verité and Good World Solutions	2018
Gap Inc.	100% of strategic suppliers of branded apparel self-report their sustainability performance in Gap Inc.'s global sustainability data system	As part of the Social and Labor Convergence Project, we are helping to create a shared tool for footwear and apparel companies to assess factories' social and labor performance. This represents a more unified effort to self-report sustainability performance	2018
<b>Operational Eco-efficiency</b>			
Gap Inc.	50% absolute reduction of greenhouse gas emissions in our owned and operated facilities globally	7% reduction achieved through 2016	2020
Gap Inc.	80% waste diversion from landfill for our U.S. facilities	Pilots underway; we are currently reassessing our methodology to calculate waste production and diversion	2020
Gap Inc.	Work towards zero discharge of hazardous chemicals in our supply chain through membership in ZDHC 2020 Roadmap	We have communicated our Manufacturing Restricted Substances List to suppliers, facilities and mills that make our clothing	2020

\*By end of year

## New Goals

Advancing People and Communities		Completion Target*
Gap Inc.	\$15M per year in employee-driven community investment	Ongoing
Gap Inc.	5% of new store hires are from This Way Ahead	2025
Gap Inc.	10,000 teens and young adults participate in This Way Ahead	2020
	10,000 women empowered through P.A.C.E. and Fair Trade	2020
Water Stewardship		
Gap Inc.	Save 1 billion liters of water in our manufacturing processes	2017
	25% of product made using techniques that save water	2020
Product Sustainability		
Gap Inc.	Eliminate the use of fibers derived from wood from ancient and endangered forests	2020
	100% of cotton purchased from more sustainable sources	2021
	80% of materials made with sustainable fibers	2020

\*By end of year



# Advancing People and Communities

## In this section

- Employees
- Youth Opportunity: This Way Ahead
- Employee Impact: Community Investment
- Empowering Women: P.A.C.E.

**We could not succeed as a company without exceptional people who support our business**—from the employees in our retail stores, to the

workers on the factory floors, to the communities that surround our operations.

We aim to create opportunities for our employees, for women and girls around the world impacted by the apparel supply chain, and for young adults seeking to begin their career, so they can reach their goals and fulfill their greatest potential.

## Context and Approach

Seeking a better life for your family. Building the confidence to set bigger goals. Finding time to mentor an intern. These acts inspire us every day—and they are carried out by people touched by our business throughout the world, from a woman who sews our clothes, to one of our 135,000 employees. These are the people who make our company what it is today, and by helping them succeed, we all succeed.

As a company, we can make the biggest impact by focusing on areas that align with our business and affect the people we work with. Our mission is to promote advancement for people and communities. We set ambitious goals, and we integrate our advancement programs into our core company operations to deliver social and business returns. We focus on creating opportunities for our employees, young people seeking their first jobs, the workers who make our clothes, and the women and girls in the global communities where our company has influence and reach.

Our empowerment, employee and workforce programs support the rights and well-being of the people who embody and drive our business, ensuring they have equal opportunity and support to develop personally and professionally. Within our global workforce, our teams are dedicated to giving back, both through their time and their support, and Gap Inc. is there to match them every step of the way. Working with and hiring great people, encouraging their development and supporting them for who they are just makes sense.

One of the critical ingredients to the success of our advancement programs is our focus on partnerships: We collaborate with local and international NGOs, local community organizations and government agencies that expand our access to people, resources and expertise. We know that collaboration allows us to engage with people and contribute more to communities than we could alone.



## Employees and Workforce

Since our founding, we've embraced core company values that include celebrating individuality and diversity and treating all people equally—with respect, dignity and fairness.

At Gap Inc., we have developed a workplace culture that promotes these fundamental values. Our innovative initiatives champion diversity, inclusion and equality to attract and retain talent, and to support positive change across business and society.

As one of the world's leading apparel retailers, we see an opportunity to stand alongside other leaders and work toward greater fairness for everyone. We feel it is important to take public positions on issues that matter to our employees, our customers and our business. In this way, we can champion the ideals of our founders and contribute to broader cultural change.

“We strive to create a workplace culture that embraces diversity and inclusion and treats every individual with dignity and respect. By upholding these values, we are able to attract and retain talented people, deliver the best products and experiences to our customers, and support positive change across business and society.”

—Kisha Modica

Senior Director, Diversity and Inclusion

### Diversity, Inclusion and Equality

At Gap Inc., a sense of belonging is always in style. Our goal is to attract, develop and retain the best talent from all walks of life — people who will disrupt the way we do business, now and in the future. We believe embracing diversity promotes creativity and innovation.

To us, celebrating individuality goes hand in hand with having deep respect for all. Our business can thrive only if everyone has the chance to do the same. For our business to grow, our people also need to understand and embrace the wide variety of cultures that we encounter across our brands and store locations.

Our commitment to equality and diversity is embedded in our Code of Business Conduct (COBC), which includes a zero-tolerance policy for any form of discrimination, harassment or retaliation. This policy applies to our directors, employees, applicants, customers and business partners, including independent contractors and suppliers.

We believe in standing up for all forms of equality—inside and outside our company. In recent years, this has included raising our voice in opposition to proposed legislation impacting members of the lesbian, gay, bisexual, transgender and queer (LGBTQ) communities, many of whom are current and future employees and customers.

Our Global Talent team works with our Diversity and Inclusion team to design, develop, deliver and evaluate programs and activities related to talent and inclusion. We use internal and external benchmarks, and leaders across the organization identify and prioritize a set of critical issues (e.g., sustainable development or leadership opportunities) based on agreed-upon criteria. Our Communications and our Public and Government Affairs teams support communication of these priorities internally and externally.

To us, celebrating individuality goes hand in hand with having deep respect for all.



### **Creating a Community of Diversity and Inclusion**

We believe diversity increases creativity and innovation, promotes high-quality decisions and enhances economic growth. An inclusive culture helps employees feel comfortable being authentic at work. We have internal teams dedicated to embracing and driving diversity and inclusion efforts:

#### **Diversity and Inclusion Council**

This advisory group—comprising corporate and field executives and leaders from throughout our organization—develops diversity and inclusion strategies and connects these activities with business outcomes.

#### **Enterprise Diversity and Inclusion Team**

This team is responsible for the design and implementation of Gap Inc.'s Global Diversity and Inclusion strategy.



## Diversity Ambassadors

These individuals across our organization champion diversity efforts, build awareness, increase knowledge and share their skills and resources within their respective teams.

## Business Resource Groups

Gap Inc. employees from diverse backgrounds have taken the initiative to develop Business Resource Groups, which provide opportunities for cross-cultural learning, mentoring and relationship building. These groups organize development, networking and volunteering events. They gather employee input and support on internal initiatives, as well as offer consumer perspectives and product feedback that help Gap Inc. in the marketplace. Additionally, they contribute their language skills and knowledge of various countries and cultures to support the global aspects of our business. Engaged employees gain networking experience and visibility, and they meet leaders across the company.

**We support our employees in developing these Business Resource Groups, which may grow and change in the future. Our current Business Resource Groups include:**

AANG

African American Networking Group

ASIA

Asians Supporting Inclusion and Awareness

GapWIL

Women in Leadership

GEAR

Gap Gay Employees, Allies and Resources

HOLA

Honoring Our Latino/Hispanic Ancestry

In 2016, 52 percent of our full-time and part-time (non-seasonal) employees in the U.S. identified as ethnically diverse.

## Gap Inc. Owned Facilities

US Ethnic Breakdown	2013	2014	2015	2016
<b>White</b>				
All	53%	51%	50%	48%
Management	75%	74%	73%	72%
New Hires	51%	49%	46%	44%
<b>Asian</b>				
All	6%	6%	7%	7%
Management	9%	9%	9%	10%
New Hires	6%	6%	6%	6%
<b>Black</b>				
All	19%	19%	19%	19%
Management	6%	6%	7%	6%
New Hires	23%	24%	24%	24%
<b>Hispanic</b>				
All	18%	20%	20%	21%
Management	9%	10%	10%	10%
New Hires	16%	17%	18%	19%
<b>Other Minority</b>				
All	4%	4%	4%	5%
Management	1%	1%	1%	2%
New Hires	5%	5%	6%	6%
<b>All Minorities</b>				
All	47%	49%	50%	52%
Management	25%	26%	27%	28%
New Hires	49%	51%	54%	56%

\*United States full-time and part-time, non-seasonal employees. Data on ethnic diversity not available outside the U.S.

## ASCEND

### Investing in the Next Generation of Leaders

We are devoted to developing an inclusive, diverse workforce and a pipeline of future leaders. Our ASCEND program supports Gap Inc.'s ongoing vision and commitment to developing talent, driving engagement and advancing diversity. ASCEND is designed to help minority leaders realize their potential and achieve their career aspirations through mentorship, building opportunity and individual capability building.

We also invest in the next generation through our support of and recruiting at minority job fairs and through the Gap Foundation's This Way Ahead youth internship and job-skills program.

[Read more on page 40. >](#)

### Standing with the LGBTQ Community

We believe part of our role as a business is to bring people together and work toward a brighter future where everyone has the opportunity to thrive as equals. Gap Inc. and the UN Foundation built a partnership to raise awareness and funds in 2017 for UN Free and Equal, a program of the Office of the UN High Commissioner for Human Rights (OHCHR) to promote equal rights and fair treatment for lesbian, gay, bisexual, transgender and intersex (LGBTI) people globally.

The partnership marked Pride Month and included two main components to engage our customers:

- As part of Gap Inc.'s #WearYourPride campaign, 30% of net sales from Gap brand's Pride T-shirts were donated to the UN Foundation to benefit Free and Equal.
- Gap Inc. brands also sold special, Pride-themed e-gift cards. We donated \$2 from each card sold to support Free and Equal.

This campaign allowed us to publicly demonstrate our commitment to equality, while giving our customers a way to support and celebrate Pride.

## Creating Opportunities for Women

Creating opportunities for women is deeply embedded in our culture. From store managers to brand CEOs, women have long played an important role in running and growing each of our brands. Women make up over 70% of our employees, serve as a majority of our global store managers and serve equally as our brand leaders. We strongly believe that our commitment to equality for women gives us a competitive advantage, it helps us attract top talent, increase engagement and retention, and connect with our customers, a majority of whom are women.

Our global Women and Opportunity initiative includes both internal and external programs and activities that engage leaders and employees across our company. Our broader women's empowerment strategy includes ensuring alignment across all efforts impacting women and leveraging gender inclusion. This commitment to equality extends to all aspects of our business, from learning and development to leadership training.

## Inspiring Future Women Leaders

Our GapWIL—Gap Women in Leadership—group partnered with Girls Inc., a nonprofit whose mission is to inspire all girls to be strong, smart and bold, to launch a summer "menteeship" program at Gap Inc. During the three-week program, high school juniors met with career coaches, visited stores and developed technical skills through workshops in retail and inventory management. They also sat down with Gap Inc. leaders to learn about the business and our company's values.

In addition to these efforts, we have integrated our P.A.C.E. program into our core business practices to help the women who make our clothes and their communities gain the skills and confidence they need to advance in work and life. In September 2015, we announced a major expansion of P.A.C.E., with the goal of reaching 1 million women throughout the world by 2020. ([Read more about P.A.C.E. on page 45.](#))

In 2014, we signed the Women's Empowerment Principles, developed by UN Women and the UN Global Compact to give business practical guidance on areas such as women's professional development and the need to publicly report on progress about gender equality.

One of the ways we support women's equality is by providing equal pay for equal work. We are proud that in 2015 we became the first Fortune 500 company to report publicly that we pay female and male employees the same for the same work around the world, verified by a third party. By sharing our progress, we aim to engender broader change, with other companies following our lead.



We were honored to receive the 2016 Catalyst Award recognizing Gap Inc.'s culture of equality, inclusion and opportunity.

## 2016 Catalyst Award Winner

We were honored to receive the 2016 Catalyst Award recognize Gap Inc.'s culture of equality, inclusion and opportunity. Catalyst selected Gap Inc. because of our leadership on equal pay for women, strong representation of women at all levels, and our dedication to advancing women, including our employees, customers and the people touched by our business around the world.

The annual award from Catalyst recognizes organizations whose innovative approaches result in proven, measurable results that advance the recruitment, development and advancement of women in the workplace. For the first time since the inception of the Catalyst Award, Gap Inc. is the sole company to be honored by the organization in a given year and has become the first company from the fashion industry to be recognized.

Initiatives that are considered for the Catalyst Awards are evaluated in a rigorous, yearlong process against criteria such as strategy and rationale, senior leadership activities, accountability and transparency, communication, employee engagement, innovation and measurable results.

## Our Employee Experience

### The Short Story

## Careers and Development

- We emphasize a growth mindset, which we cultivate by promoting from within and eliminating traditional performance reviews.
- Store employees can advance within the field or into corporate positions; a number of our executives started out as store associates.
- Our Rotational Management Program combines classroom learning with on-the-job training across multiple functions.
- Instead of reviews, employees frequently meet with managers to receive feedback and guidance on opportunities to develop.

Our business success depends on our people. That's why we are dedicated to attracting talented employees and giving them opportunities and reasons to achieve their work and life goals at Gap Inc. Our workplace culture and benefits are designed to meet the professional and personal needs of our employees and their families. For retail employees in particular, we improved wages and scheduling practices so that the people who work in our stores experience greater stability and flexibility.

### Advancing Careers and Developing Talent

We strive to develop a diverse pipeline of talent and give our employees opportunities to learn and develop, stay challenged, take on new roles and adopt greater responsibility. We know our current and prospective employees expect a path to new opportunities that rewards them for their performance and value contribution. Offering our employees challenging work that tests and builds their capabilities not only sets them up for success, it makes our business stronger and more innovative.

As a retailer that values hands-on experience in our stores, we give store employees opportunities to take on higher-level field and corporate positions. The best testimonials to the opportunities we provide are our employees who started out at stores and rose through the ranks to senior management positions; approximately 18% of Gap Inc. executives at the vice president level and above started their careers working with product and customers in stores.

<b>Global Share of Open Positions Filled by Internal Hires</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Vice President and Above	71%	57%	70%	71%
Director / Senior Director	67%	65%	65%	64%
Manager / Senior Manager	57%	60%	58%	59%
Store Management	53%	52%	53%	49%
Overall (including Store Associates)	15%	15%	14%	15%

Many people stay at the company or return because of the opportunities and range of roles that our brands and business provide. It's common for our employees to work for multiple brands and functions during their careers. Employees at the manager and higher levels average more than seven years with the company, and more than 16% of employees return for new challenges and opportunities. We recently launched a revamped careers site and a new careers blog, as well as an alumni program to connect past, current and future talent.

We also recognize the need to look outside our organization to make sure we find the best people for each role. We aim to balance our internal promotions and external hires to achieve the most productive mix of diverse talent, functional and subject matter expertise and organizational fit.



## Our Approach to Learning and Development

Our learning and development model is based on two core beliefs: Everyone has the capacity to learn and grow, and the best opportunities for learning take place on the job.

In 2014, we did away with our traditional annual review process for employee performance in favor of a new system called “GPS—Grow. Perform. Succeed.” With a focus on continuous learning, GPS uses frequent performance conversations and coaching sessions to give employees regular feedback and guidance on their work and development opportunities.

Because we believe most growth happens on the job, we use a 70-20-10 model for career development that emphasizes learning through real work experiences. 70% of an employee’s learning and development takes place on the job and is built into their goals, 20% occurs through mentorships and collaboration and 10% comes from courses or formal training.

We offer employees at all levels a variety of training opportunities, ranging from online courses to in-person workshops and multiday programs. A few examples of programs that improve our business by promoting employee learning and development include:

### **Retail Academy**

This program combines classroom sessions, rotational training and business simulations designed to develop the skills employees need to advance and navigate the increasingly complex and technology-driven retail space. This includes a world-class Rotational Management Program for high-potential entry-level talent being groomed to become future leaders of the company.

### **Leadership Development**

This six-month program provides tools and resources to new people managers and helps them develop the long-term capabilities of others, create better ways to achieve business success and empower their teams.

## **Employee Profile**

# **Andres Dorransoro and the Rotational Management Program**



After working in our stores for many years and studying business in college, Andres Dorransoro knew he wanted to do something with the consumer experience, but he didn't really know what that meant. Following an internship at our corporate office, someone suggested that he go through our Rotational Management Program (RMP) to learn about different roles in the company. He started the program in 2004.

"RMP was an outstanding experience," said Dorransoro.

"The combination of classroom learning and on-the-job training through multiple functions was the perfect way to learn what a career in retail actually meant and how I could make an impact." Dorransoro still remembers how the head of RMP, Leah Slater, encouraged him to speak up and share ideas with anyone who would listen to make our business better. "At 22, I was out in our stores and shopping the competition, identifying problems and recommending solutions. Her encouragement is what pushed me to have this rigor in challenging the status quo."

After RMP, Dorransoro chose to focus on merchandising—a good decision seeing as he is now a senior vice president and general manager for Old Navy Merchandising. Today, he credits the people of RMP for putting him on the path to success: "It's the people along the way that made RMP amazing," he said. "The mentors, the teachers and my fellow classmates are still a part of my life."



## Benefits and Work-Life Integration

We offer financial incentives, work-life integration and benefits aimed at helping our employees make the most of their professional and personal lives. This supports employees and increases their engagement at work, which contributes value to our business. In 2017, we received recognition from the Business of Fashion's Best Fashion Companies to Work For as a Top Performer in Rewards and Benefits, highlighting our pay-for-performance philosophy.

A number of our departments offer flexible scheduling to shift the emphasis from where and when work is conducted to the results delivered. This results-driven model lets employees adjust their schedules and the way they work to suit their personal needs and circumstances.

We also offer other programs designed to accommodate the different needs of our employees and their families. These programs include:

- Nationwide Family Support: US full- and part-time employees have online access to child-, elder- and pet-care resources. Full-time US employees also benefit from back-up childcare and priority access to nationwide childcare centers.
- Leave: US employees can take extended time off from work to manage the demands of their family and personal lives.
- Phase in/phase out: Eligible employees can temporarily reduce their work hours before, during or after maternity or family leaves of absence.

We also provide a number of additional benefits that make up a significant portion of their overall compensation package and are intended to help our people and their families lead healthier, more productive lives:

- Health and wellness benefits: We offer full medical, dental and vision coverage for full-time employees.
- Financial benefits:
  - GapShare 401(k) plan matches employees' contributions dollar for dollar up to 4% of base pay, with 100% immediate vesting.
  - Employee Stock Purchase Plan (ESPP) allows full- and part-time employees to purchase Gap Inc. stock at a 15% discount quarterly.
- Work-life balance and lifestyle benefits:
  - We provide generous paid time off (PTO) that increases with promotion and seniority.
  - Our Employee Merchandise Discount Program gives full- and part-time US employees up to 50% off at Gap, Banana Republic and Old Navy, as well as 25% off at Athleta.

### The Short Story

## Benefits and Work-Life Integration

- We support our employees in a range of ways, from 401(k) matching to wellness programs to family support.
- Our rewards for strong performance and benefits support employees in creating a thriving future.
- We have taken steps to raise our US hourly minimum wage and improve scheduling practices, including eliminating on-call scheduling and providing employees with at least 10 to 14 days' notice for their schedules.

- We also offer tuition reimbursement, wellness programs and commuter benefits.
- Community investment benefits: The Gap Foundation matches or supplements employees' contributions of money or time to eligible nonprofits.

### **Wages and Scheduling: Promoting Stability and Flexibility for Retail Employees**

Our store and other hourly employees are especially sensitive to wages and scheduling—they greatly affect employees' ability to make ends meet and fulfill family obligations, undertake academic or other pursuits and plan their lives. To promote stability and flexibility for retail employees, we have taken steps to raise our US hourly minimum wage and improve scheduling practices, including eliminating on-call scheduling and providing employees with at least 10 to 14 days' notice for their schedules.

We were one of the first US retailers to increase our US minimum hourly rate. The increase took effect in two stages: In June 2014, we raised the minimum hourly rate to \$9, and in June 2015, we raised it again to \$10.

### **Ensuring Worker Safety**

When it comes to attracting and retaining employees, we are dedicated to fundamental worker safety. We strive to prevent and promptly address any employee work-related injuries.

We have a centralized online reporting system that tracks all incidents and injuries. We analyze the information at least quarterly to assess risks and develop preventive measures. Our internal claims team and safety department analyze recurring injuries or issues to determine if current policies or practices need to be amended or if more training is required to address risks. Our independent Internal Audit department audits health and safety risks and processes. We incorporate results into the performance evaluations and compensation of relevant personnel.

[For data on workplace health and safety, please see our Data Tables. >](#)

## Youth Opportunity: This Way Ahead

In 2007, we launched This Way Ahead, our life skills and paid store internship program, to help youth from low income communities between the ages of 16 and 24 land their first job. Because our Old Navy, Gap and Banana Republic employees mentor the program participants, This Way Ahead also builds our retail employees' leadership and management skills. We've also integrated the program into our recruitment strategy to help Gap Inc. stores build a valuable talent pipeline of future employees.

### How This Way Ahead Works



#### The Short Story

### This Way Ahead

- This Way Ahead, our training and internship program, helps teens and young adults from underserved communities land their first job. This Way Ahead is a collaborative partnership between local nonprofits, Gap Inc. and three of our brands (Old Navy, Gap and Banana Republic).
- Program participants and employee volunteers both receive real career and personal benefits.
- Since 2007, more than 2,800 young people across 15 cities in the US, UK and Canada have participated in This Way Ahead.
- As we expand to reach our goals, we are looking at new ways to tailor the program to different cities and markets.

Through This Way Ahead, we have re-envisioned our retail stores as a rich training ground, where our employees can share what they have learned about career planning and help participants explore careers that will ignite their passion. Each This Way Ahead participant receives two months of in-person and online job training and coaching. During this time, they learn the skills they need to get and keep a job—from decision-making and goal-setting, to how to make presentations and resolve conflicts. After the training program, youth are eligible to apply for paid internships at our stores.

Part of what makes our program successful is our emphasis on partnerships and the power of human connections. We work closely with local nonprofit organizations that help recruit and train participants, and we rely on store employee volunteers to lead workshops and mentor participants.

This Way Ahead has had a significant impact to date, and we have set our sights high for the future. Through early 2017, more than 2,800 young people have participated in This Way Ahead across 15 cities in the US, UK and Canada. In 2015, we announced a bold goal to hire 5% of our new entry-level store employees from This Way Ahead by 2025. To reach that goal, we expect 10,000 youth to participate in This Way Ahead by 2020. Already, we are on our way to achieving this goal: In 2016, we doubled the number of cities and tripled the number of interns who are part of This Way Ahead, and in 2017 we added two additional cities and doubled the number of interns again.

**In the 11 years we have run This Way Ahead, we have measured substantial social and business benefits:**

## Goals

- By 2025, 5% of our entry-level store employees are hired through This Way Ahead.
- By 2020, 10,000 teens and young adults participate in This Way Ahead.
- By 2018, 60% of This Way Ahead participants report increased on-the-job skills and confidence as a result of their internships.
- By 2018, 65% of This Way Ahead interns are hired on as Gap Inc. sales associates upon the completion of their internships.

**97%** 97% of This Way Ahead participants improve their work-ready and soft skills, including job search and interviewing skills, as well as communications, problem-solving, decision-making and relationship-building skills.

**66%** 66% of participants report an increase in their self-confidence and their ability to get a job in the future.

**77%** 77% of This Way Ahead graduates receive job offers at our stores after their internship.

**89%** 89% of mentors say they've increased their ability to develop and coach their teams.

**85%** 85% of participants report improved communications skills.



Through This Way Ahead, we have re-envisioned our retail stores as a rich training ground, where our employees can share what they have learned about career planning and help participants explore careers that will ignite their passion.

We are continually refining This Way Ahead based on data we collect and feedback we receive from nonprofit partners, participants and employee volunteers.

Given external trends, we have built a program that is responsive to the changing landscape for young employees. As we expand the program to achieve our goals, we are testing different models tailored to different geographic markets, where the number of stores and interns vary. We are also applying the lessons we have learned over the years, including the value of investing in long-term partnerships with local nonprofits, which customize the training programs for young people in their area, and the value of testing new ideas through pilots.

After a decade of running This Way Ahead, in 2017 we are launching a longitudinal study to assess the program's long-term impact on participants. This study will help us understand how This Way Ahead gives low-income young people the skills to succeed in the working world, and how the program benefits our business by building a robust pipeline of talented, engaged employees. We look forward to continuing to share our insights with other organizations and companies that are investing in youth-employment programs.

## Dashawn Hightower

### This Way Ahead Graduate and Old Navy Employee



Dashawn Hightower, 2013 This Way Ahead Graduate, speaking to an audience of 1200+ at the 2017 Old Navy Field Leadership Conference

Dashawn Hightower was a 2013 This Way Ahead graduate. Today, Hightower is an intern manager at his Old Navy store, helping do for others what the program did for him.

Before This Way Ahead, I thought a job was just about collecting a paycheck. Now I know a job can change your life. I interned at the Harlem Old Navy store on 125th Street. After being late and being written up a few times, my manager, Yeera, pulled me to the side and said, “Dashawn, what is it you want to do with this opportunity?”

I thought I had joined the program to become a sales associate and get a check. She made me realize that this was only the beginning. If I worked hard enough, there was real opportunity to grow within the company. That’s what it took to turn me around.

After three years with Old Navy, today, I’m a Training and Business Operations Specialist at our flagship store on 34th Street in Manhattan. If you want to learn something new, I’m the person you train with.

# Community Investment and Volunteering

Our work culture is imbued with a spirit of giving back: It's what attracts many people to work for Gap Inc. and it is a key part of what inspires our employees to stay. That's why we created flexible programs that encourage our employees to give back in the way that makes the most sense for them, through money or volunteer time.

## The Short Story

### Community Investment

- To encourage employees to give back, we provide time off for volunteering, grants for community organizations, money for volunteer time and matching donations.
- We delivered over \$30 million in employee-driven community investment in 2015 and 2016.
- Employees volunteered over 900,000 hours in 2015 and 2016.
- Nearly 3,000 of our employees in seven countries participate in our Community Leaders program.

### Goals

- Deliver at least \$15 million per year in employee-driven community investment.
- Employees report at least 430,000 volunteer hours.
- By 2018, 80% of teams have a Community Leader, and 50% of teams organize and lead at least three volunteer projects per year.
- By 2018, 70% of Community Leaders form a long-term relationship with one nonprofit partner to maximize volunteering impact.

We give our employees a chance to make a real difference in their communities through our Community Leaders program, which consists of approximately 3,000 people across seven countries. Our Community Leaders, the heart and soul of our volunteer efforts, are encouraged to identify a local nonprofit organization that can use the talents and skills of our employees. Leading by example, they inspire their teams to volunteer—fueling a movement that rallies all of us to create positive change and embody our philosophy to Be What's Possible.

We are dedicated to making a genuine impact through our efforts. To do this, our Community Leaders identify local organizations we can partner with to create long-term positive impact. This model gives our partners the confidence to invest in training our employee volunteers, and it fosters a deeper connection between our volunteers and the local community. To further incentivize action, we have integrated volunteerism into our core business through our employee-driven community investment goals. Just as for any other business activity, each team is responsible for setting and delivering on their goals. In addition to our Community Leaders program, we offer benefits that encourage employees to give back in the way that is right for them:

#### Field Team Grants

For every 25 hours a store team volunteers to support youth development or women's advancement, they can request a \$250 grant for the community organization. We incentivize efforts in youth development and women's advancement because these are two of Gap Inc.'s sustainability focus areas, where we can have the greatest impact.

#### Money for Time

We donate \$150 to the partner nonprofit for every 15 hours an employee volunteers after one year of work.

#### Financial Donation Match

We match employees' financial donations to eligible community organizations after one year of work.

#### Take Five

Eligible employees can take up to five hours per month to volunteer.

In 2015 and 2016, Gap Inc. and employees contributed over \$30 million in employee-driven community investment, which represents the combined value of volunteer hours, employee financial contributions and company matching dollars. This amount includes more than 920,000 employee volunteer hours with organizations focused on a variety of issues, from helping disadvantaged women thrive to enabling young people to achieve a better future.

For Gap Inc., these programs deliver both social and business benefits: Our communities benefit from the long-term impact of our employee volunteer efforts, and our business is rewarded with more engaged employees who are passionate about making a difference in the world. For example, we've found that volunteers have a turnover rate nearly a third lower than individuals who are not similarly engaged, they stay with our company for nearly twice as long and they are more frequently promoted.

Gap Inc. employees who volunteer are more engaged at work, stay with our company nearly twice as long and are more frequently promoted.



## Empowering Women: P.A.C.E.

### The Short Story

### P.A.C.E.

- P.A.C.E. unlocks opportunities for the women and girls who work in the global apparel value chain and live in surrounding communities.
- 68,000 women in 12 countries participated in the program by end of 2016.
- Participant evaluations document higher self-esteem and productivity.
- We are expanding P.A.C.E. through a partnership with USAID focused on women and water.

### Goals

- By 2020, improve the lives of 1 million women and girls in Gap Inc.'s supply chain and other manufacturing and community settings.
- By 2020, expand P.A.C.E. to a suite of learning programs that address the needs of adolescent girls and women leaders.

Women have played an essential role at Gap Inc. from the moment Doris Fisher helped open our doors in 1969. Today, women comprise the majority of both our employees and workers within the apparel industry; investments in women are a business imperative. We also know that women are powerful catalysts for change, and when women thrive, their communities thrive. Our business supports women's skills development and encourages them to use their voices and dream bigger so they can help themselves, their families and communities thrive for generations.

Launched in 2007, our unique P.A.C.E. (Personal Advancement and Career Enhancement) program is dedicated to supporting the women who work in the global apparel industry, and within our global supply chain. Although women represent the majority of the sector's workforce, relatively few have the opportunity to advance to management positions, and many lack access to the education and training they need to support their personal and professional growth. We developed P.A.C.E. to give these women the foundational life skills, technical training and support that will help them advance in the workplace and in their personal lives.

We began offering P.A.C.E. in factories, and as we have developed our approach, we have expanded the program to unlock new possibilities for women and adolescent girls in surrounding communities. To date, more than 68,000 women in 12 countries have participated.

Beyond strong partnerships with our suppliers, a key element of our successful program is collaboration with organizations that have a deep understanding of the needs of the women we aim to serve. The International Center for Research on Women (ICRW), a global institute dedicated to empowering women, as well as Swasti Health Resource Centre, worked closely with our teams to design P.A.C.E., and CARE International has served as a key implementing partner for the program over the years.

In 2016, on International Day of the Girl, we announced the expansion of the program to bring new educational opportunities to girls ages 11 to 17. Our new curriculum focuses on improving self-confidence and helping girls develop future goals and aspirations.

Guided by firsthand stories and metrics-driven results, we are scaling P.A.C.E. beyond its initial scope. In September 2015, we announced our goal to expand the program to reach 1 million women and girls by the end of 2020. Always keeping real impact in mind, we recognize that this rapid, ambitious expansion poses challenges. To address this, we are working with our partners on innovative implementation approaches that



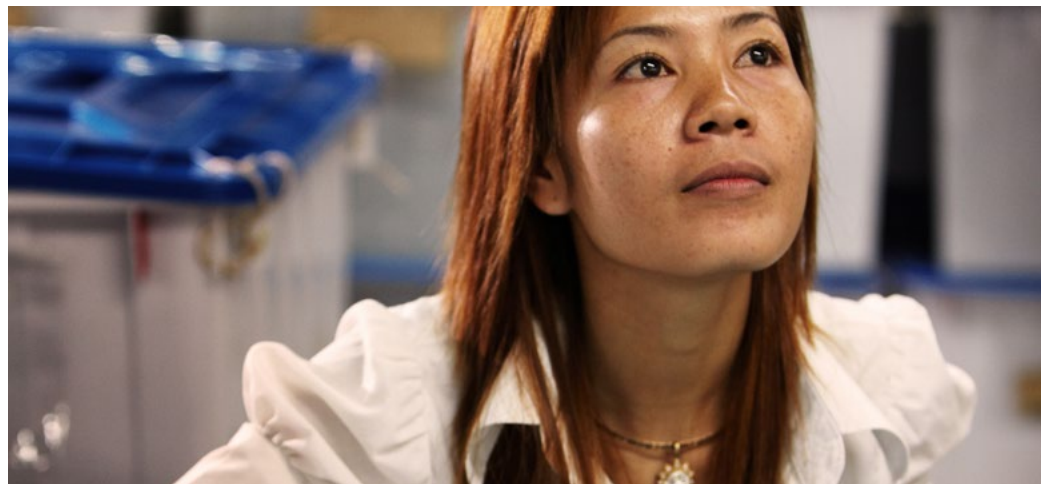
## 10 Years of P.A.C.E.



will help us achieve the right mix of scale and impact. Today, P.A.C.E. programs for women include up to 80 hours of classroom learning, interactive exercises and open discussion covering areas such as communication; problem-solving and decision-making; time and stress management; water, sanitation and hygiene; as well as additional modules when appropriate. We are currently evaluating how to maintain the program's impact, while respecting that one of the biggest challenges women face is enough time to complete responsibilities at work and at home.

The P.A.C.E. for Girls Program is an innovative program that aims to build the skills and efficacy of young (11- to 13-year-old) and adolescent (14- to 17-year-old) girls to be confident, resourceful and able to plan for their future. The program aims to enable girls to negotiate the physical, mental and social transitions during adolescence that have important implications for outcomes in adulthood. It also aims to strengthen parent-child communications.

Women who participate in P.A.C.E. report increased knowledge, skills and productivity, as well as higher self-esteem and confidence.



In addition to educating women and increasing their skills on these critical topics, the most transformative lesson P.A.C.E. delivers is knowledge of how women can advocate for themselves. We want to help women find and use their voices. As we celebrate the 10-year anniversary of P.A.C.E. and work toward our goal of reaching 1 million women and girls, we have reflected on several key ingredients that make this program a success: our strong partnerships both internally and externally, our relationship with our key facility partners and our focus on the women of today. We also have reflected on how the lives of women have changed over the 10 years P.A.C.E. has been functioning. To ensure the greatest value to the women within the program, we are in the process of evaluating our current curriculum to ensure that it remains relevant in our rapidly changing world.

We have found that P.A.C.E. programs are most effective in communities where we have a strong presence. By focusing on our supply chain, we are better able to understand the specific needs and challenges in those areas, and by engaging with our vendors, we can support their business and ours. To date, 42 suppliers in 10



At its core, P.A.C.E. is helping women use their voices, share their dreams and own their futures. As a result, women are speaking up for themselves, their families and their communities. It's changing lives. This ripple effect is the power of P.A.C.E.



- **Kindley Walsh Lawlor**, Vice President, P.A.C.E.

countries are planning on or are currently implementing P.A.C.E. These suppliers report benefits in the form of improved workforce productivity and performance and greater retention of workers. P.A.C.E. strengthens our relationship with our suppliers and enhances their performance, and it also deepens the sense of meaning and purpose among our employees.

Evaluations of participants have documented our impact: Women who participate in P.A.C.E. report increased knowledge, skills and productivity, as well as higher self-esteem and confidence. They describe becoming better at communicating, managing their finances, taking care of their health and planning for the future. P.A.C.E. has also helped enhance women's relationships at work, at home and in their communities.

### **Gap Inc. and USAID Women + Water Global Development Alliance**

In many garment-producing countries, some of women's most significant challenges relate to water. Women bear a disproportionate burden when it comes to household responsibilities such as cooking and cleaning, which require water. According to UNICEF, women and girls globally spend more than 200 million hours collecting water

each day—time that could be spent earning additional income, caring for their families or getting an education. Moreover, women, along with their families, face serious health risks due to inadequate access to safe drinking water and sanitation facilities, and poor understanding of healthy hygiene practices.

In an additional effort to address these water challenges and strengthen women's lives, we have integrated a water, sanitation and hygiene (WASH) curriculum into our P.A.C.E. program. The P.A.C.E. WASH curriculum is part of our core P.A.C.E. curriculum and is key to our larger Women + Water strategy, which seeks to address water issues through the lens of people and human rights ([read more about this on page 75](#)).

In 2017, we announced a partnership with the United States Agency for International Development (USAID) that will expand this program even further. Gap Inc. and USAID's five-year Women + Water Global Development Alliance aims to advance the health and well-being of women, families and communities touched by the apparel industry. The alliance will focus on four key areas:

1. improving health and advancing development, including access to sustainable water, sanitation, hygiene services and hard goods such as toilets and filters, and effectively managing water resources
2. improving the quality of life and life skills of women touched by the apparel value chain
3. developing an effective model for a systemic partnership across the apparel industry value chain to achieve development outcomes
4. disseminating lessons learned across and beyond the apparel industry sector

Alliance partners—including Water.org, CARE India, Institute for Sustainable Communities and ICRW—will draw on their complementary strengths to improve health and well-being in countries of shared interest, starting in India. To maximize the impact of these efforts, the Alliance is applying a three-part approach based on:

### **Gender sensitivity**

While we will engage both men and women, we recognize the pivotal role that women play in society and their unique needs and opportunities.

### **Systems thinking**

We understand that a variety of interdependent factors can determine the behaviors of individuals, and we recognize that changes at the individual, organizational, community and systems levels are often needed to sustainably improve the lives of women, their families and their communities.

### **Flexibility**

The program will allow us to learn while doing, and we will adjust as the program evolves.



# Improving Factory Working Conditions

## In this section

- Our Policies and Commitment to Human Rights
- Collaborating on Supply Chain Sustainability
- Assessment and Remediation

**We partner with all of our suppliers to ensure safe, fair and healthy working conditions for the individuals who create our clothes.**

Together, we're building the capacity of our suppliers to manage and improve their practices, designing industry-leading programs to improve worker and manager relations, assessing and improving working conditions to meet legal and international standards and increasing transparency about all of our efforts.

## Context and Approach

Consumer trends and expectations are placing greater demands on production timelines and capabilities—which can ultimately affect the individuals working in the garment industry.

To help manage these broad shifts in the industry, we continue to integrate policies and programs into our core business and form partnerships across the apparel industry to ensure that the people in our supply chain work in safe, fair conditions.

Since launching our Supplier Sustainability program in 1994, we have transformed our approach to improving facility working conditions by developing innovative programs that go far beyond assessing and remediating issues in our approved facilities.

In recent years we have taken steps to:

- Revamp our policies and tools such as building out our Code of Vendor Conduct (COVC) into a comprehensive manual to be more transparent to our suppliers, so that they understand and meet our expectations related to working conditions and labor standards.
- Consolidate our supplier base so that we are working more closely with fewer suppliers. Today, we are working with 25% fewer suppliers than we were five years ago.
- Deepen our partnerships with suppliers and NGOs to create a more advisory and collaborative approach grounded in continuous improvement. With our suppliers, we are designing new approaches to worker engagement and are providing training to improve suppliers' social and environmental capabilities. Examples include our Workforce Engagement Program with Verité and our ongoing work with the Arbitration Council Foundation in Cambodia.
- Build a holistic sustainability team, moving from a model with separate employee functions by program to require all of our field staff to help deliver each of our Supplier Sustainability programs. This allows us to evaluate and improve our suppliers' sustainability performance in an efficient manner and provide them with support that is best suited to their needs.
- Pioneer new programs in collaboration with a broad set of industry-wide initiatives. This includes supporting the Social and Labor Convergence Project by co-chairing two of its working groups and helping develop the Better Work Academy in partnership with the ILO's Better Work program.

### The Short Story

## Factory Working Conditions

- We work with governments, NGOs, trade unions and others to forge innovative solutions to systemic issues.
- We have consolidated our supplier base by 25% so that we can work more closely with fewer suppliers.
- We have built a holistic sustainability team so that all of our field staff can support progress with suppliers.

## Goal

By the end of 2020, we have set a goal for all strategic suppliers to elevate social and labor performance ratings to earn a rating green or yellow, thereby eliminating the most egregious noncompliant issues from our supplier base.

More than a million people work in the facilities that create our clothes, and we want to ensure that they work in safe, fair conditions and are treated with dignity and respect.

## Top Sourcing Countries

Our brands sell products that are manufactured in about 30 countries. All the items we design and offer are produced in third-party facilities, owned and operated by our suppliers. A majority of our purchases come from the six countries listed below.

Country	Facilities (As of Jan 28, 2017)
China	234
Vietnam	129
India	120
Cambodia	59
Sri Lanka	53
Bangladesh	51

[A list of all facilities we source from is available here.](#) >

Our Supplier Sustainability efforts thus far have primarily focused on issues at cut-and-sew facilities where we have direct relationships and greater influence to drive improvements. We also monitor, assess, remediate and disclose their supporting facilities, such as laundries, embroideries and screen printers. However, we are evolving our strategy to address issues in other parts of our supply chain, including areas where we have less direct influence but nonetheless see opportunities to improve working conditions. For instance, we are working with our strategic mill suppliers to assess their working conditions and build their capacity to proactively mitigate risks, and we are seeking to improve conditions in the cotton sector through our partnership with the Better Cotton Initiative

Our Global Supply Chain and Supplier Sustainability teams work in about 30 countries and we often tailor our practices in these places based on a deep understanding of the local context. In addition to our Assessment and Remediation program, which we maintain for every supplier and facility wherever we source branded apparel, we have created unique programs and specific policies to address local economic, political, business and cultural context where needed. These assessments include social, political and environmental data, along with risk indices and expert analysis. They also draw on the insights we have gathered through ongoing engagement with a variety of external stakeholders and business partners.

When we assess a facility, they receive a rating that is calculated based on clear criteria within five categories: Compliance with Laws, Environment, Labor Standards, Occupational Health and Safety, and Management Systems. Violations are input into a system that categorizes findings by their level of severity: “critical,” “severe,” “key” and “non-compliant.”

We use a color-coded system to rate facilities’ performance based on assessments. High-performing facilities with no critical or few violations receive a green rating. Average performers are rated yellow, while facilities that need improvement on one or more serious issues are assigned a red rating. Critical, severe and key violations have a greater negative impact on a facilities’ rating than “non-compliance” violations, such as first-aid kits not being fully stocked.

All of these efforts support our goal to achieve a sustainability rating of green or yellow for all suppliers by the end of 2020.

[Detailed data from our COVC assessments are available online.](#) >

## Our Policies and Commitment to Human Rights

### The Short Story

## Human Rights

- Garment industry jobs help many people build a better life, but some regions suffer from a lack of infrastructure or rule of law.
- We support the principles in the Universal Declaration of Human Rights (UDHR), the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO's core conventions, and we are signatories to the UN Guiding Principles on Business and Human Rights.
- Our Human Rights Policy, Code of Vendor Conduct (COVC) and other policies outline our high expectations on social and human rights issues in our industry.

We believe that local staff are more effective at understanding workers' needs, take greater responsibility for enforcing our standards—particularly on issues that can be difficult to detect—and help us ensure compliance with our COVC.

We are proud to support the principles outlined in the Universal Declaration of Human Rights (UDHR), the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO's core conventions. These principles form the foundation for our [Human Rights Policy](#), which defines our approach and activities to respect human rights and prohibit human rights abuses.

Additionally, our COVC—which lays out our standards for labor, working conditions, management systems and environmental management—forms the core of our commitment to ensuring our vendors respect the human rights of the people who make our branded apparel.

[Read more about our COVC and our Assessment and Remediation program on page 68.](#) >

Our Supplier Sustainability team is composed of individuals from the regions in which they work. We believe that local staff are more effective at understanding workers' needs, take greater responsibility for enforcing our standards—particularly on issues that can be difficult to detect—and help us ensure compliance with our COVC.



We use an integrated scorecard within our sourcing department to measure our suppliers' performance. We believe that further integrating sustainability into our sourcing practices will play a key role in improving social and labor performance and limiting any contribution our purchasing practices may have on issues such as excessive overtime.

In addition to our policies, we recognize that transparency has become a core expectation of global companies. Twice a year, we publish our approved list of facilities ([see the list here](#)), which includes cut-and-sew facilities, embroideries and laundries. Our Supplier Sustainability team monitors each of the facilities disclosed on our list, and publishes detailed data on our assessments, findings and resolution process [here](#).

The sections that follow describe our policies and approaches to ensuring respect for human rights.

## **Freedom of Association**

Our COVC explicitly supports freedom of association and the rights of workers to lawfully and peacefully associate, organize and bargain collectively. Many garment workers have limited experience working at facilities or exercising these rights, and they often have few other options for earning a steady income to support themselves and their families. These rights can help workers find a common voice and provide them with a framework for engaging with management on fair wages, sufficient benefits and the right to do their work in fair and decent conditions. The limited rule of law in many developing countries provides fewer protections for workers' rights, which is why freedom of association can be such an important enabler in certain countries. We use a wide range of approaches in seeking to ensure that the rights of freedom of association are respected, from supporting open dialogue between facility workers and managers, to partnering with workers' rights groups and trade unions when appropriate.

## **Human Trafficking and Forced Labor**

The ILO estimates that more than 20 million people globally are forced to work against their will. This issue has received heightened attention over the past several years due to the innovative and diligent work of NGOs, governments, multilateral organizations, media and companies.

Our COVC and Vendor Compliance Agreements explicitly prohibit the use of forced labor in any stage of our products' production, and we actively work to combat this violation of fundamental human rights. While assessing facilities, our field teams interview both workers and managers and review records to help ensure that workers:

- have voluntarily agreed to all employment terms
- are free to end their employment if and when they choose
- can freely enter and exit their work spaces and living quarters

We believe legislation is an important lever in the global fight against human trafficking; we welcomed the 2012 California Transparency in Supply Chains Act, which requires companies of a certain size to publicly communicate their efforts to identify and eliminate forced labor in their supply chains. We combine this disclosure with our response to the UK Modern Slavery Act of 2015, which also requires eligible



businesses over a certain size to disclose annually the actions they have taken to ensure there is no modern slavery in their business or supply chains.

[Our response statement can be found here. >](#)

We also collaborate with stakeholder networks in key sourcing countries to monitor and address forced labor risks. We were pleased that in 2016, KnowTheChain ranked Gap Inc. second in its benchmark of 20 apparel and footwear companies based on our efforts to eradicate forced labor from our global supply chain. While we recognize that there is still much more to do, we are proud to help lead the industry in ensuring all workers' rights and freedoms are respected.



While we recognize that there is still much more to do, we are proud to help lead the industry in ensuring all workers' rights and freedoms are respected.

### **Foreign Contract Workers and Recruitment**

Gap Inc. maintains that facilities that recruit or employ foreign contract workers (FCWs) shall ensure that these workers are treated fairly and on an equal basis with its local workers.

Migrant workers shall not be subject to any form of forced, compulsory, bonded or indentured labor. All work must be voluntary, and workers must be free to terminate their employment at any time, without penalty. Migrant workers (or their family members) shall not be threatened with denunciation to authorities to coerce them into taking up employment or preventing them from voluntarily terminating their employment, at any time, without penalty.

Within our COVC, we have incorporated an extensive list of procedures and standards in relation to the treatment and employment of foreign contract workers. Our COVC states that facilities shall not discriminate, intimidate, control passports or misuse contracts or recruiting fees and paperwork as they relate to migrant and foreign workers. We also amended our requirements on employment of foreign contract workers to ensure due diligence of recruitment agencies before contracts are made with them, and we regularly assess their existing recruitment agencies on their legal and ethical recruitment practices. Our Supplier Sustainability team tracks these procedures to ensure that these workers are treated fairly and on an equal basis with local workers.

As described in our COVC, facilities are expected to use recruitment agencies only under the following conditions:

- The agency is licensed by the home country government, and, where applicable, the host country government.
- A written contract exists between the facility and the recruitment agency that clearly defines all hiring practices.
- The recruitment agency discloses all the information regarding the use of any sub-contractors, sub-agents or any individual for recruiting workers for the facility.
- The facility (including its employees and representatives) does not accept any reimbursements, kickbacks or other amounts from the recruitment agency or other person involved in the recruiting process.

The Supplier Sustainability team audits to determine whether our policies and standards are followed. Gap Inc.'s Foreign Contract Workers policy states: "The facility shall pay all fees and costs payable to the host government for the documentation of FCW's employment in the host country, including any levies, fees for work permit, fees for renewing work documents. The facility shall not at any point deduct from wages, charge workers or otherwise accept reimbursements to recoup these fees. The facility or the recruitment agency shall not collect from FCWs a deposit or bond or withhold part of FCWs' earnings at any point of their employment."

The FCW policy also prohibits recruitment agencies from charging FCWs any illegal fees and/or fees payable to the host government, such as levy, legal work document fees, and fees for renewing work documents.

In cases where it has been found that recruitment fees have been paid by workers, we require and verify that the affected workers are reimbursed.

Of all facilities active as of the end of fiscal year 2016, only a few employed foreign contract workers, including in Jordan, where we partnered with Better Work and the World Bank to help provide employment opportunities in the garment sector to Syrian refugees.

### **Short-Term Contracts**

According to our COVC, each facility shall not modify or terminate workers' contracts (including the signing of a series of short-term contracts in immediate succession), work schedules or location for the sole purpose of avoiding wage requirements, including overtime or other benefits. Temporary, short-term or fixed-term contracts for workers should not be used for permanent jobs, and workers shall be shifted to permanent status in accordance with local laws if they have exceeded the specified period.

### **Unauthorized Subcontracting**

Subcontracting is common in the apparel industry, and it can pose risks because suppliers may outsource production to facilities that have not been approved by buyers and that do not uphold requirements for safe, fair labor practices and working conditions. Our Global Supply Chain and Supplier Sustainability teams collaborate to address unauthorized subcontracting (UAS).

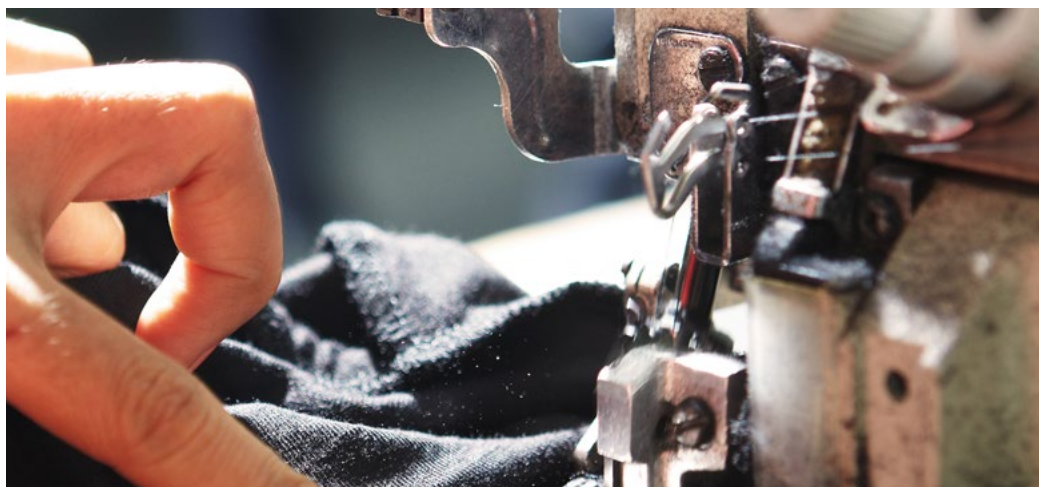
We take extra precautions in countries with a high risk of UAS by offering specialized training for suppliers and facility management, and by conducting site visits to ensure our product is being manufactured in the appropriate designated facility. Our Supplier Sustainability, Quality Assurance and Merchandising teams seek to detect UAS. If a case is found, we may impose financial chargebacks, or, in severe or repeat cases, we will terminate our business with a supplier. In the event that chargebacks are imposed, those funds are reallocated either philanthropically or programmatically toward projects that are focused on improving working conditions within our supply chain or across the industry. High-Risk Incidents are immediately escalated and the following steps are taken:

- requires the unauthorized facility to immediately stop production of any Gap Inc. branded apparel
- ensures all goods (finished or unfinished) are returned to a facility approved by Gap Inc., segregated and held until the issue is resolved
- leads an investigation to look for and address any critical issues in the unauthorized facility
- requires the approved facility to register for management systems training as a prevention measure, ensuring facilities invest in systems to prevent future violation

## Discrimination

We are committed to ensuring that the people who make our clothes are not subject to any form of discrimination. Our COVC prohibits any form of discrimination during hiring, compensation, access to training, promotion, termination or retirement based on race, color, gender, nationality, religion, age, maternity status, marital status, indigenous status, ethnicity, social origin, disability, sexual orientation, HIV/AIDS status or membership in worker organizations, including unions or political affiliation.

We conduct assessments of all branded apparel suppliers on a regular basis to check for any signs of discrimination.



We conduct assessments of all branded apparel suppliers on a regular basis to check for any signs of discrimination in hiring or promotion decisions, contract terms, labor practices, payroll records or tests or medical exams workers may be asked to take. We know that enforcing our discrimination standards requires significant time and attention, especially because the majority of garment workers are women, while the vast majority of supervisors and managers are men.

Our team also identifies common risks and best practices for pregnant or nursing women, including rearranging working hours, adjusting overtime hours and offering greater flexibility for break times.

## Child Labor

Gap Inc. does not tolerate the use of child labor under any circumstances.

We do recognize that it is a deeply complex issue that is inextricable from the broader issues of poverty and economic development. Our Human Rights Policy and our COVC explicitly prohibit the use of child labor. We require our supplier facilities to establish robust age-verification processes to prevent employment of children or underage workers. We also work to ensure that facilities respect local laws and international standards related to employing younger workers who are not children.

During facility visits, our Supplier Sustainability team interviews workers and managers about recruitment and hiring, labor practices and working conditions for young workers. They check for lawful, unaltered documents to verify workers' ages, since workers can go to great lengths to obtain counterfeit documents. Our teams also monitor whether facilities are upholding labor laws and standards for legal young workers.

In the rare event that we encounter child labor at an approved facility, we take immediate action to resolve the issue, including:

- removing young workers from the facility
- making sure workers have access to education or appropriate training, receive an ongoing wage and are guaranteed a job if they choose to work at the facility when they are older
- requiring the offending supplier to pay for all remediation costs

## **Wages**

We require suppliers to pay the legal minimum or industry wage, whichever is higher. When violations are found, the facility must remedy the situation. If wage violations are found and the supplier fails to properly remediate, we will implement consequences up to and including termination of our relationship with that supplier.

We have conducted wage studies in our supply chain multiple times in order to assess wages paid against various local and international frameworks. In data collected from a selection of our suppliers, we found wages met minimum wage requirements and in many cases exceeded local norms. To ensure the accuracy of this baseline study, we engaged an independent third party to verify the process and findings.

We also collaborate on advocacy work to push for appropriate wage-setting mechanisms in certain countries. Most recently, in response to the unrest in December 2016 in Bangladesh, we sent a letter to the prime minister of Bangladesh, seeking to encourage the government to institute a regular wage review mechanism. We believe that annual wage review mechanisms are an important legislative protocol, as they will help ensure that minimum wage levels are adjusted on a regular basis to account for inflation and cost of living adjustments.

## **Working Hours**

Excessive working hours is one of the most common and persistent issues at the facilities making our branded apparel. Several factors can contribute to this: Facility managers may request overtime to meet tight deadlines or boost sales, workers may choose to work more hours to increase their pay and buyers' purchasing practices such as rush orders can lead to more overtime. Recognizing our role in this, we participated in a program to improve our understanding of how our purchasing choices can lead to better outcomes. As part of Better Buying's beta test, we enlisted suppliers

from South Korea, Sri Lanka and Hong Kong to evaluate our purchasing practices and provide feedback on their impacts. Using the results of that project, we will seek to incorporate insights into our core business operations, such as improved forecasting and giving appropriate lead times.

The issue of capacity adds another layer of complexity to purchasing practices. Apparel facilities typically work with five to 10 apparel brands at any given time. Despite their efforts, facilities often miscalculate their capacity or buyers change orders at the last minute, which means facilities may face too much or too little production which directly affects working hours. To address this challenge, we have created a team devoted solely to capacity planning. This allows us to build more balanced purchase orders and ultimately help our suppliers improve how they manage their own operations such that we can address the issue of working hours.

We impose several requirements that address working hours:

- Workers must be allowed to refuse overtime without any threat or penalty of punishment.
- Workers must not be required to work more than six days in a row.
- Facilities must take corrective actions to limit excessive overtime, which can include analyzing the root causes of issues, adjusting production schedules and improving management systems.

Based on each country's laws, we set the total number of allowable working hours per week, including overtime. Our facility ratings system identifies and implements consequences for serious overtime violations.

## Humane Treatment

The demands of garment manufacturing—including production targets and other requirements—can place significant stress on workers and supervisors, which may contribute to mistreatment in the workplace. We also recognize that supervisors may not have enough training or experience to constructively communicate with workers, or understand appropriate behavior in the work environment.

[Read more about the Workplace Cooperation Program on 64. >](#)

We monitor for signs of verbal, psychological or physical mistreatment, including coercion and threats to workers. Facilities are required to provide workers with grievance channels and training on how to use these mechanisms, and we expect facilities to have a disciplinary process and take action to address issues. We also collaborate with select facilities through our Workplace Cooperation Program to proactively improve worker-manager dialogue and relationships.

## Sexual Harassment in India

Women constitute 60–80% of India's apparel workforce. Recent reports have highlighted that these women face widespread and underreported sexual harassment, and this coverage has helped create awareness within local communities and among various stakeholders. Protection against sexual harassment and the right to work with dignity are universally recognized human rights by international conventions.

During regular facility assessments, we have found that there is a systemic failure to address this issue, despite stringent local laws. There is also an opportunity for both local employers and employees to have a better understanding of this issue and the legal requirements.

To address this, our team is working with our suppliers in India, covering around 100,000 workers. We aim to help our vendors

build an environment where they clearly define and implement the national policy on Prevention of Sexual Harassment (as required legally), and create an Internal Complaints Committee (also legally required). We also want to help them raise awareness among both male and female employees about the issue and about their rights and responsibilities under the Sexual Harassment at the Workplace (Prevention, Prohibition and Redressal) Act of 2013. We believe that implementing these mechanisms will help prevent sexual harassment in the workplace.

We have conducted sensitization programs with all of our suppliers in India and have provided them with guidance on legal requirements. We also have defined time-bound goals and identified implementing organizations for this work.

### Grievance Mechanisms

We require facilities to provide a confidential and anonymous channel for workers to express grievances without fear of retaliation. The grievance process must allow for a timely response, with documentation, and an action plan to address the issue. Our field team trains factory workers and managers on establishing and using grievance mechanisms. If our team identifies any issues, we require facilities to implement corrective action plans and evaluate their performance.

In 2015, we provided all of our suppliers with information on how to effectively operate and manage grievance mechanisms. Key elements include:

- information on how effective grievance mechanisms can play an important role in identifying, preventing and remediating issues of concern on the facility floor
- how facility-level grievance mechanisms can help support workers' ability to raise concerns and seek remedy in the workplace
- how mechanisms can enable facility management to understand and address issues before they escalate into bigger issues

We also train facility managers and workers on effectively using and managing grievance mechanisms through our [Workplace Cooperation Program \(described on page 64\)](#). Going forward, we will be focusing on improving facilities' capabilities to implement properly functioning grievance mechanisms and ensuring workers are able to use them to advocate for their rights and well-being.

### **Fire and Building Safety**

Levels of fire and building safety vary greatly across the global apparel industry, and depend on a number of factors, including local laws and regulations, building maintenance, the technical capabilities of local experts and the expectations and actions of suppliers and brands.

To address this, our Supplier Sustainability team works to improve fire and building safety by checking that all facilities:

- maintain sufficient fire alarms, clearly marked exits and emergency lighting
- conduct evacuation drills
- keep all doors, aisles, exits and stairwells clear, accessible and unlocked during working hours
- maintain and charge fire extinguishers that are visible and accessible to workers in all areas of the facility

We also continue to evaluate how our involvement in the Alliance for Bangladesh Worker Safety can inform our approach to addressing fire and building safety across all of our suppliers' facilities. For example, we began conducting comprehensive fire, building and electrical safety inspections in our approved facilities in Pakistan to identify risks that may require immediate attention in that country.







# Bangladesh

## Alliance for Bangladesh Worker Safety

Gap Inc. is a founding member of the Alliance for Bangladesh Worker Safety. Now in its fifth year, the Alliance continues its efforts to help ensure safer factories in Bangladesh. It has released regular progress reports, including its third Annual Report in 2016, as well as impact assessments and monthly statements on completion of Corrective Action Plans and suspended operations. All reports may be found on the Alliance website.

In addition to our participation in the Alliance, we maintain our commitment to ensuring that the facilities we work with,

as well as the national garment industry, continually improve working conditions. We have formed an expert team focused on improving fire and building safety at the facilities producing our branded apparel in Bangladesh. We also provide training to help drive worker and management behavior changes to improve fire safety practices.

Looking forward, we will continue to operate our program within Bangladesh, and strengthen our work with stakeholders to achieve our collective vision of a multi-stakeholder, industry-wide solution for improving the country's working conditions.

# Collaborating on Supply Chain Sustainability

Addressing the systemic challenges of the apparel industry requires collaboration. We embrace this approach by working closely with our suppliers to build their capabilities, by joining industry-wide efforts to share best practices and improve efficiency and by partnering with local and international NGOs on innovative programs that benefit facility managers and workers.

## The Short Story

### Collaboration

- We work closely with our strategic suppliers to help build their capability to manage social and environmental issues.
- In partnership with organizations such as Better Work and Verité, we are pioneering programs that improve worker-manager relationships and enhance worker engagement and well-being.
- Together with the Social and Labor Convergence Project, we are helping create a shared tool for footwear and apparel companies to assess facilities' social and labor performance.
- 164 of our facilities—20% of our strategic suppliers—are enrolled in Better Work's program to reduce the duplication of audits by brands.
- We have trained 31 facilities in nine countries through our Workplace Cooperation Program to improve dialogue and relations between workers and management.

## Empowering our Strategic Suppliers

We partner with the facilities where our products are made to help them become preferred employers in the communities where they operate. This supports workers and can benefit business by driving higher retention and improved productivity. To achieve this, we take a multipronged approach to building our suppliers' capability.

To cultivate long-term, close relationships that allow us to create greater change together, we are working with a smaller number of strategic suppliers. Over the past five years, we have streamlined our approved list of facilities from more than 1,200 to fewer than 900. With those suppliers, we develop shared sustainability goals and work with them to measure and improve performance.

Our tier 1 suppliers are trained on our COVC on an ongoing basis. We also engage many suppliers more deeply through industry-leading programs such as [P.A.C.E.](#) (described on page 45), our [Workplace Cooperation Program \(page 64\)](#) and our [Workforce Engagement Program \(page 66\)](#).

To help our suppliers make strategic investments in their employees and business operations, we have increased their access to data and analysis from our [Assessment and Remediation program \(described on page 68\)](#). Over time, we will also disclose on each supplier's involvement in various Gap Inc. programs and their areas of opportunity for improving performance.

We believe that as suppliers take more ownership of their sustainability programs, they will realize the business benefits and will require fewer external assessments and incentives.

## Social and Labor Convergence Project

The proliferation of duplicative assessments and their associated protocols consume time and resources that suppliers could use to create real progress in their workers' lives. We believe streamlined approaches to measuring social and environmental performance can support systemic progress and make it easier for more businesses to improve their social and environmental performance.

That's why, in 2015, Gap Inc. became a signatory to the Social and Labor Convergence Project, a collaboration among apparel and footwear brands, retailers, industry groups and civil society organizations. The project is building a shared data-collection tool that can assess the social and labor performance of a manufacturing facility. The initial tool was piloted in 2016, and it will be further tested in 2017. The project aims to have the tool and verification methodology ready for adoption in 2018. To help the project achieve its goals, Gap Inc. is chairing two key working groups: the Tool Development Working Group and the Verification Working Group.



In 2015, Gap Inc. became a signatory to the Social and Labor Convergence Project, a collaboration among apparel and footwear brands, retailers, industry groups and civil society organizations.

### **ILO Better Work, Capability building and the Workplace Cooperation Program**

As part of our efforts to go above and beyond assessment and remediation and work more collaboratively with our suppliers and other stakeholders, we have played a leading role in multi-stakeholder collaborations such as the ILO's Better Work program. Better Work takes an advisory approach to monitoring facilities, with an emphasis on protecting worker rights and well-being by helping companies and governments uphold the ILO's core labor standards and national labor laws. Better Work leads facility assessments and helps address and remediate issues in Vietnam, Cambodia, Indonesia, Bangladesh, Jordan, Haiti, Nicaragua and Lesotho.

We have partnered with Better Work since its founding, and today we collaborate in a variety of ways: We sit on the Better Work Advisory Board, we partner with them on advisory services in eight of our sourcing countries and we advocate for other buyers to adopt Better Work's assessment reports instead of duplicating audits. Previously, we set goals to have 70% or more of facilities in ILO Better Work markets participate in the Better Work program. Our goal now is to enroll 100% of our eligible facilities in Better Work countries in the program by the end of 2018.

In 2015, we partnered with Better Work to create a new capability-building program for the facilities we work with. This Workplace Cooperation Program gives workers and managers the skills they need to resolve workplace issues, engage in collaboration and drive continuous improvement in the workplace. Upon helping fund the expansion of this program, we then asked Better Work to train our Supplier Sustainability team on this curriculum, so we could deliver it to non-Better Work facilities. Through this program, we help train committees of workers and managers to develop sustainable solutions and share best practices for workplace challenges. The trainings cover communications and problem-solving, how to handle grievances, negotiation skills and more. Through this program, our Supplier Sustainability team also trains workers and managers on how to run effective, collaborative discussions to promote improved dialogue between workers and management.

We believe that improving dialogue and relations between workers and management can help prevent labor disputes, resolve problems, give greater voice to workers and improve productivity and competitiveness.



In 2015-2016, we implemented training activities with 31 facilities in nine countries, and we plan to expand into 69 facilities by 2017. In 2018, we will be adding a training focus on supervisory skills to help define worker rights, supervisor responsibilities and professionalism in the workplace. This program also teaches other valuable skills, including communication and effective listening.

## Facilities Assessment and Remediation in Better Work Markets (2016)

### Facilities Assessment by Better Work or Gap Inc. during fiscal year

Country	Facilities Assessed by Better Work		Facilities Assessed by Gap Inc.		Total
Bangladesh	18	34%	35	66%	53
Cambodia	40	67%	20	33%	60
Haiti	7	88%	1	13%	8
Indonesia	30	32%	65	68%	95
Jordan	3	75%	1	25%	4
Lesotho	2	100%	0	0%	2
Nicaragua	1	25%	3	75%	4
Vietnam	59	45%	71	55%	130
<b>Total</b>	<b>160</b>	<b>45%</b>	<b>196</b>	<b>55%</b>	<b>356</b>

\*Not all assessed facilities are approved, or facilities may be newly approved or deactivated during year

## Goal

By 2018, partner with Verité and our strategic suppliers to measure workers' engagement, and launch projects aimed at improving 20,000 workers' sense of value and engagement at work. Publicly report on findings and impact, and share best practices with all Gap Inc. suppliers.

### Workforce Engagement Program

In addition to ensuring that the people who make our clothes work in safe, fair conditions, it is crucial that they feel valued and engaged at work. Research has shown that employee engagement enhances workers' sense of well-being, and can also demonstrate positive business outcomes. According to Workplace Research Foundation, highly engaged employees are 38% more likely to have above-average productivity, and suppliers that invest in workers receive a three-to-one return on their investment.

In 2015, we launched our Workforce Engagement Program with Verité, a leading NGO with deep expertise in improving working conditions in the garment sector. The goal of the program is to measure and improve the degree to which garment workers feel valued and engaged at work, by giving workers an opportunity to provide anonymous feedback on key topics such as supervisor relationships, grievance mechanisms, and training and development opportunities.

This information is collected through surveys, focus groups and one-on-one interviews, which provide a cross-section of both quantitative and qualitative data for our field team to derive insights from. Upon two years of implementation with Verité, we began testing the delivery of this program through interactive voice response (IVR) technology, smart phone applications (WeChat) and tablets. To do so, we partnered with Good World Solutions, launching the technology-based survey in three of our key sourcing countries.

Upon receipt of the data collected by Verité or Good World Solutions, we then help our suppliers analyze the workforce-related insights to create tailored recommendations they can use to make investments in their employees. This analysis also informs training programs for facility managers, as it serves as the basis for our Supplier Sustainability team to develop tools for facility managers to increase workers' satisfaction, knowledge and overall well-being. To achieve that end, in 2016 Gap Inc. created an Engagement and Well-Being Toolkit for suppliers, meant to provide them with resources that can help them improve various workplace-related issues. Examples of this include team-building activities, supervisory skills trainings and investments in well-being infrastructure, such as building daycare centers on site to help working mothers.

To date, we have worked with Verité to complete surveys in 81 facilities in Bangladesh, China, Guatemala, India and Vietnam, and with Good World Solutions we have delivered the tech-friendly survey to eight facilities in China (IVR and WeChat), Sri Lanka (tablet) and Vietnam (IVR)—reaching a workforce of over 220,000 workers since 2015.

The goal of the Workforce Engagement Program is to measure and improve the degree to which garment workers feel valued and engaged at work, by giving workers an opportunity to provide anonymous feedback on key topics such as supervisor relationships, grievance mechanisms and training and development opportunities.

We have found that the program supports both social and business objectives: For workers, it enhances well-being by helping facility managers listen to and act on their concerns and ideas about improving the workplace. For management, giving workers better benefits and resources at work can help increase productivity, improve retention and lower absenteeism. The program also benefits our business by promoting an ethos of continuous improvement among our suppliers. And by delivering best practices and recommendations to our suppliers, the program is helping us meet our goal for all strategic suppliers to achieve a sustainability rating of green or yellow by 2020.

A recent independent study completed by Verité highlights some of the positive business benefits, making the case that when suppliers invest in their employees, their business can benefit as well. Simultaneously, when facility management chooses not to act upon the insights revealed in these assessments, or when coaching mechanisms are deployed to provide “positive answers,” little improvement is observed by workers.

As we evolve the program, we will continue to find ways to incentivize supplier ownership of this approach. We will continue to help facility managers understand that this is not a compliance-related exercise, but is rather a program that complements traditional assessments by focusing solely on the workforce as an asset. Further, we will seek to deepen our partnership with other companies operating similar programs, namely through the BSR Working Group on Worker Engagement, by sharing best practices and seeking to align worker well-being and engagement tools.

## Assessment and Remediation

Since beginning our Supplier Sustainability program in 1994, we have refined our approach and introduced a range of innovative measures to more accurately assess facility performance, focus our time on the most critical issues, better understand the experience of the people who make our clothes and make sure their voices are heard. We view our suppliers as critical partners in meeting our business and sustainability goals, and we work with them to set shared goals and monitor and improve performance. Together, we share accountability for sustained improvement of working conditions, which will help us reach our goal of ensuring all our supplying facilities meet performance standards.

Today, our COVC, composed of industry-leading standards and legal requirements, is a living document that defines our standards for working conditions at the facilities that make our products. It is incorporated into our Vendor Compliance Agreement, which is signed by all our branded-product manufacturers.

Our Supplier Sustainability Assessment Manual, which is based on industry best practices, outlines the protocols our team uses to assess and remediate issues related to labor or working conditions. Each fiscal year, our team conducts a full assessment for all active manufacturers of our branded product to understand working and labor conditions, facilitate greater partnership with our suppliers and improve sustainability performance. Each assessment includes interviews with managers, confidential interviews with workers, visual observations and reviews of documents and records.

When we assess a facility, they receive a rating that is calculated based on clear criteria within five categories: Compliance with Laws, Environment, Labor Standards, Occupational Health and Safety, and Management Systems. Violations are input into a system that categorizes findings by their level of severity: “critical,” “severe,” “key” and “noncompliant.”

### The Short Story

## Assessment and Remediation

- We aim to create industry-leading standards that go above and beyond local laws.
- We partner with our suppliers to set and deliver business and sustainability goals.
- We updated our Code of Vendor Conduct (COVC) and created new tools to improve sustainability performance to drive positive change.

## Goal

Achieve a sustainability rating of green or yellow for all suppliers by the end of 2020.

We use a color-coded system to rate facilities' performance based on assessments. High-performing facilities with no critical or few violations receive a green rating. Average performers are rated yellow, while facilities that need improvement on one or more serious issues are assigned a red rating. Critical, severe and key violations have a greater negative impact on a facilities' rating than "non-compliance" violations, such as first-aid kits not being fully stocked.

A key tenet of our approach to partnering with facilities is that we work to fix what we find.



A key tenet of our approach to partnering with facilities is that we work to fix what we find. Together with facility management, we agree on specific, time-bound corrective action plans to address findings, and we provide additional resources to fix the issues that pose higher risks to workers' rights and well-being, as well as to our business. Based on the severity of issue, we outline a timeline within which we expect the factory to fully remediate. We also collaborate with local stakeholders who have direct access and influence to improve conditions. We monitor progress through follow-up assessments. Should there be outstanding or overdue issues, our Supplier Sustainability and Global Supply Chain teams escalate further intervention. However, if key or critical issues remain unresolved, we may halt future order placement or discontinue the supplier relationship.

In 2015, we introduced revisions to our COVC requirements, through the creation of Gap Inc.'s COVC Manual and a revised Assessment Manual for our Supplier Sustainability team. We have trained all our tier 1 suppliers on our COVC Manual, which is the primary training resource that helps our suppliers understand how to meet our sustainability requirements and proactively address issues related to labor standards, working conditions, the environment and more.



To help our suppliers take greater ownership of improving working conditions, we added the Management Systems category in 2015. This category measures the degree to which facility managers establish goals, implement plans, train employees, conduct their own assessments and adjust their programs to ensure continuous improvement. Also in 2015, we launched a new data system that includes a portal for our suppliers to easily access information related to their sustainability performance and find tools that can help them manage their risks and opportunities.

In 2017, we will be expanding our minimum requirements for suppliers, with additional guidance on fire, electrical and structural safety based on our learnings in Bangladesh and best practices in the industry.

[Detailed data from our COVC assessments are available online. >](#)



# Water Stewardship

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## In this section

- Women + Water
  - Improving Manufacturing in Mills and Laundries
  - Chemicals
- 

Water is essential for our business as well as the people and communities where we operate. At each stage of our products' creation, we look for ways to reduce water impacts. Through our programs, we reduce water use, eliminate discharge of hazardous chemicals and work directly with women to improve their access to clean, safe water.

## Context and Approach

Few resources are as essential to people's health and well-being as water; we believe clean, safe water is both an environmental issue and a basic human right. Water is also critical to our business—it is used to cultivate raw materials like cotton, consumed in the mills and laundries that manufacture our products and used by consumers when they wash their clothes.

In recent years, decreasing availability of safe, clean water has become a significant global challenge. Since 2015, the World Economic Forum has ranked the water crisis as one of the top five global risks in terms of impact.<sup>1</sup> It affects many people: One-third of the world's population lives in countries with poor water quality or where there is not enough water. That ratio is expected to reach two-thirds by 2025.

By 2030, it is estimated that demand for clean water will exceed supply by 40%. Climate change is exacerbating the water crisis, contributing to more frequent and severe droughts, storms and floods, which affect livelihoods and increase the risk of waterborne diseases. The issue of water is so important that the UN identified the need to ensure the availability and sustainable management of water and sanitation as Sustainable Development Goal (SDG) 6, Clean Water and Sanitation, which is one of the 17 SDGs.

As a business that relies on water to create our products in communities where people need access to water for their daily lives, water stewardship is a core pillar of the Gap Inc. sustainability strategy. To help build the resilience of our company, our supply chain and the people who make our clothes, we strategically address water use, water contamination and education about water and sanitation.

Our Women + Water strategy is aimed at reducing impacts in three primary ways:

- Building awareness and educating the women who make our clothes about safe water-handling practices, and by increasing their access to safe water
- Partnering with fabric mills and laundries to reduce manufacturing impacts
- Adopting more water-efficient product design and sourcing practices

Apparel production requires water throughout its life cycle, and the manufacturing process has significant water impacts. Cotton, an important raw material for Gap Inc., is one of the most water-intensive crops: About 1,500 gallons of water are needed to produce the 1.5 pounds of cotton within a single pair of jeans. Additionally, harmful chemicals used in dyeing and laundering can pollute as much as 200 tons of water per ton of fabric. In a climate-challenged world where both too much and too little water

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<sup>1</sup> <http://reports.weforum.org/global-risks-2017/the-matrix-of-top-5-risks-from-2007-to-2017/>

can have a serious impact, cotton sourcing has become a risk, with repercussions throughout our supply chain.

Beyond our supply chain, we are saving water through design choices and by educating customers about water stewardship. We proudly communicate our efforts in our product labeling, catalogs and online. Through this engagement, we hope to keep customers informed about our progress and inspire them to consider water in their daily lives and communicate the urgency of the work we're doing.

[For more on our efforts to reduce impact, specifically water-saving initiatives within product design, see page 87. >](#)

### Women and the Impact of Water

Of crucial importance is how water affects the people who make our clothes—roughly 80% of whom are women. These women need water to care for themselves, their families and their communities. Unfortunately, access to clean, safe water is a major challenge in many of our key sourcing countries, according to basin-level water risk mapping through WRI's Aqueduct tool, and issues such as population growth and climate change exacerbate the crisis. In water-stressed areas, poor and marginalized communities are affected the most. In India, groundwater pollution from agricultural and industrial activities and poor sanitation represent a root cause of water-quality issues that increase health and mortality risks. In China, 80% of water from underground wells is unfit for drinking or bathing because of contamination from industry and farming.

Country	China	India	Bangladesh	Cambodia	Indonesia
Mills	●	●			
Denim Laundries	●	●	●	●	●
Wet Processing	●	●	●	●	●
Cut/Sew Facilities	●	●	●	●	●
P.A.C.E. Program	●	●	●	●	●
Water Risk*	Medium/High	Extremely High	High	Low/Medium	High

\*Source: Conservation International research for Gap Inc.

## Women + Water

Our water strategy is focused on the intersection between our industry's significant use of water and the basic right people have to clean, safe water. In many parts of the world, women are largely responsible for household duties such as cooking and cleaning; they shoulder a disproportionate burden when it comes to water stress. If women had better access to water, they could spend that time caring for their families, getting an education or earning additional income. Women and children also face serious health risks due to inadequate access to safe water and sanitation, which is sometimes worsened by a limited understanding of healthy hygiene practices.

We recognize that water resource management is multifaceted, requiring diverse solutions. To make holistic change at the individual, organizational, community and systems levels, we need to coordinate efforts across business, government and civil society. In addition to focusing on education and awareness, we also partner with organizations to improve secure access to clean, safe water.

Our supply chain connects us to many of these women and their communities, giving us an opportunity to help improve their access to water and help them manage water issues. We support women and communities in two main ways: through our P.A.C.E. program, which includes curriculum about health and safe water-handling practices, and through partnerships with experts to address other systemic challenges, such as access to clean, safe water.



Our water strategy is focused on the intersection between our industry's significant use of water and the basic right people have to clean, safe water.

## **P.A.C.E. and the USAID Women + Water Global Development Alliance**

In 2014, we introduced water, sanitation and hygiene (WASH) curriculum to our P.A.C.E. program, which supports the women who make our clothes in gaining the skills and confidence to advance in work and life ([read more about P.A.C.E. on page 45](#)). With our expansion of P.A.C.E., and the goal to reach 1 million women and girls by the end of 2020, we are eager to reach even more women with effective strategies for managing water issues.

With our expansion of P.A.C.E., and the goal to reach 1 million women and girls by the end of 2020, we are eager to reach even more women with effective strategies for managing water issues.



In 2017, we announced a significant new partnership: a five-year collaboration with the US Agency for International Development (USAID) to improve access to clean water and sanitation services for the women touched by the apparel industry. We are expanding our P.A.C.E. program in India to teach safe water-handling practices, alongside our longstanding partners CARE and the International Center for Research on Women (ICRW). We will also support access to clean water and sanitation with our partner Water.org, and we will work to manage local water resources sustainably, in partnership with the Institute for Sustainable Communities.

[Read more about our USAID partnership on page 47. >](#)

Our partnership with USAID is designed to support women and communities as they learn about WASH practices, while also developing leadership skills. This supports women as they take initiative to incorporate improved water infrastructure in their communities. Our partnerships take this program beyond education to provide the essential hard goods, such as toilets and filters, needed in the home and to provide neighborhoods with clean water access.

# Improving Manufacturing in Mills and Laundries

## The Short Story

### Mills and Laundries

- Launched in 2013, our Mill Sustainability Program expands our environmental efforts well beyond our own operations.
- This program has reduced water and electricity use, as well as wastewater discharge.
- We have strengthened our Mill Sustainability Program and our Water Quality Program to reduce water impacts and fight pollution.
- We also partner with several industry initiatives, including NRDC's Clean by Design, Race to the Top and the Partnership for Cleaner Textile program.

### Goals

- Together with our suppliers, reduce water use in manufacturing by 1 billion liters by 2017.
- Work toward zero discharge of hazardous chemicals by 2020.

The processes behind making a piece of clothing affect both the environment and people in the surrounding communities. Traditional fabric mills use a great deal of water and chemicals during the dyeing and finishing process, and wastewater must be treated to ensure that both ecosystems and nearby communities are protected. Laundries, especially for denim, also require a great deal of water and pose pollution risks.

Gap Inc. is working with fabric mills and laundries to improve practices, and we are pursuing partnerships across our supply chain to reduce water and chemicals use. We aim to save 1 billion liters of water in our manufacturing processes by the end of 2017.

We encourage and support our suppliers in conducting environmental footprint assessments, including water use, using the Sustainable Apparel Coalition's (SAC) Higg Index. Though our sustainability programs have traditionally focused on our tier 1 cut-and-sew facilities, we recognize the need to measure and address the impact of the apparel supply chain more broadly. For this reason, we have expanded our program beyond direct suppliers to reach deeper in our supply chain. Through our Mill Sustainability Program, we have used the Higg Index to engage strategic mills in China, India, Pakistan, Vietnam, Korea and Taiwan to conduct environmental assessments, including water consumption and wastewater treatment and disposal. We are also actively monitoring and helping improve wastewater quality at denim laundries through our strengthened Water Quality Program (WQP).

In 2015 and 2016, we began working closely with our suppliers to share important benchmarking data so our suppliers can see how their environmental performance compares to competitors and peers. With a dashboard, we provide details—by country and factory—water consumption, greenhouse gas (GHG) emissions and energy use—and suggestions to help our suppliers identify opportunities for improvement.

Gap Inc. suppliers have saved 668 million liters of water since 2014.



## Mill Sustainability Program

Launched in 2013, our Mill Sustainability Program aims to improve the practices of fabric mills, while delivering benefits to the people who live in surrounding communities. Our program establishes clear environmental standards, and we are integrating those standards into our sourcing decisions. We also aim to scale improvements across the industry by working with our peers to identify and share best practices for improving the use of water, chemicals and energy.

We started our program by working with strategic mills in China, India, Pakistan and Taiwan to conduct environmental assessments, covering issues such as their energy use, water consumption, wastewater treatment and disposal and handling of waste and hazardous substances. Between 2015 and 2016, we expanded our program to reach more mills, and we updated our mill policy to strengthen expectations. We have invited 112 of our strategic mills—representing more than 70% of our fabric spend—to participate in the Higg index.

Going forward, we will continue to work with our supply chain business partners to engage with more tier 2 suppliers. We plan to establish an onboarding process for new mill suppliers, with clear communication of our performance expectations. Additionally, we communicated Minimum Expectations of Social and Labor and Environmental Issues to our entire mill base in March 2017. By further integrating this program and performance metrics across our business—and sharing innovative techniques and best practices with our vendor partners and mills—we will broaden our impact.



The apparel sector is a thirsty industry, with significant water impacts—from water consumption during production, to the use of harmful chemicals in dyeing and laundering, to industrial water pollution. We have created internal programs working with our strategic suppliers to reduce our company's impact, and we participate in leading industry initiatives to reduce the impacts of the sector more broadly.



**—Sally Gilligan**

Senior Vice President, Strategy and Product Operations, Global Supply Chain





### **Mill and Laundry Partnerships**

In addition to our Mill Sustainability Program, we are working to improve water impacts by partnering with several industry collaborations.

The Natural Resources Defense Council's (NRDC) Clean by Design program works with global apparel companies to help textile mills reduce their use of water, energy and chemicals. Since 2009, we have worked with Clean by Design to help mills conserve resources, save money and improve their performance. During the reporting period, we focused on helping three mills in Suzhou, China, improve their overall environmental performance by reducing their use of water, energy and chemicals. This project, which ended in 2017, resulted in a savings of 620 million liters of water per year.

In Vietnam, we work with Race to the Top, an initiative that includes global apparel and footwear brands, government, local industry and civil society. Race to the Top aims to scale up sustainable practices across the country's garment-manufacturing sector by focusing on four pillars: proving the benefits of a sustainable apparel sector, demonstrating the business case for manufacturers and mills to invest in sustainability, creating a supportive regulatory environment, and creating cost efficiencies and opportunities for innovation in sustainability across Vietnam.

In Bangladesh, we are part of the Partnership for Cleaner Textile (PaCT), a program focused on improving the environmental performance of the country's textile wet-processing sector. In Bangladesh, wet-processing facilities can use three times more water than the global average. This not only wastes water, it consumes more energy and costs more. Through PaCT, we are working with three denim laundries, where we have the potential to save nearly 85 million liters of water. With four other laundries nominated by other brands, there's potential to save up to 114 million liters.

In 2015, we built a training program focused on resource efficiency with three mills in water-stressed regions in northern India. Building on this pilot, our India Water Partnership with 10 mills provides technical expertise on water and energy efficiency, as well as chemicals management.

## Chemicals

Chemicals are used throughout the production cycle of most garments, from fabric dyeing to creating unique finishes. According to some estimates, the global apparel industry accounts for 25% of manufacturing chemical usage. The discharge of these chemicals threatens local water sources; contamination could affect people living in surrounding communities.

Because we know certain chemicals can be harmful to consumers, in 2008, we developed a Restricted Substance List (RSL) that dictates which chemicals must not be used to produce our clothing. We base this list on both existing and developing legislation as well as toxicity risk assessments. As part of our ongoing monitoring process, we have an independent, accredited, third-party lab test for restricted chemicals in our finished products. If products do not meet applicable legal chemical requirements and regulations, they will not be sold or must be remade to meet our compliance standards. If a supplier's product is shown to have elevated levels of these chemicals, we provide test results and guidance to help the supplier remediate its usage of these chemicals and educate the supplier on our chemical policy.

Looking beyond our initial chemicals management program, we are partnering to address the impact of chemicals used in our supply chain through the [Zero Discharge of Hazardous Chemicals \(ZDHC\) program](#). In 2014, ZDHC established a strengthened industry-wide standard for restricted substances with an expanded Material Restricted Substance List (MRSL) that aims to reduce worker exposure to chemicals and reduce chemical impacts on wastewater. We have communicated this list to the suppliers, facilities and mills that make our clothing, and we have set an ambitious goal: to work toward zero discharge of hazardous chemicals in our supply chain by 2020.

Three denim laundries that we source from in Bangladesh are participating in the Partnership for Cleaner Textile program, alongside other mills, which has identified nearly 114 million liters of water savings.



# Product Sustainability

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## In this section

- The Product Life Cycle
  - Sustainably Sourcing Raw Materials
  - Addressing Water Use with Design Choices
  - Integrating Sustainability into Our Brand Decisions
- 

Our integrated commitment to sustainability begins with our design teams and the development of products that look good, have lower impact on the environment and bring confidence to our customers. Since the materials in our clothes greatly contribute to each garment's environmental impact, our design and production decisions have significant power to make our products more sustainable.

## Context and Approach

We are committed to integrating environmental sustainability more deeply into every aspect of our business, from the materials we source, to the suppliers we work with and, ultimately, the clothes we sell.

We are committed to pursuing technology and product innovation, allowing us to continually deliver great products that look good, delight our customers wear after wear and reduce our impact on people and the planet. In recent years, we've begun a new journey to build on our capabilities and empower our employees to make sustainability part of their jobs. Our brands are tasked with developing strategies to improve their sustainability performance, and in 2017, both our Athleta and Gap brands released public goals to improve the materials they source.

### The Short Story

## Product Sustainability

- We are committed to designing great clothes that look good, delight our customers and reduce our impact on people and the planet.
- By sourcing more sustainable raw materials, we are protecting natural resources and reducing water, energy and chemicals use.
- We use life cycle analyses to find ways to reduce impacts in manufacturing, packaging and distribution, consumer use and end of product life.

Given the size and complexity of the apparel supply chain, we work hard to identify and measure our greatest environmental impacts so that we can invest resources in areas that will have the greatest impact.

We have identified several critical ways to improve product sustainability:

- We partner with our most progressive and strategic suppliers to identify and scale best practices across our supply chain.
- We've identified ways to more sustainably source key raw materials.
- Through our life cycle analyses, we are examining ways to reduce impacts in other stages of our products' life, including manufacturing, packaging and distribution and in our retail operations.
- Our brands work to develop solutions that are meaningful to their customers and that can be scaled up across our business.

We are embarking on a long-term vision that builds on our strengths, addresses our weaknesses, and ensures that our efforts are sustainable and scalable. We also recognize that we cannot get there alone and we will continue to leverage our relationships with peers, partners and stakeholder groups, such as the Sustainable Apparel Coalition, Textile Exchange and the Better Cotton Initiative. Our partners each bring something unique to the table in terms of access, expertise, common framework or principles, funding and more. With these partnerships, we're able to scale up work through our global supply chain and support our brands in setting their own sustainability goals.

## Mapping The Product Life Cycle

To understand environmental impacts for the entire process—from design, to sourcing, to manufacturing, all the way to a customer's closet—we perform life cycle assessments (LCA). We use these to evaluate indicators such as product carbon emissions, chemicals and water usage from cradle to grave. Our LCAs helped us understand where we can engage our supply chain, internal teams and customers to help reduce the environmental impacts of our products at all stages.

Given that denim plays such an important role in each of our brands' assortments, we measured the environmental impact of a pair of both men's and women's jeans, as well as one of our T-shirts. Our findings revealed that, in terms of water, raw materials have the greatest impact, primarily due to the water required in cotton cultivation. Consumer use contributed the second-highest water impact due to laundering garments. Consumer use also contributed the most significant carbon emissions due to the high level of energy required to dry jeans and other clothes.

Using these results, we increased our efforts in areas where we have direct influence: raw materials selection, fabric development, garment production and finishing. We also affirmed that durable and well-loved garments, worn time after time, will have lower life-cycle impacts, which has strengthened our commitment to classic, well-made designs that our customers love and keep for years.



In 2016, Athleta's use of recycled raw materials diverted the equivalent of 7 million plastic bottles from landfills.

To understand our impacts and where we have the greatest leverage to address issues, we use a tiered approach to mapping our supply chain.

The nature of our relationships with our product suppliers means we have the most visibility and control over our tier 1 suppliers. Our tier 1 suppliers encompass cut-and-sew facilities—where garments are embroidered, cut, assembled and finished—and laundries, where finishes are applied and garments are washed before being packaged and sent to our distribution centers. All of our tier 1 facilities are asked to respond to the Sustainable Apparel Coalition’s Higg index, a self-reporting tool that evaluates environmental performance and helps identify opportunities for improvement. Since 2016, we have published a complete list of our active facilities, [which is available online here](#).

Our tier 2 suppliers include textile mills, where fabric is woven or knit and dyed to the perfect color or pattern. We have mapped the facilities of our strategic tier 2 suppliers and are systematically mapping out all facilities for our tier 2 mills. Additionally, we communicated Minimum Expectations of Social and Labor and Environmental Issues to our entire mill base in March 2017, establishing standards for both social and environmental monitoring and performance (for more on our engagement with mills around water consumption and quality, see the section beginning on page XX.) So far, we have engaged 30% of our strategic mill facilities in water and energy-efficiency programs in China, India, Vietnam and Bangladesh, and we are planning to engage more.

Our supply chain begins with what’s sourced from suppliers within tier 3, which includes raw material cultivation and extraction, the first stages of production and the preparation of those materials into fibers ready to become cloth.

In 2016, Gap Inc. sourced more than 11.5 million pounds of Better Cotton Initiative cotton—enough to make 7.4 million pairs of jeans.



# Key Stages in the Apparel Life Cycle



## Resource Extraction and Refining

This stage includes the sourcing of raw materials, including cotton, polyester and man-made cellulosic fibers such as viscose/rayon and modal. It can also include materials for trim, such as zippers and embellishments, and turning them into a form (such as spun thread) that is ready to be manufactured into our products. Impacts can be reduced in this phase through strategic sourcing of more sustainable materials.



## Manufacturing

Manufacturing covers all processes involved in creating our products, such as yarn spinning, knitting/weaving, dyeing, embroidering, cut-and-sew processes, laundering and finishing. In manufacturing, it's possible to reduce the use of water, energy and chemicals, especially with closed-loop or zero-discharge manufacturing that reuses chemicals or water without releasing them to the environment.



## Packaging and Distribution

This includes all steps involved with labeling, packaging for transport and storage, and freight to our distribution centers and eventually to customers or stores.



## Consumer Use

Consumer use of products—mostly from garment care including washing, drying and dry-cleaning—contributes to a product's water and carbon footprint when in the customer's possession. Use may also include multiple “lives” if the garment is resold as a second-hand product, which reduces the product's life cycle impacts compared to a new item.



## End of Life

Finally, we consider the environmental impacts of when an item is eventually discarded, usually into a landfill. This phase offers opportunities for recycling, upcycling or helping create a circular product life cycle.

## Sustainably Sourcing Raw Materials

We use many types of fibers in Gap Inc. products: natural fibers include plant-based items such as cotton and linen, and animal-based materials such as wool, leather and cashmere; synthetic fibers include polyester and spandex; and man-made cellulose include pulp-based materials such as rayon and modal. Each type of fiber has a social and environmental impact, and we are empowering our designers with the knowledge needed to make informed choices within the design process.

Recently, we published a policy, in line with Canopy Style, on sustainable procurement of wood-derived fabrics, such as rayon, viscose, modal, lyocell and Tencel, to eliminate the sourcing of woodpulp from ancient and endangered forests.

It can be challenging to trace tier 3 suppliers because most fibers are bought and sold as commodities, and we do not have direct financial relationships with the original suppliers. For some of these commodities, we have joined multi-stakeholder partnerships, or certified initiatives such as organic, recycled, Fair Trade and others, that help verify the origin of the fibers or ensure that these fibers are sustainably sourced.

### Cotton

Cotton is essential to our business. As one of the leading apparel brands in the world, we use a significant amount of the global cotton supply. Cotton cultivation requires large amounts of land, human labor, machinery, pest- and weed control measures, and it is also water-intensive. Cotton is also an important crop for the economy, supporting the livelihoods of 250 million people, many of whom are women.

Given its importance in many of our products, we have announced ambitious goals to source more sustainable cotton. Our commitment to sustainable cotton includes sourcing recycled, organic, American-grown and cotton from the Better Cotton Initiative (BCI).

These options enable us to purchase cotton that is grown in ways that reduce water and pesticide usage, improve soil quality and work to make cotton production better for the workers and farmers involved. For example, BCI provides training to millions of farmers around the world to “produce cotton in a way that cares for the environment, minimizing the negative effects of fertilizers and pesticides, and caring for water, soil health and natural habitats.” BCI farmers also commit to decent work principles—conditions that support workers’ safety and well-being.

This approach works: In a benchmark of BCI farmers in 2013, between 14% and 23% less water was used in cultivation than on farms that did not use BCI principles. In 2016, we sourced 11.5 million pounds of BCI cotton—enough to make 7.4 million pairs of jeans.



## Synthetic

We also use synthetic materials in our products, including polyester, spandex and nylon, which provide essential performance properties. However, synthetics are often derived from nonrenewable, petroleum-based sources. They also have fewer end-of-life solutions than natural fibers because they may never biodegrade. To address these challenges, we're taking steps to ensure we're sourcing more sustainable synthetic fibers.

As a brand that uses large amounts of synthetics in its active wear, Athleta is taking a leading stance on addressing this issue with its goal of having 80% of materials made with sustainable fibers by 2020. Athleta incorporates recycled polyester and nylon into sourcing, which helps offset the impacts and waste streams of virgin materials and preserves our nonrenewable resources. In 2016, Athleta diverted the equivalent of 7 million plastic water bottles from landfills by sourcing recycled polyester.

## Addressing Water Use with Design Choices

Since up to 80% of a product's environmental impact is tied to decisions made in design and development, we know that reducing water impacts begins with innovative product design. Our designers have embraced the opportunity to save water while creating the style and quality our customers love. We are working with our designers to evaluate a variety of factors that can reduce water impacts throughout a product's life cycle. These factors include: the type of raw materials and how much are used, how our products are manufactured and how long our clothes are designed to last.

In addition to improving the raw materials used in our products, we are working to reduce water used to finish garments such as denim, while staying true to the look and feel of the clothes that our customers love. For instance, Gap has pioneered a smart denim wash technique called Washwell that incorporates water-savings as well as plant-based fabric softeners that are certified by the US Department of Agriculture as BioPreferred.<sup>®</sup> Not only did Washwell save more than 17.9 million liters of water in 2016, this process has helped to eliminate hazardous chemicals and protect the health of workers and waterways.

### The Short Story

## Water Use

- 80% of a product's environmental impact is determined at the concept phase.
- We find ways to reduce water and chemicals use when designing and selecting materials for our products.



We are continuing to educate our brand designers, merchants, product development and sourcing teams about how to design using more sustainable fibers, fabrics and manufacturing techniques that save water—and how to procure more responsible materials.

## Integrating Sustainability into Our Brand Decisions

One of the most effective ways we've found to design and create more sustainable products is to build awareness and education around sustainability, so as to improve the impacts of our products on people and the planet. We continue to educate our brand designers, merchants, product development and sourcing teams about how to design using more sustainable fibers, fabrics and manufacturing techniques that save water—and how to procure more responsible materials.

In partnership with sourcing product development teams, we've designed training on raw materials and wet-processing impacts and alternatives. We trained product development teams from Athleta and Gap and our sourcing teams to make informed design decisions when creating more sustainable products. We are also engaging new employees as they enter the company and start their careers. Product sustainability curriculum is included in our existing Rotational Management Program training, and we updated our new employee orientation to include key highlights and resources.

We also publish a monthly Product Sustainability Report. This internal newsletter provides updates on current events, industry innovations as well as company and competitor initiatives. Informing our teams provides insight into the business value and empowers them to integrate this information into their day-to-day work.

### Brand Goals

From its start, Athleta has been grounded in the values of taking care of ourselves and our environment. In 2015, the brand strengthened this commitment by integrating sustainability more deeply into the way it does business. Athleta took its efforts to the next level by building a passionate, knowledgeable, cross-functional team and making training courses and tools available to them. This included the development of ambitious sustainability targets and customer messaging.

From its start, Athleta has been grounded in the values of taking care of ourselves and our environment.

Athleta has prioritized the conversion of raw materials to sustainable alternatives and has set a goal to use sustainable fibers, including recycled polyester and Lenzing Tencel, in 80% of materials by 2020. Athleta is also offering certified Fair Trade products that provide additional worker funds to the factory certified in Sri Lanka. These funds are used to address work needs such as health care, childcare, transportation and community investment, based on nominations by a worker committee.

Gap brand has established the ambitious goal to get 100% of its cotton from more sustainable sources by 2021, including BCI, organic, recycled and American-grown. Gap sourced 3.8 million pounds of BCI cotton in its Spring 2017 collection alone. The brand is launching the Gap for Good platform, which serves to engage customers through product tagging, in-store and online tagging and marketing material. We are also working to educate our store employees on our sustainability efforts so they are empowered to talk about this work with our customers.



We've also begun to examine our packaging, understanding that we need to work holistically to ensure our products, and the items we use to protect and ship them, have a smaller impact on the environment.

Looking forward, there are still many areas where we see impacts that must be addressed, including sustainable chemistry and end-of-life solutions. We see opportunity for industry-wide collaboration to find innovative solutions to many outstanding issues. While we have much exciting work ahead of us in 2017 and beyond, we are pleased that our brands are championing sustainability by setting ambitious goals, integrating sustainability into their processes, designing with sustainability in mind and communicating directly to customers.



# Operational Eco-Efficiency

In this section

- Climate and Energy
- Waste

A dedication to reducing the impacts of our owned and operated stores, distribution centers and offices means reducing our operational greenhouse gas (GHG) emissions and waste production, and working with our logistics and procurement partners to identify practices that are more efficient and have lower environmental impact.

## Context and Approach

A healthy environment is critical to healthy populations and our success as a business. Alongside our supply chain work, we recognize we have the greatest power to reduce our impact within our own operations. Our transportation team also works to achieve emission reductions while streamlining our logistics. We view climate change as both an environmental and a human rights issue. These efforts reduce environmental impact and are cost-effective.

## Climate and Energy

We focus primarily on energy and waste when it comes to the environmental impacts of our own operations. Taking action in one area, like waste, can also reduce GHG emissions.

We believe it is vitally important that we address the urgent challenge of climate change—and that integrating climate change into our business strategy contributes to a competitive advantage in several ways, as it:

- reduces our operating costs by increasing energy efficiency and reducing consumption
- positions us well to adapt to a fast-changing regulatory environment affecting energy use, product marketing and labeling, and store construction
- helps us improve our reputation and build support from a range of stakeholders, including customers, employees, investors and environmental organizations

Climate change affects us all, and we feel an urgency to act both individually and alongside others. Since 2007, we have been actively engaged with Ceres, a leading nonprofit organization dedicated to mobilizing the business community to build a sustainable economy. As a member of Ceres' Business for Innovative Climate and Energy Policy (BICEP) coalition, we advocate for progressive policy action on climate and energy issues, and publicly affirmed our commitment to the Paris Agreement on climate change.

Our climate goal—to achieve a 50% absolute reduction in the GHG emissions of our owned and operated facilities globally between 2015 and the end of 2020—builds on our previous goal to reduce our absolute U.S. GHG emissions 20% by 2015, based on a 2008 baseline. We exceeded that goal by achieving a 37% reduction by the end of fiscal 2015. As a result of our ambitious target, we were pleased to receive the U.S. Environmental Protection Agency (EPA) Climate Leadership Award for "Excellence in GHG Management – Goal Setting" in 2016, the second time we've received this award.

### The Short Story

## Operational Eco-Efficiency

- We take steps every day to reduce the climate and waste impacts of our stores, offices and distribution networks.
- We have installed LED lighting at 1,000 stores and we are pursuing new approaches to further increase our energy efficiency.
- We are partnering with industry leaders to find ways to reduce major waste streams across the retail industry.

## Goals

- Reduce absolute scope 1 and 2 greenhouse gas emissions in our owned and operated facilities globally by 50% by 2020.
- Divert 80% of waste from our U.S. facilities by 2020.

## Retail stores

Retail stores are the focus of Gap Inc.'s energy program since they generate approximately 85% of our direct (scope 1 and 2) GHG emissions. We are taking steps to adapt to climate change and regulatory changes by piloting and expanding energy-management solutions for our retail operations, updating HVAC systems and exploring renewable energy options. To work toward our 2020 emissions-reduction goal, we used the EPA EnergyStar platform to analyze differences in store performance and prioritize regions, brands and initiatives with the greatest opportunities for energy improvements. We piloted a new energy-efficiency program at 100 stores across North America to provide real-time monitoring and management of our energy use. We have installed LED lighting—which use 80% less energy than conventional lights—at over 1,000 of our stores. Not only do these lights reduce our energy use, they last five to 10 times longer and they pay for themselves in just two to three years. In addition to this work, renewable energy will likely be important for us to reach our goal, and we are exploring options that achieve significant reductions while balancing business needs.

We were selected as a 2016 SmartWay High Performer for our efforts to use cleaner modes of transportation and encouraging the use of fuel-saving strategies.



## Distribution

In 2011, we joined a voluntary government and industry collaboration known as the SmartWay Shipper Program, which brings together carriers, freight shippers and logistics companies to improve fuel efficiency. In addition to being a certified EPA SmartWay shipping partner, we became a Canadian SmartWay partner in 2013. We were also selected as a 2016 SmartWay High Performer. We have committed to increasing the amount of freight we ship by SmartWay carriers by 5% each year. We also have committed to using cleaner modes of transportation and encouraging the use of fuel-saving strategies and technologies. Moving forward, we are working to integrate more of our business operations into the SmartWay program and improve our data collection to better measure results.

## Supply Chain

Gap Inc. Global Greenhouse Gas Emissions	Metric Tonnes CO <sub>2</sub> e		
	2014	2015	2016
<b>Type / Location</b>			
Total GHG Emissions (Scope 1 and 2)	499,859	481,122	447,687
Reduction rate	N/A	Baseline	-6.95%
<b>Scope 1 GHG emissions</b>	<b>31,275</b>	<b>28,465</b>	<b>23,811</b>
Headquarters	1,780	1,466	1,559
Distribution Centers	6,118	6,885	5,556
Retail Stores	23,378	20,144	16,696
<b>Scope 2 GHG emissions</b>	<b>468,584</b>	<b>452,628</b>	<b>423,878</b>
Headquarters	23,116	18,916	15,894
Distribution Centers	41,178	41,054	39,598
Retail Stores	404,290	392,658	368,386

We recognize that our supply chain represents an even larger carbon footprint than our direct operations. To address this, we are working closely with our product suppliers to measure the environmental footprint of our supply chain. Gap Inc. was one of the first members of the Sustainable Apparel Coalition to execute a large-scale rollout of the environmental performance management tool, the Higg Index, to our entire cut-and-sew and fabric mill suppliers. Our goal is to reduce the emissions intensity of Gap Inc.'s products and manufacturing processes and, therefore, reduce climate risk from potential sourcing impacts.

## Waste

Our biggest waste streams from our owned-and-operated facilities are polyethylene bags and plastic hangers. As many of our facilities are within larger mall complexes, we are looking for solutions that address the diverse needs of our stores and distribution centers. By addressing these two significant areas of waste, we'll be able to achieve our goal of diverting 80% of waste from U.S. facilities by 2020.

We are engaged with our brands, suppliers and the greater apparel industry to achieve our goal. For example, we are working with the Retail Industry Leaders Association (RILA), which has convened retailers and major landlords to explore ways to collect and recycle these major waste streams. In 2014, we diverted 29% of our waste from our U.S. stores. We are currently reassessing our methodology to calculate waste production and diversion and look forward to reporting our progress in the future.

We are particularly focused on:

- **Packaging sustainably:** Boxes, hangers and plastic wrapping are used to transport and to protect our clothes as they move from distribution centers to stores. We are looking at ways to reduce packaging weight or change the packaging materials to decrease the overall waste volume or allow for greater recycling.
- **Recycling in malls:** Reusing or recycling packaging pose challenges because we don't own the buildings where our stores are located. To address this, we are working with our stores' landlords on recycling options and also looking at recycling stations where bags can be baled, picked up and recycled.
- **Creating opportunities via partnerships:** Our teams are partnering with RILA to discuss ways the industry can reduce the impacts of polybags. We are also part of the Landlord Tenant Energy Partnership, which is exploring how to incentivize energy efficiency and finance clean energy projects in shared spaces.



# GRI Content Index

We sought to prepare the report in accordance with the core option of the Global Reporting Initiative's (GRI) Standards. (GS Report and GS Website refer to Gap Inc.'s Global Sustainability Report, 2015–2016 and Global Sustainability website; Annual Report refers to Gap Inc.'s Annual Report for the fiscal year ended January 31, 2016)

GRI Indicator	Description	Disclosure Source	Section(s)	Page(s)
<b>General Standard Disclosure</b>				
<b>1. Organization Profile</b>				
102-1	Name of the organization	GS Report	About Gap Inc.	1
102-2	Description of the organization's activities; primary brands, products, and services, including an explanation of any products or services that are banned in certain markets	GS Report	About Gap Inc.	1
102-3	Location of organization's headquarters	GS Report	About Gap Inc.	1
102-4	Location of operations: Number of countries where the organization operates, and the names of countries where it has significant operations and/ or that are relevant to the topics covered in the report	GS Report	About Gap Inc.	1
102-5	Nature of ownership and legal form	Annual Report	Part I, Item 1. Business (page 1)	
102-6	Markets served, including geographic breakdown, sectors served, and types of customers/ beneficiaries	GS Report	About Gap Inc.	1
102-7	Scale of the reporting organization	Annual Report	Part I, Item 1. Business (page 3), and Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (page 19)	

102-8	<p>Total number of employees by employment contract and gender;</p> <p>Total number of employees by employment contract (permanent and temporary) by region;</p> <p>Total number of employees by employment type (full-time and part-time) by gender;</p> <p>Whether a significant portion of the organization's activities are performed by workers who are not employees;</p> <p>Any significant variations in the numbers reported above (such as seasonal variations)</p>	GS Report, GS Website	About Gap Inc.; <a href="#">Measuring Our Progress/ Employees</a>	1
102-9	Describe the organization's supply chain	GS Report	Advancing Progress Across Our Value Chain	8
102-10	Significant changes to the organization's size, structure, ownership, or supply chain	Annual Report	Part I, Item 1. Business. (page 2)	
102-11	Whether and how the organization applies the Precautionary Principle or approach	GS Report	Managing and Prioritizing Risks	14-15
102-12	List externally-developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	GS Report	Sustainability Policies	17-18
102-13	Memberships in industry or other associations, and national or international advocacy organizations	GS Report	Partners and Stakeholders	12
<b>2. Strategy</b>				
102-14	Statement from the most senior decision-maker of the organization	GS Report	Letter From Our CEO	2-3
102-15	Description of key impacts, risks, and opportunities	GS Report	Assessing Materiality	9-10

<b>3. Ethics &amp; Integrity</b>				
102-16	Describe the organization's values, principles, standards and norms of behavior	GS Report	Acting with Integrity, Sustainability Policies	15-18
<b>4. Governance</b>				
102-18	Governance structure of the organization, including committees of the highest governance body and committees responsible for decision-making on economic, environmental and social impacts.	GS Report	Sustainability Governance	13-14
<b>5. Stakeholder Engagement</b>				
102-40	List of stakeholder groups engaged by the organization	GS Report	Partners and Stakeholders	12
102-42	Basis for identifying and selecting stakeholders with whom to engage	2013-2014 GS Report	Gap Inc. 2013-2014 Sustainability Report (pages 14, 15, 16)	
102-43	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	2013-2014 GS Report	Gap Inc. 2013-2014 Sustainability Report (pages 14, 15, 16)	
102-44	Key topics and concerns that have been raised through stakeholder engagement; how the organization has responded to those key topics and concerns, including through its reporting; the stakeholder groups that raised each of the key topics and concerns	GS Report	Gap Inc. Material Issues; topics addressed throughout the report	9
<b>6. Reporting Practice</b>				
102-45	List all entities included in the organization's consolidated financial statement; report whether any entity is not covered in the report	Annual Report	Part I, Item 1. Business (pages 1 - 2)	

102-46	Process for defining report content and the topic Boundaries; explain how the organization has implemented the Reporting Principles for defining report content	2013-2014 GS Report	Gap Inc. 2013-2014 Sustainability Report (pages 14, 15, 16)	
102-47	List the material topics identified in the process for defining report content	GS Report	Gap Inc. Material Issues	9
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements		There are no restatements from the previous report data.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries		The material topics and Boundaries remained the same	
102-50	Reporting period for the information provided	GS Report	About This Report	1
102-51	Date of the most recent previous report	GS Report	About This Report	1
102-52	Reporting cycle (annual, biennial, etc.)	GS Report	About This Report	1
102-53	Contact point for questions regarding the report or its contents	GS Report	About This Report	1
102-54	Report the “in accordance” option	GS Report	About This Report	1
102-55	The GRI content index	GS Report	GRI Content Index & UNGC Communication on Progress	97
<b>Specific Standard Disclosure</b>				
<b>Economic</b>				
<b>Aspect: Economic Performance</b>				
201-1	Direct economic value generated and distributed	Annual Report	Part II. Item 6. Selected Financial Data	

201-2	Financial implications and other risks and opportunities due to climate change	GS Report, GS Website	Business Strategy; Sustainability Policies; Climate and Energy; Doing Our Part on Climate, Collaborating for Change	4-13, 17, 88-89
<b>Aspect: Market Presence</b>				
201-1	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	GS Report, GS Website	Creating Opportunities for Women, Wages and Scheduling; Promoting Stability and Flexibility for Retail Employees; Wages  Working for Greater Equality and Opportunity	31, 37, 56
<b>Aspect: Indirect Economic Impacts</b>				
203-2	Significant indirect economic impacts, including the extent of impacts	GS Report	Youth Opportunity: This Way Ahead; Community Investment and Volunteering; Empowering Women: P.A.C.E.; Improving Factory Working Conditions	38-68
<b>Environmental</b>				
<b>Aspect: Energy</b>				
302-1	Energy consumption within the organization	GS Website	Measuring Our Progress/ Environment	
302-3	Energy intensity	GS Website	Measuring Our Progress/ Environment	
302-4	Reduction of energy consumption	GS Website	Measuring Our Progress/ Environment	
<b>Aspect: Water</b>				
303-2	Water sources significantly affected by withdrawal of water	GS Website	Measuring Our Progress/ Environment	
<b>Aspect: Emissions</b>				
305-1	Direct (Scope 1) GHG emissions	GS Report, GS Website	Climate and Energy Measuring Our Progress/ Environment	90

305-2	Energy indirect (Scope 2) GHG emissions	GS Report, GS Website	Climate and Energy Measuring Our Progress/ Environment	90
305-3	Other indirect (Scope 3) GHG emissions	GS Website	Measuring Our Progress/ Environment	
305-4	GHG emissions intensity	GS Website	Measuring Our Progress/ Environment	
305-5	Reduction of GHG emissions	GS Report, GS Website	Climate and Energy Measuring Our Progress/ Environment	90
<b>Aspect: Supplier Environmental Assessment</b>				
308-1	New suppliers that were screened using environmental criteria	GS Report, GS Website	Assessment and Remediation Measuring Our Progress/ Working Conditions	66-68
308-2	Negative environmental impacts in the supply chain and actions taken	GS Report, GS Website	Assessment and Remediation Measuring Our Progress/ Working Conditions	66-68
<b>Social</b>				
<b>Aspect: Employment</b>				
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	GS Report, GS Website	Benefits and Work-Life Integration Measuring Our Progress/Employees	36
<b>Aspect: Occupational Health &amp; Safety</b>				
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and work-related fatalities	GS Report, GS Website	Ensuring Worker Safety Measuring Our Progress/Employees	37
<b>Aspect: Training &amp; Education</b>				
404-3	Percentage of employees receiving regular performance and career development reviews	GS Report	Our Employee Experience	33-34

<b>Aspect: Diversity &amp; Equal Opportunity</b>				
405-1	Diversity of governance bodies and employees	GS Report, GS Website	Employees and Workforce <a href="http://www.gapinc sustainability.com/strategy/our-sustainability-strategy/ensuring-strong-governance">http://www.gapinc sustainability.com/strategy/our-sustainability-strategy/ensuring-strong-governance</a>  Measuring Our Progress/Employees	29
<b>Aspect: Non-discrimination</b>				
406-1	Total number of incidents of discrimination and corrective actions taken	GS Report, GS Website	Discrimination  Measuring Our Progress/ Working Conditions	55
<b>Aspect: Freedom of Association and Collective Bargaining</b>				
407-1	Operations and suppliers in which workers' rights to exercise freedom of association or collective bargaining may be violated or at significant risk		Freedom of Association  Measuring Our Progress/ Working Conditions	51
<b>Aspect: Child Labor</b>				
408-1	Operations and suppliers at significant risk for incidents of child labor	GS Report, GS Website	Our Policies and Commitment to Human Rights: Child Labor  Measuring Our Progress/ Working Conditions	55-56
<b>Aspect: Forced or Compulsory Labor</b>				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	GS Report, GS Website	Our Policies and Commitment to Human Rights: Human Trafficking and Forced Labor  Measuring Our Progress/ Working Conditions	51-52

<b>Aspect: Human Rights Assessment</b>				
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	GS Report, GS Website	Our Policies and Commitment to Human Rights  Measuring Our Progress/ Working Conditions	47-60
<b>Aspect: Local Communities</b>				
413-1	Percentage of operations with implemented local community engagement, impact assessments, and/or development programs	GS Report	Community Investment and Volunteering	41-42
<b>Aspect: Supplier Social Assessment</b>				
414-1	New suppliers that were screened using labor practices criteria	GS Website	Assessment and Remediation; <a href="#">Measuring Our Progress/ Working Conditions</a>	66-68
414-2	Negative social impacts in the supply chain and actions taken	GS Report, GS Website	Assessment and Remediation; <a href="#">Measuring Our Progress/ Working Conditions</a>	66-68

## United Nations Global Compact: Communication on Progress

<b>Principle</b>	<b>Principle Description</b>	<b>Location</b>
1	Businesses should support and respect the protection of internationally proclaimed human rights	<p><b>Policies</b></p> <p><a href="#">California Transparency in Supply Chains Act</a>  <a href="#">Code of Vendor Conduct</a>  <a href="#">Human Rights Policy</a>  <a href="#">UK Modern Slavery Act</a></p> <p><b>Implementation</b></p> <p>Assessing Materiality  Advancing People and Communities  Improving Factory Working Conditions</p>



2	Businesses should make sure they are not complicit in human rights abuses	<p><b>Policies</b></p> <p><a href="#">Human Rights Policy</a>  <a href="#">Code of Vendor Conduct</a>  <a href="#">Conflict Minerals Policy</a></p> <p><b>Implementation</b></p> <p>Advancing People and Communities  Improving Factory Working Conditions</p>
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	<p><b>Policies</b></p> <p><a href="#">Code of Vendor Conduct</a></p> <p><b>Implementation</b></p> <p>Freedom of Association</p>
4	Businesses should uphold the elimination of all forms of forced and compulsory labor	<p><b>Policies</b></p> <p><a href="#">Human Rights Policy</a>  <a href="#">Code of Vendor Conduct</a>  <a href="#">California Transparency in Supply Chains Act</a>  <a href="#">UK Modern Slavery Act</a></p> <p><b>Implementation</b></p> <p><a href="#">Forced Labor</a>  Human Trafficking and Forced Labor</p>
5	Businesses should uphold the effective abolition of child labor	<p><b>Policies</b></p> <p><a href="#">Human Rights Policy</a>  <a href="#">Code of Vendor Conduct</a></p> <p><b>Implementation</b></p> <p><a href="#">Child Labor and Young Workers</a>  Child Labor</p>
6	Businesses should uphold the elimination of discrimination in respect of employment and occupation	<p><b>Policies</b></p> <p><a href="#">Human Rights Policy</a>  <a href="#">Code of Vendor Conduct</a></p> <p><b>Implementation</b></p> <p><a href="#">Discrimination</a>  Advancing People and Communities  Improving Factory Working Conditions</p>

7	Businesses should support a precautionary approach to environmental challenges	<p><b>Policies</b></p> <p><a href="#">Climate Policy</a></p> <p><a href="#">Wood-Derived Fabric Policy</a></p> <p><b>Implementation</b></p> <p>Letter From Our CEO</p> <p>Assessing Materiality</p> <p>Water Stewardship</p> <p>Product Sustainability</p> <p>Operational Eco-Efficiency</p>
8	Businesses should undertake initiatives to promote greater environmental responsibility	<p><b>Policies</b></p> <p><a href="#">Animal Welfare Policy</a></p> <p><a href="#">Climate Policy</a></p> <p><a href="#">Wood-Derived Fabric Policy</a></p> <p><b>Implementation</b></p> <p>Water Stewardship</p> <p>Product Sustainability</p> <p>Operational Eco-Efficiency</p>
9	Businesses should encourage the development and diffusion of environmentally friendly technologies	<p><b>Policies</b></p> <p><a href="#">Climate Policy</a></p> <p><b>Implementation</b></p> <p>Product Sustainability</p>
10	Businesses should work against corruption in all its forms, including extortion and bribery	<p><b>Policies</b></p> <p><a href="#">Code of Business Conduct</a></p> <p><a href="#">Code of Vendor Conduct</a></p> <p><a href="#">Human Rights Policy</a></p> <p><b>Implementation</b></p> <p>Acting with Integrity</p>

# Public Reporting Working Group Statement

Any report is a snapshot of that company at a particular moment in time that describes where a particular company is. Much can be written to describe where a company is at a particular moment, using data, measurements, photos, etc. However what is really important is how the company, or any organization reporting, looks at where they are at that moment in time, how they got there and where they need to go as they plan their work for the future.

Gap's 2017 report provides a comprehensive picture of where the company is at the present moment. It supports and fills out that picture with data, descriptive writing and photos to give a broader picture of the goals of the reporting company and progress in achieving these goals. Good reports include challenges, such as negative findings in factory audits, and how they are being addressed. It is about process and content, not just one or the other.

The 2017 Gap report is such a report. For the PRWG, some members of which have worked with Gap since their first report published in 2004, this report continues to describe the process and content of the on-going work at Gap that we have seen. In the diverse areas of the environment, ecology, worker rights and improving the workplace, product development, etc. as well as reporting against industry accepted standards such as the GRI Reporting Guidelines, Gap continues to describe its work and its in-going challenges in detail.

The 2015 Gap CEO letter published on the Gap sustainability website describes the work most accurately when he writes "Every Gap product is part of a bigger story". He goes on: "What that story is, however, can be tough to know at first glance. Was a shirt or jacket sewn by someone who works in safe and fair conditions? Was care taken to mitigate any potential environmental harm caused by the manufacturing process? Were the people whose lives were touched by the creation of a piece of clothing affected in a positive way?" Of course there are additional questions to ask...but it is the openness to asking, and answering the questions that is important.

In working on this report, Gap shared its decisions: to move towards more frequent reporting of data related various aspects of the work and urge Gap to make available updated key performance data annually through its website. We realize the tremendous amount of work that goes into reporting well and commend Gap for accepting this work as part of the on-going process for positive change.

Gap's continued support for the P.A.C.E. program (Personal Advancement and Career Enhancement) as reflected in the expansion of the program to 16 countries with more than 65,000 women participants needs to be highlighted as a sustainability program that moves beyond mere data and numbers to the actual lives of women and their

families. The Gap goal of 1,000,000 participants in P.A.C.E. by 2020 reflects the broader reality of true sustainability. The reporting by ICRW, (International Center for Research on Women) documents and verifies the effects of the program, one that other companies would do well to support.

We look forward to seeing the outcomes from the various collaborative projects in which Gap is engaged. Learnings from each project as well as what is transferable to other geographic locations will strengthen the work.

Other strong points in the report include the provision of county specific data, as well as the reference to the Sustainable Development Goals (SDGs). Gap's Restricted Substances List (RSL), following AFIRM Group's RSL would be stronger with a link from the report to the RSL list online.

The next report would be strengthened by the expansion of information and data regarding findings related to various types of unethical recruiting practices, where they are found, how they are addressed and what measures are taken to change the recruitment paradigm from 'worker-paid fees' to 'employer-paid fees'. In particular, we would recommend that Gap disclose the dollar amount that has been reimbursed to workers, and set goals – and discuss challenges – for ensuring that workers are directly employed by Gap suppliers. When migrant workers are employed by their recruitment firm, it makes them particularly vulnerable to exploitation.

We also commend Gap for its work to ensure the sustainability of its raw materials and, in particular, its cotton purchases. We would encourage Gap to provide greater specificity around its sustainable cotton sourcing goals, supported by data to allow investors to assess progress. We would also welcome a discussion of how Gap is addressing the human rights of workers at these Tier 3 suppliers.

Gap did the right thing by voluntarily raising the minimum wage for its workers. We encourage Gap to go a step further by publicly supporting an increase in the federal minimum wage, with future adjustments indexed to inflation.

We strongly urge Gap to create links to its webpages as progress is made on any and all of the issues described in the report. In that way, the on-going reality of the many aspects of the work will be easier for readers to comprehend.

We commend Gap for its work and progress and look forward to the next Gap report.

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