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A man and a woman are standing next to a silver scooter in a field of sheep. The man is wearing a dark blazer and the woman is wearing a checkered dress. They are both smiling. The background shows a dirt road, a fence, and a range of hills with wind turbines on top. The scene is set in a rural, arid landscape.

# OVERVIEW

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# LETTER FROM OUR CEO

NOVEMBER 2018

AT GAP INC., WE ARE GUIDED BY THE BELIEF THAT BUSINESS CAN AND SHOULD BE A FORCE FOR GOOD.

Doing what’s right – supporting fair treatment and dialogue between garment workers and factory management, tackling climate change and fostering an inclusive workplace where everyone is welcome – is a competitive advantage. Our business succeeds when everyone is given a chance to thrive.

We hit some big milestones in 2017 as we continue to work to be a responsible, global leader in our industry. Our brands are leading the way forward. Athleta, our fastest growing brand, earned B Corp Certification this year in recognition of its exceptional commitment to protect the planet, while empowering women and girls to reach their limitless potential. Hill City, our newest menswear lifestyle brand, also launched as a B Corp by integrating sustainability throughout many of its products. Three of our largest brands have partnered with the Boys & Girls Club of America to scale our on-the-job training program, This Way Ahead, because we understand the transformative power of a first job and the value that comes from hiring a more diverse and engaged workforce.

At the enterprise level, we made a new commitment to conserve 10 billion liters of water by the end of 2020 through improved manufacturing practices. Thanks to new ways we’re working with our partners and a revised goal, we’re also setting our sights on ultimately reaching many more than one million women through our decade-long life-skills P.A.C.E.

program. Additionally, we’re requiring 100 percent of our apparel suppliers to transition from cash to digital payments by 2020, because we recognize the importance of financial inclusion for female garment workers.

One company cannot solve the challenges we face, so we’re evolving existing and building new partnerships to help create a more resilient future. In 2017, we announced an innovative public-private partnership with the U.S. Agency for International Development (USAID) to help promote solutions for women and water in communities touched by our supply chain in India. Earlier this year, we also joined forces with the Ellen MacArthur Foundation and other leading apparel brands to help create a more circular future for apparel design and manufacturing.

The global apparel industry must do more to protect the environment and the workers who manufacture our products. The challenges are complex, but we will continue to do our part. Moving forward, we are shifting to an annual sustainability reporting schedule in order to provide a more frequent assessment of how we’re performing against our bold 2020 goals.

We started this work more than twenty years ago, and we understand the urgency of the task before us. We are committed to this work for the health of our business, our customers, our employees and the planet.

– ART PECK, CEO, GAP INC.



**“Doing what’s right – supporting fair treatment and dialogue between garment workers and factory management, tackling climate change and fostering an inclusive workplace where everyone is welcome – is a competitive advantage. Our business succeeds when everyone is given a chance to thrive.”**

# 2017 HIGHLIGHTS

## 10 YEARS OF EMPOWERING WOMEN, GIRLS + YOUTH

THROUGH OUR P.A.C.E. AND THIS WAY AHEAD PROGRAMS

p.37



ESTABLISHED A **WOOD-DERIVED FIBERS POLICY** TO PROTECT ANCIENT AND ENDANGERED FORESTS

p.56



## 10x MORE SUSTAINABLE COTTON

SOURCED THROUGH THE BETTER COTTON INITIATIVE THAN IN 2016

p.56



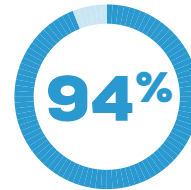
LAUNCHED THE **WOMEN+WATER ALLIANCE**, IN PARTNERSHIP WITH USAID TO IMPROVE WATER, SANITATION AND HYGIENE ACCESS

p.44



THE MAJORITY OF OUR STRATEGIC SUPPLIERS' MILL FACILITIES COMPLETED THE **SUSTAINABLE APPAREL COALITION HIGG INDEX**

p.43



to measure and improve environmental impacts of apparel manufacturing

RECEIVED THE 2017 **EPA SMARTWAY EXCELLENCE AWARD** FOR LOGISTICS SUSTAINABILITY



## #2 IN THE THOMSON-REUTERS DIVERSITY + INCLUSION INDEX

RANKING OF 6,000 GLOBAL COMPANIES

p.20



COMMITTED TO SET **A SCIENCE-BASED TARGET** TO REDUCE GREENHOUSE GAS EMISSIONS IN OUR SUPPLY CHAIN

p.48



## 2x FACILITY ENROLLMENT

IN OUR WORKPLACE COOPERATION PROGRAM to improve communication between workers and management in our suppliers' facilities

p.35



# GOALS + 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. All target years are fiscal year end. Data is through fiscal 2017 (Feb. 3, 2018) unless otherwise noted. Additional detail is available in the [Appendix \(p.59\)](#).

## SOCIAL

### OPERATIONS

GOAL	% ACHIEVED	2017 PROGRESS
Support \$15 million in employee-driven community investment per year	99%	\$14.8 million in employee-driven community investment
10,000 youth participate in This Way Ahead by 2020	39%	3,900 youth completed the program
5% of annual new store hires are from This Way Ahead by 2025	13%	668 new store hires (0.66% of total new hires) were from This Way Ahead

### SUPPLY CHAIN

▲ 1 million women participate in P.A.C.E. by 2022	12%	122,500 women have participated in P.A.C.E.
10,000 women empowered through P.A.C.E. and Fair Trade by 2020	25%	2,503 women have been reached through P.A.C.E. and Fair Trade in Athleta sourcing facilities
100% of supplier facilities producing branded apparel are rated yellow or green by 2020	95%	95% of supplier facilities were rated yellow or green
● 100% of Tier 1 suppliers transition to digital wage payments by 2020	68%	68% of suppliers are using checks or bank transfers
● 200 supplier facilities participate in our Workplace Cooperation Program by 2020	35%	69 supplier facilities are participating

Gap brand goal 
 Athleta goal 
 ■ ON TRACK 
 ■ PROGRESSING 
 ■ NEEDS ATTENTION

● New in 2017/2018 
 ▲ Modified timeline 
 ✓ Achieved

## ENVIRONMENT

### OPERATIONS

GOAL	% ACHIEVED	2017 PROGRESS
50% reduction in GHG emissions in our owned and operated facilities globally by 2020, from a 2015 baseline	28%	14% reduction in emissions from a 2015 baseline
80% of waste diverted from landfill across our U.S. facilities by 2020	47%	47% of waste is estimated to be diverted from landfill across our U.S. facilities
80% of Athleta store waste diverted from landfill by 2020	70%	70% of packaging waste from Athleta stores is recycled

### SUPPLY CHAIN

✓ 1 billion liters of water saved in manufacturing in 2017	240%	Gap Inc. suppliers saved 2.4 billion liters of water
● 10 billion liters of water saved in manufacturing by 2020, from a 2014 baseline	33%	Gap Inc. suppliers have saved over 3.3 billion liters of water since 2014
Work toward zero discharge of hazardous chemicals in our supply chain by 2020	—	Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing

## PRODUCT

● Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020	—	Reporting in progress
● 100% of cotton sourced from more sustainable sources by 2021	—	Reporting in progress
● 80% of Athleta materials made with sustainable fibers by 2020	44%	35% of Spring 2018 product was made with sustainable fibers
● 25% of Athleta product made using techniques that save water by 2020	4%	1% of product was made using techniques that save water

# ABOUT

## ABOUT GAP INC.

FOUNDED IN SAN FRANCISCO IN 1969, GAP INC. IS A LEADING GLOBAL RETAILER OFFERING CLOTHING, ACCESSORIES AND PERSONAL CARE PRODUCTS FOR MEN, WOMEN AND CHILDREN UNDER THE GAP, BANANA REPUBLIC, OLD NAVY, ATHLETA, HILL CITY AND INTERMIX BRANDS.

We have approximately 135,000 part-time and full-time employees. Our products are available for purchase in more than 90 countries through 3,165 Company-operated stores, 429 franchise stores and e-commerce sites (as of fiscal 2017).

Our Athleta and Hill City brands are certified B-Corp brands, demonstrating their commitment to using business as a force for good by meeting rigorous standards across social and environmental performance, accountability and transparency. We have amended Athleta's legal charter to become a Delaware Public Benefit Corporation to further uphold the brand's commitment to people and the planet.

We purchase private label and non-private label merchandise from about 800 vendors. Our vendors have factories in about 50 countries.

[Annual Filings](#)

OLD NAVY

GAP

BANANA REPUBLIC

ATHLETA

HILL CITY

INTERMIX



## ABOUT THIS REPORT

THIS REPORT COVERS GAP INC.'S GLOBAL OPERATIONS FOR THE FISCAL YEAR ENDING FEBRUARY 3, 2018.

Data within, unless otherwise noted, covers fiscal 2017. Our last report covered fiscal 2015 and 2016 and is available with our other [past sustainability reports](#).

With this report, we return to annual reporting, which represents an evolution in our reporting approach. Here, we focus more directly on content of interest to key stakeholders, such as investors, nongovernmental organizations (NGOs) and others with disclosure requests.

This report focuses on developments and actions for our key programs and progress toward our corporate and brand goals during fiscal 2017, preparations for activities in 2018, and an analysis of trends and business impacts where available. For our many programs, we provide [detailed information on objectives, operations and our management approach online](#), which can be accessed via links in each section.

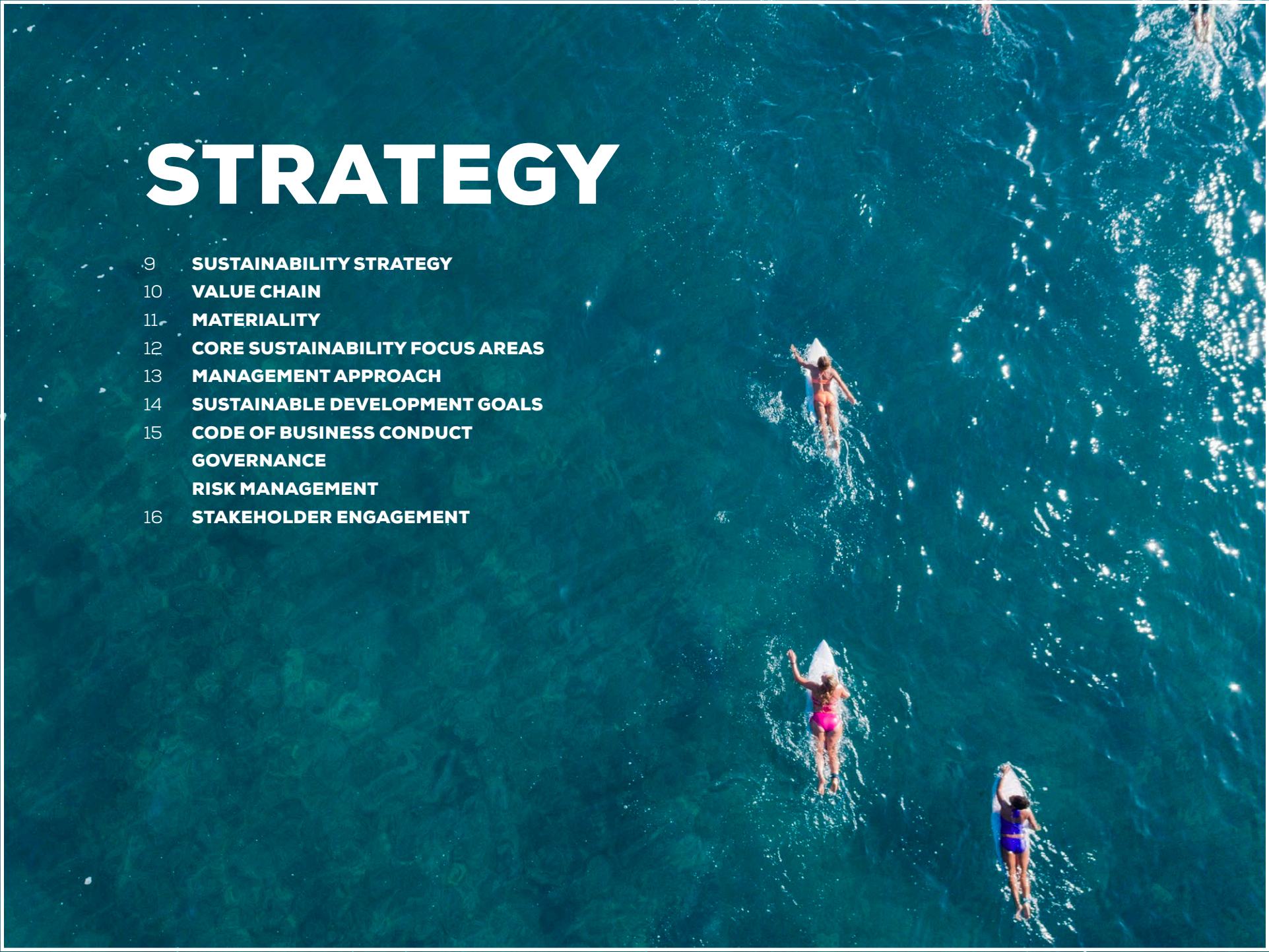
We sought to prepare this report in accordance with the [Global Reporting Initiative](#) (GRI) Standards: Core option. Gap Inc. is committed to the United Nations (UN) Global Compact Ten Principles and this report serves as our Communication on Progress (CoP). We have not obtained external assurance for this report.

Please direct questions to [sustainability@gap.com](mailto:sustainability@gap.com).

[gapincustainability.com](http://gapincustainability.com)

# STRATEGY

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# SUSTAINABILITY STRATEGY

WE ARE REIMAGINING HOW BUSINESS CAN CHANGE THE WORLD.

As one of the world's leading apparel retailers, we recognize that we contribute to and have the opportunity to address systemic social and environmental challenges. We continue to be committed to contributing to business value; enabling safe, fair working conditions for the people who make our products; minimizing our environmental impact; and working with our industry to achieve progress on global goals. We do this by addressing impacts in our owned and operated facilities and collaborating throughout our value chain and across government, business and civil society. Recognizing the importance of engaging customers and employees, we've also begun to communicate through our brands in our effort to build a more sustainable world.

We have aligned our sustainability strategy with the United Nations (UN) Global Sustainable Development agenda. Guided by 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, we have identified the issues that are most material to our business and where we have the most influence. We apply our company's core strengths, reach and skills development to maximize our impact throughout our value chain and across government, business and civil society.



# GAP DENIM

GAP FOR GOOD

GOOD FOR YOU. GOOD FOR THE WORLD. BECAUSE WE BELIEVE IN ACTIVELY PRESERVING THE PLANET WE ALL SHARE, WE DEVELOPED OUR WATER-QUALITY PROGRAM TO ENSURE OUR JEANS ARE MADE IN A WAY THAT PROTECTS LOCAL WATERWAYS AND MINIMIZES IMPACT ON THE ENVIRONMENT. HOW CAN YOU HELP? WASH LESS. DONATE OR RECYCLE WHEN YOU CAN. GAP IS A FOUNDING MEMBER OF THE SUSTAINABLE APPAREL COALITION.

[gap.com/gapforgood](http://gap.com/gapforgood)



**"Integrating sustainability into our business benefits us in many ways. From building a talent pipeline through our This Way Ahead program's proven return on investment to optimizing costs as we address climate change and water risks within our sourcing strategy, we're seeing the benefit of building a more inclusive and resilient company."**

**- TERI LIST-STOLL,**  
CHIEF FINANCIAL OFFICER, GAP INC.

# VALUE CHAIN

A GARMENT HAS A WHOLE LIFE – BOTH BEFORE IT REACHES OUR STORES AND AFTER IT LEAVES OUR HANDS AND IS WORN BY OUR CUSTOMERS.

Each stage, from the first design sketches to end of life, presents opportunities and risks for our business and everyone who is touched by our brands.



Because most of a product's environmental impacts are determined at the concept phase, our designers' creative vision ultimately impacts people and the environment. As our production and sourcing teams bring this vision to life by placing orders with independent suppliers, they have significant influence over who makes our clothes. This affords Gap Inc. the ability to improve working conditions in facilities and our address our larger environmental footprint.

**OUR PROGRAMS**

- [Water Stewardship \(p.41\)](#)
- [Product Sustainability \(p.52\)](#)



Our products use many types of fibers – natural cellulosic fibers, like cotton and linen, synthetic fibers, like polyester and spandex, and pulp-based man-made cellulosic fibers, like rayon and modal. We work to minimize the social and environmental impacts unique to each fiber. We place a special focus on cotton, given its importance to many of our products and water-intensive production process. We are also taking steps to ensure that we source more sustainable synthetic and man-made cellulosic fibers.

**OUR PROGRAMS**

- [Water Stewardship \(p.41\)](#)
- [Chemical Management \(p.46\)](#)
- [Product Sustainability \(p.52\)](#)



Fabric mills use large quantities of water, and the chemicals used to dye and finish fabrics may pose a risk to local waterways if not treated properly. Our Mill Sustainability 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.

**OUR PROGRAMS**

- [Assessment + Remediation \(p.29\)](#)
- [P.A.C.E.: Empowering Women \(p.37\)](#)
- [Water Stewardship \(p.41\)](#)
- [Chemical Management \(p.46\)](#)



To improve working conditions, we work closely with our key suppliers, collaborate on industry solutions, form partnerships with organizations, such as International Labour Organization (ILO) Better Work, and run impactful programs, such as P.A.C.E. (Personal Advancement & Career Enhancement), which aims to provide life skills that empower women in manufacturing and community settings.

**OUR PROGRAMS**

- [Assessment + Remediation \(p.29\)](#)
- [Capability Building \(p.35\)](#)
- [P.A.C.E.: Empowering Women \(p.37\)](#)
- [Water Stewardship \(p.41\)](#)
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- [Product Sustainability \(p.52\)](#)



We ship products through a combination of sea, air, truck and rail from supplier facilities to our distribution centers and then on to stores or directly to customers. We use the optimal mix of shipping options based on speed, cost and sustainability and have taken steps to conserve energy and reduce waste at our distribution centers, the largest facilities we own and operate.

**OUR PROGRAMS**

- [Climate + Energy \(p.48\)](#)
- [Waste \(p.50\)](#)



Our stores express who we are – from our style to our commitment to operating in a way that cares for both people and the environment. They are where we sell our products and communicate directly with our employees and customers. As part of our owned and operated footprint, they offer an opportunity to reduce our environmental footprint. We also run our This Way Ahead program at our stores to help youth and young adults from low-income communities gain important job skills.

**OUR PROGRAMS**

- [This Way Ahead: First Jobs \(p.24\)](#)
- [Climate + Energy \(p.48\)](#)
- [Waste \(p.50\)](#)
- [Product Sustainability \(p.52\)](#)



How our customers wear, care for and discard their clothes accounts for a portion of our products' total environmental footprint. We use product labeling, catalogs, social media and blog posts to share our efforts to improve sustainability. This informs customers about our work, inspires them to consider water use in their daily lives and communicates the urgency of our environmental and social initiatives. Recognizing that we have an opportunity to improve circularity, we joined the Ellen MacArthur Foundation in early 2018 to explore and contribute to industrywide solutions to end of life impacts.

**OUR PROGRAMS**

- [Circular Design: Product End of Life \(p.57\)](#)

# MATERIALITY

WE INTEGRATE SUSTAINABILITY DEEPLY INTO OUR BUSINESS TO CREATE GREATER IMPACT ACROSS OUR VALUE CHAIN.

Within sustainability, materiality refers to the areas of heightened concern from internal and external stakeholders compared to relevant environmental, social and governance issues. Additionally, our material issues alongside our value chain demonstrates focus areas where we can develop programs more directly targeted to the areas of greatest impact.

We prioritize the opportunities and challenges in sustainability that matter most to our stakeholders and business.

We periodically refresh our materiality assessment in order to:

- Identify the most material sustainability issues for Gap Inc. in terms of business value, risks and opportunities for long-term planning
- Understand how sustainability and key business issues intersect
- Inform future sustainability commitments and resource allocation
- Support Gap Inc.'s engagement with external stakeholders

Our material issues fall into three categories – governance and operating context, human rights and social impact, and resource use, scarcity and impacts – with 15 sustainability-related aspects that guide our strategy.

[LEARN MORE: Materiality](#) 

## MATERIAL ISSUES

### GOVERNANCE + OPERATING CONTEXT

- Corporate Governance
- Radical Transparency
- Technology + Product Innovation
- Resiliency
- Country/Regional Legal + Economic Conditions

### HUMAN RIGHTS + SOCIAL IMPACT

- Worker Rights + Well-being
- Income, Wages + Inequality
- Human Capital + Development
- Diversity + Inclusion
- Reputation + Consumer Engagement

### RESOURCE USE, SCARCITY + IMPACTS

- Water
- Chemicals + Toxic Management
- Energy + Climate Stewardship
- Waste + End of Life
- 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:

## SOCIAL



### ADVANCING PEOPLE + COMMUNITIES

We aim to create opportunities for the exceptional people who support our business – employees in our stores, workers in supplier facilities and communities near our operations.



### IMPROVING SUPPLY CHAIN WORKING CONDITIONS

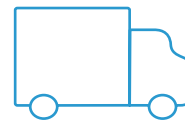
By partnering with our suppliers, we strive to provide safe, fair and healthy working conditions for the individuals who create our clothes.

## ENVIRONMENT



### WATER STEWARDSHIP

Water is essential for our business and the people and communities where we operate. We look for ways to address water impacts throughout our value chain and in communities.



### OPERATIONAL ECO-EFFICIENCY

We are reducing our operational greenhouse gas (GHG) emissions and waste, and working with our logistics and procurement partners to improve efficiency and environmental performance.

## PRODUCT



### PRODUCT SUSTAINABILITY

We are working with our product designers and developers to balance the needs of getting great product into our customers' hands more consistently and faster than ever before, while also reducing our impact on the environment.

# MANAGEMENT APPROACH

GIVEN OUR COMPANY'S 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. 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 UN Global Sustainable Development agenda, we take an intentional approach for all of our social and environmental programs.

## 1 INTEGRATE SUSTAINABILITY INTO OUR BUSINESS

We create broader accountability for our sustainability strategy by creating shared goals and targets across Gap Inc.

## 2 SET AMBITIOUS GOALS

We focus on key indicators across the company so that we can measure our progress on delivering real benefits to the people and communities we serve.

## 3 MAKE PROGRESS TOWARD 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 deliver impact on a bigger scale and create long-term, sustainable progress.

**“We need tougher expectations across the industry. By prioritizing our resources and collaborating more closely with our suppliers, we’re raising the bar.”**

**- DAVID HAYER**, PRESIDENT, GAP FOUNDATION, AND SENIOR VICE PRESIDENT, GLOBAL SUSTAINABILITY, GAP INC.

# SUSTAINABLE DEVELOPMENT GOALS

THE **SUSTAINABLE DEVELOPMENT GOALS** (SDGs) DEVELOPED BY THE UNITED NATIONS ARE A BLUEPRINT TO ACHIEVE A BETTER AND MORE SUSTAINABLE FUTURE FOR ALL.

To meet these goals, everyone – from business to government to civil society – must do their part.

After the SDGs were adopted, we assessed Gap Inc.'s opportunities to advance progress on the individual targets. This assessment revealed that our company's sustainability efforts align most closely with six of the goals.

While some of our programs may contribute to other goals, we have mapped Gap Inc. initiatives and goals against these six SDGs to demonstrate how we are contributing to achieving global targets.



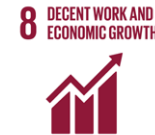
## ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING

**OUR WORK**

- Talent
- P.A.C.E.: Empowering Women
- This Way Ahead: First Jobs

**OUR GOAL**

10,000 youth participate in This Way Ahead by 2020



## PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL

**OUR WORK**

- Talent
- Diversity + Inclusion
- This Way Ahead: First Jobs
- Supplier Sustainability

**OUR GOAL**

100% of supplier facilities producing branded apparel are rated yellow or green by 2020



## ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

**OUR WORK**

- Diversity + Inclusion
- P.A.C.E.: Empowering Women
- Women + Water

**OUR GOAL**

1 million women participate in P.A.C.E. by 2022



## ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

**OUR WORK**

- Sustainability Reporting
- Waste
- Chemical Management
- Product Sustainability

**OUR GOAL**

100% of cotton sourced for Gap brand from more sustainable sources by 2021



## ENSURE ACCESS TO WATER AND SANITATION FOR ALL

**OUR WORK**

- Women + Water
- Mill Sustainability Program
- Chemical Management

**OUR GOAL**

10 billion liters of water saved in manufacturing by 2020, compared to a 2014 baseline



## TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

**OUR WORK**

- Climate + Energy

**OUR GOAL**

50% reduction in GHG emissions in our owned and operated facilities by 2020, compared to a 2015 baseline



# CODE OF BUSINESS CONDUCT, GOVERNANCE + RISK MANAGEMENT

## CODE OF BUSINESS CONDUCT

OUR GLOBAL **CODE OF BUSINESS CONDUCT** (COBC) SERVES AS OUR ETHICAL COMPASS, ARTICULATING OUR COMMITMENT TO HIGH STANDARDS.

We encourage our employees to use our open-door process for discussing 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 – all of which are available 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:

- All employees globally are required to take a COBC overview course within 30 days of their initial hire date.
- We provide ongoing compliance training to various targeted employees 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 throughout 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.

- Our Global Integrity team conducts annual interviews with employees in various business units or offices and selected suppliers. These interviews allow us to gauge how well our employees understand our COBC, remind employees and suppliers of their responsibilities and our expectations of how we engage with one another, 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 and integrity topics to raise awareness.

We are diligent about addressing corruption risks, particularly in developing countries with limited rule of law. We have a companywide 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 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.

**LEARN MORE:** [Code of Business Conduct](#)

**LEARN MORE:** [Policies](#)

## GOVERNANCE

OUR ROBUST GOVERNANCE STRUCTURE ENSURES 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 Governance and Sustainability Committee, oversees our Global Sustainability program. The board receives regular updates from Senior Vice President, Global Sustainability, and President, Gap Foundation, David Hayer. He also meets quarterly with Gap Inc. CEO, Art Peck, and regularly with our Executive Vice President of Global Supply Chain and Product Operations. Hayer reports to Executive Vice President and Chief People Officer, Brent Hyder, who reports directly to our CEO.

Our organizational structure allows collaboration across key departments. Our Global Sustainability team works closely with our Brands' Product and Marketing teams, Supply Chain, Government Affairs, Public Affairs, Legal and Gap Foundation teams, among others.

Gap Inc.'s Environmental Council – which is sponsored by the Senior Vice President, Strategic Sourcing, and includes leaders and subject matter experts across our business – is integral to building this alignment. The Council is responsible for evaluating new initiatives and reviewing progress on our existing environmental goals and programs, particularly those related to Gap Inc.'s overall climate-change strategy and waste-reduction efforts.

## RISK MANAGEMENT

GAP INC. HAS DEVELOPED SYSTEMS AND PROCEDURES FOCUSED ON IDENTIFYING AND MANAGING RISKS, INCLUDING THOSE RELATED TO SUSTAINABILITY.

Our Global Sustainability team works with business partners and experts to assess the importance of potential social and environmental risks and opportunities for 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, an assessment of representative products 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. We also develop country-specific strategies that take local context into consideration while developing our program and addressing key issues.

**LEARN MORE:** [Our risk management process](#)

**LEARN MORE:** [Governance](#)

# STAKEHOLDER ENGAGEMENT

## STAKEHOLDER ENGAGEMENT

ADVANCING PROGRESS ON SYSTEMIC ISSUES IN THE APPAREL SECTOR – SUCH AS WATER ACCESS AND CLIMATE CHANGE, WOMEN’S EMPOWERMENT, AND SAFE AND FAIR WORKING CONDITIONS – DEMANDS COLLABORATION AND JOINTLY DEVELOPED SOLUTIONS.

We engage stakeholders and establish partnerships with diverse groups of experts and organizations to gain a clearer understanding of complex issues and understand local conditions in the countries where we do business. This dialogue helps us improve our programs, refine strategies, reveal unexplored issues and scale industry solutions.

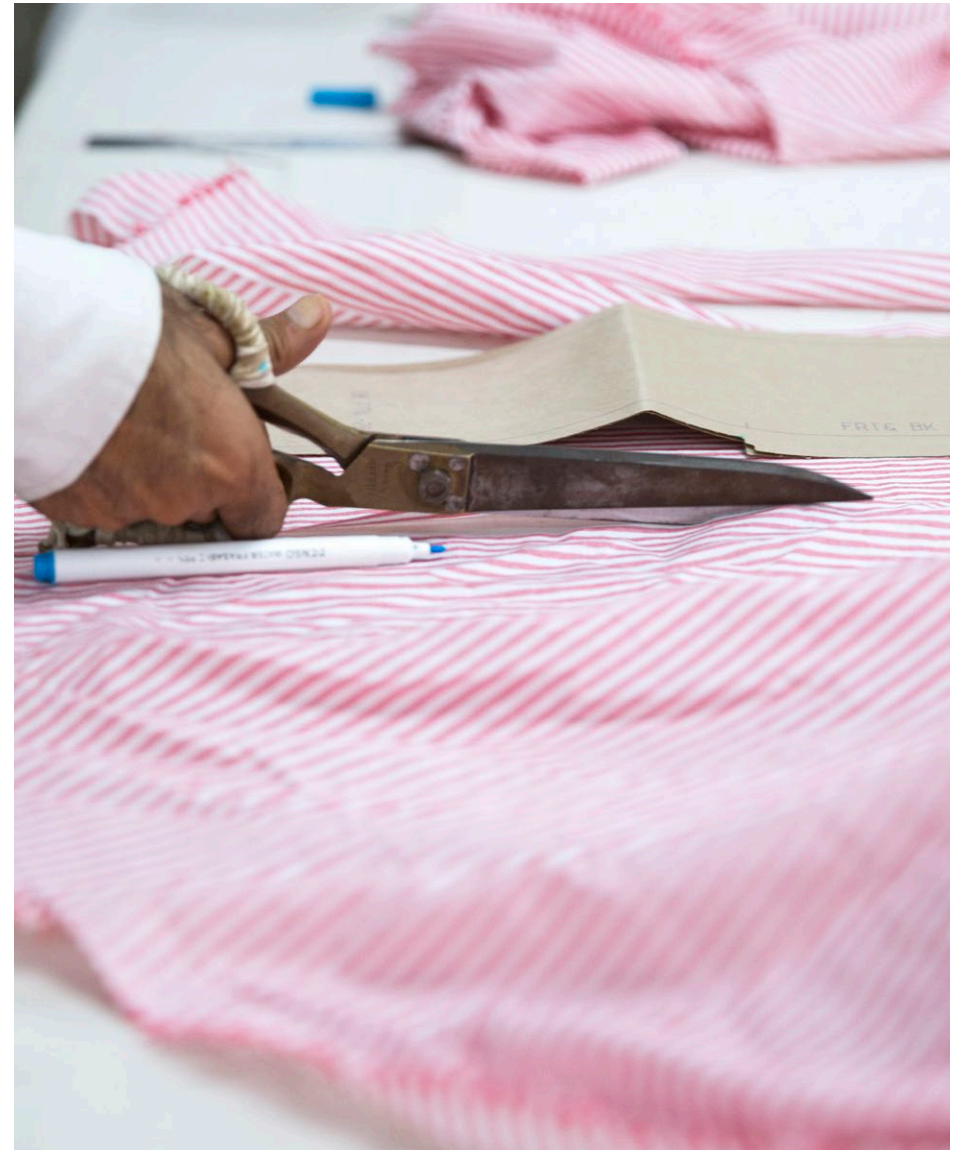
We have many key stakeholders: the people who make our clothes, our customers, suppliers and factories, employees, unions, governments, multilateral institutions, NGOs, industry associations, investors, communities and others. We also belong to a number of organizations that enable us to more effectively 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.

[LEARN MORE: Our stakeholder engagement approach](#)

[See a full list of our initiatives and organizations we partner with](#)

**“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.







# SOCIAL

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# TALENT

## OUR BUSINESS SUCCESS DEPENDS ON OUR PEOPLE.

That’s why we are dedicated to cultivating a culture that attracts and engages talented employees and gives them opportunities to achieve their work and life goals. At Gap Inc., we provide programs and customized experiences to help them achieve their full potential. This belief guides our talent practices, from developing a diverse pipeline of employees to giving individuals new challenges to help them grow into new roles with greater responsibility. We believe in our employees’ potential and provide multiple career opportunities for those who want to learn and grow with us.

### OUR APPROACH

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.

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.

**LEARN MORE: How we help our employees realize their potential**



### FIELD TO HQ

Fueling our entry-level headquarters roles with incredible talent is important to our success, and field employees are a key source of talent for these roles.

Our diverse field employees work with customers every day and understand what they need and want. Their connection to customers and understanding of how our

stores work is invaluable at headquarters. We have always encouraged bringing store employees to headquarters and in 2017, we formalized a program where we actively market opportunities to store employees, support candidates through the recruiting process and provide a custom onboarding experience to ensure a successful transition. By 2020, our goal is to fill 20 percent of entry-level headquarters roles with field employees.

# DIVERSITY + INCLUSION

SINCE OUR FOUNDING, WE'VE EMBRACED CORE COMPANY VALUES THAT INCLUDE CELEBRATING INDIVIDUALITY, DIVERSITY AND TREATING ALL PEOPLE EQUALLY – WITH RESPECT, DIGNITY AND FAIRNESS.

We see an opportunity to stand alongside other leaders and work toward greater equality and a sense of belonging for everyone. This helps our company attract and retain the best employees, create great products for all of our customers, foster creativity and innovation, and contribute to a more inclusive and just world.

Our empowerment, employee and workforce programs support the rights and well-being of the people who embody and drive our business, ensuring that they have equal opportunity and support to develop personally and professionally.

## OUR APPROACH

IN 2017, WE EXPANDED OUR APPROACH TO DEVELOPING A WORKPLACE THAT SUPPORTS OUR CORE VALUES OF EQUALITY AND CREATING A SENSE OF BELONGING.

Our Diversity and Inclusion strategy focuses on three areas:

### STORYTELLING

Telling stories about who we are and what we stand for helps us create a company culture that values equality, opportunity and connection for all people. To attract and retain talent, we seek to be more vocal about our public commitments, awards and efforts.

### EXPERIMENTATION

To drive innovation, we encourage trying new and different approaches to discover what works and what doesn't to recruit talent, develop leaders and create programs that promote an inclusive work culture.

### PROGRAMS THAT MATTER

To set the foundation for our inclusivity work, we invest in programs across Gap Inc. that support mentorship, learning, creating inclusive products and promoting equal access for all.

[LEARN MORE: Our commitment to equality and opportunity](#) ↗



# DIVERSITY + INCLUSION

## PUBLIC COMMITMENTS + AWARDS



### UC BERKELEY'S HAAS CENTER FOR EQUITY, GENDER, AND LEADERSHIP

This **center** engages leaders from diverse political and corporate backgrounds, conducts and disseminates cutting-edge research on diversity issues, produces case studies of companies that are leaders in equality and diversity and more. In 2017, Gap Foundation became the center's first corporate foundation donor, and Nancy Green, President and CEO of Athleta, serves on its board.



### UN HUMAN RIGHTS LGBTI CORPORATE STANDARDS OF CONDUCT FOR BUSINESS

As the first and only global apparel retail company to sign on to the **standards**, Gap Inc. bolstered our efforts to support and lead on issues that impact our lesbian, gay, bisexual, transgender and intersex (LGBTI) community around the world.

### CEO ACTION FOR DIVERSITY & INCLUSION

In August 2017, our CEO, Art Peck, alongside other CEOs, pledged his commitment to advance diversity and inclusion in the workplace. The **pledge** aims to rally the business community to work collectively toward that goal and outlines a specific set of actions, such as unconscious-bias education. Companies are encouraged to share practices for cultivating a trusting environment where all ideas are welcome and employees feel comfortable and empowered to discuss diversity and inclusion.

## CEO **ACT!ON** FOR DIVERSITY & INCLUSION



### THOMSON REUTERS DIVERSITY & INCLUSION INDEX

In October 2017, Gap Inc. ranked No. 2 out of 6,000 publicly traded companies on this **index**.



### HUMAN RIGHTS CAMPAIGN CORPORATE EQUALITY INDEX (CEI)

For the 13th year in a row, in 2018, Gap Inc. received a perfect score on the CEI, an annual benchmarking **survey and report** on corporate policies and practices related to lesbian, gay, bisexual, transgender and queer (LGBTQ) workplace equality.

## TRAINING + RESOURCES

### INCLUSION TRAINING

We launched a series of unconscious-bias trainings to our Talent organization in 2017 and will expand the trainings to all employees in 2018. We also plan to create curricula and accessible resources that support equality and belonging. We want our leaders and employees to consider how unconscious bias and other issues come to life in their everyday work.

### BE ONE. GET ONE.

At Gap Inc., we value mentoring as a developmental process that helps build incredible careers. Launched in 2018, our Be One. Get One. program aligns with our core values and empowers employees to take active roles in both their own development and the development of others. Mentorship is a personal journey that works best when people connect organically, instead of relying on matching systems and formalized reports.

### SUPPLIER INCLUSION PROGRAM

We are committed to increasing the diversity of suppliers we use, helping diverse businesses become competitive industry leaders and enhancing the economic vibrancy of the communities we serve. The launch of our supplier inclusion program in January 2018 provides a framework to increase our work with companies that are owned by or employ a large percentage of minorities, veterans, women and people with disabilities. Through this program, we are forming new partnerships to expand our networks to connect with a more diverse set of companies in 2018 and beyond.

# DIVERSITY + INCLUSION

## WORKPLACE DATA

WE BELIEVE DIVERSITY INCREASES CREATIVITY AND INNOVATION, PROMOTES HIGH-QUALITY DECISIONS AND ENHANCES ECONOMIC GROWTH.

We track and disclose data on comparable workplace information to enable us to monitor trends and the effectiveness of our strategy.

## ETHNIC DIVERSITY UNITED STATES\*

	2014	2015	2016	2017
<b>WHITE</b>				
All	51%	50%	48%	47%
Management	74%	73%	72%	71%
New Hires	49%	46%	44%	41%
<b>ASIAN</b>				
All	6%	7%	7%	7%
Management	9%	9%	10%	10%
New Hires	6%	6%	6%	6%
<b>BLACK</b>				
All	19%	19%	19%	20%
Management	6%	7%	6%	6%
New Hires	24%	24%	24%	25%
<b>HISPANIC</b>				
All	20%	20%	21%	22%
Management	10%	10%	10%	11%
New Hires	17%	18%	19%	21%
<b>OTHER MINORITY</b>				
All	4%	4%	5%	5%
Management	1%	1%	2%	2%
New Hires	5%	6%	6%	6%
<b>ALL MINORITIES</b>				
All	49%	50%	52%	54%
Management	26%	27%	28%	29%
New Hires	51%	54%	56%	58%

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

## GENDER REPRESENTATION GLOBAL

	2014	2015	2016	2017
<b>VP + ABOVE</b>				
Women	46%	49%	51%	50%
Men	54%	51%	49%	50%
<b>SR. / DIRECTOR</b>				
Women	59%	59%	61%	61%
Men	41%	41%	39%	39%
<b>SR. / MANAGER</b>				
Women	60%	60%	61%	61%
Men	40%	40%	39%	39%
<b>STORE MANAGEMENT</b>				
Women	68%	69%	68%	68%
Men	32%	31%	32%	32%
<b>NEW HIRES</b>				
Women	72%	73%	74%	74%
Men	28%	27%	26%	26%
<b>OVERALL</b>				
Women	74%	74%	75%	76%
Men	26%	26%	25%	24%

## PROMOTION RATES UNITED STATES

	2014	2015	2016	2017
<b>VP + ABOVE</b>				
Women	8%	10%	3%	4%
Men	5%	13%	7%	11%
<b>SR. / DIRECTOR</b>				
Women	9%	12%	10%	9%
Men	11%	10%	12%	6%
<b>SR. / MANAGER</b>				
Women	13%	16%	16%	13%
Men	13%	15%	14%	13%
<b>PROFESSIONAL</b>				
Women	7%	6%	7%	8%
Men	8%	7%	8%	8%
<b>OVERALL</b>				
Women	7%	7%	7%	8%
Men	8%	8%	8%	8%

Promotions are defined as movement to a higher grade level. Promotion rate is the number of promotions during the year, divided by the average headcount for that year.




# EMPLOYEE ENGAGEMENT

WE WANT TO EMPOWER GAP INC. EMPLOYEES TO SUPPORT THE POTENTIAL OF PEOPLE IN THEIR COMMUNITIES THROUGH DONATIONS OF TIME, TALENT AND MONEY.




Our legacy of giving back began with our founders and we continuously work to ensure that this spirit is ingrained in our company culture. We have found that encouraging employees to volunteer or donate delivers a social impact and business benefits – it helps build strong communities and helps our company attract and retain talented, engaged employees who are proud to work for Gap Inc. To encourage employees to give back, we build in time for volunteering and provide grants to community organizations, money for volunteer time and matching donations. We measure the dollar value of these contributions annually, which we collectively call “employee-driven community investment.”

[LEARN MORE: How we invest in others and ourselves](#)

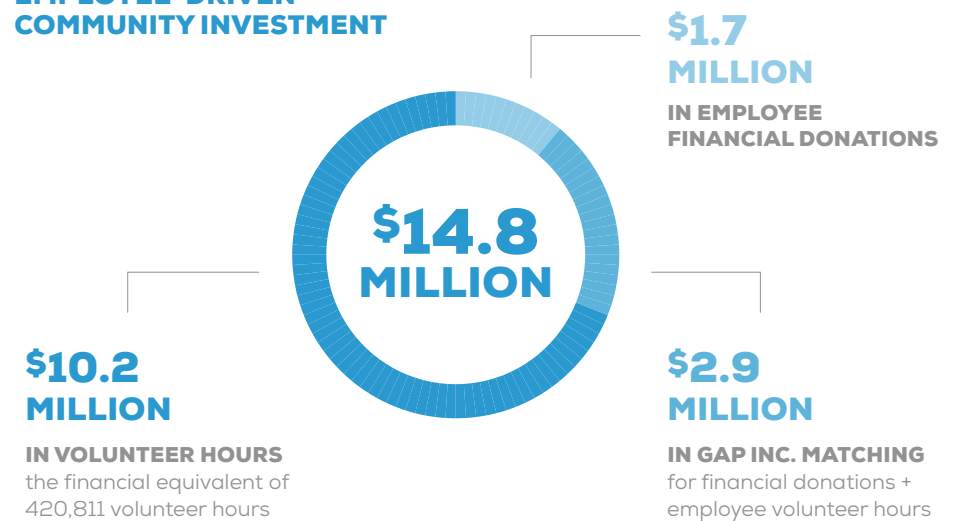
## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
Support \$15 million in employee-driven community investment per year	 99%	\$14.8 million in employee-driven community investment
25% of Gap Inc. employees volunteer	 92%	23% of employees volunteered
430,000 volunteer hours logged by Gap Inc. employees in 2017	 99%	Gap Inc. employees logged 420,811 volunteer hours

● New in 2017/2018

 ON TRACK  PROGRESSING  NEEDS ATTENTION

## EMPLOYEE-DRIVEN COMMUNITY INVESTMENT



# EMPLOYEE ENGAGEMENT

## OUR APPROACH

IN 2017, THE GAP FOUNDATION SHIFTED OUR STRATEGY TO GIVE INDIVIDUAL TEAMS MORE OWNERSHIP OF THEIR EMPLOYEE ENGAGEMENT GOALS.

Each Gap Inc. team has at least one representative on our Employee Engagement Committee. These representatives are responsible for setting goals for volunteer hours, employee participation and total employee-driven community investment. We share monthly reports with these representatives to help keep teams accountable for their goals.

## VOLUNTEERISM IMPACTS

### LOWER TURNOVER



#### AMONG VOLUNTEERS

Turnover rates are lower among employees who volunteer.

### LONGER TENURE



#### AMONG VOLUNTEERS

Employees who volunteer stay at the company longer than non-volunteers.



# THIS WAY AHEAD: FIRST JOBS



THIS WAY AHEAD IS OPENING DOORS FOR THE NEXT GENERATION WITH FIRST JOBS, MENTORING AND THE CONFIDENCE TO MAKE DREAMS A REALITY.

The program brings talented employees into our stores while providing opportunities for youth who are otherwise disconnected from education or the job market.

Through structured training and paid work experience at Old Navy, Gap or Banana Republic, This Way Ahead helps youth between the ages of 16 and 24 land their first job.

Gap Inc. **employees who volunteer to mentor participants** also gain skills as they guide This Way Ahead hires, and stores build a valuable pipeline of future employees and develop **best practices for managing talent** that we can apply across the company.

**LEARN MORE:**  
Our This Way Ahead program [↗](#)

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
10,000 youth participate in This Way Ahead by 2020	<div style="width: 39%;"></div> 39%	3,900 youth completed the program
5% of annual new store hires are from This Way Ahead by 2025	<div style="width: 13%;"></div> 13%	668 new store hires (0.66% of total new hires) were from This Way Ahead

■ ON TRACK ■ PROGRESSING ■ NEEDS ATTENTION



2017 REACH: **12 CITIES**



**274 STORES**



**668 HIRES**



**1,148 PARTICIPANTS**

**LEARN MORE:** How we doubled participation in 2017 [↗](#)

**3,900 PARTICIPANTS**  
TOTAL AS OF FISCAL 2017





# THIS WAY AHEAD: FIRST JOBS

## OUR APPROACH

IN 2017, IN COLLABORATION WITH OUR BRANDS AND NONPROFIT PARTNERS, WE EXPANDED TO TWO NEW CITIES – VANCOUVER AND MIAMI – AND STORES IN THE BROADER SAN FRANCISCO BAY AREA.

We're **laying the groundwork** for a significant expansion that will triple the program's presence in 2018, growing This Way Ahead from 15 cities to over 50 cities.

We also foresee long-term opportunities to integrate the program into our brands' marketing efforts, driving consumer awareness and program funding. In 2017, Old Navy introduced a customer fundraising campaign that generated \$1 million for Boys & Girls Clubs of America to help fund a national expansion of This Way Ahead.



## 2017 PROGRESS

Results from a recent **survey** of This Way Ahead alumni who participated between 2007 and 2016 showed that 72 percent go on to find stable employment, compared to 55 percent of their peers. Alumni also report that This Way Ahead gave them the skills and confidence they needed to join the working world.

A 2017 analysis conducted at Old Navy found a 130 percent return on investment, taking into account the cost to train and onboard new employees. Program measurement consistently shows that This Way Ahead participants stay with the company twice as long as their peers and tend to have higher engagement scores. This provides an incredible opportunity for us to learn more about engaging employees, ultimately increasing employee loyalty and satisfaction and providing a positive experience for our customers. Program participants also diversify our store teams, as 96 percent of This Way Ahead alumni self-identify as people of color.

## APPLYING LESSONS

We are applying talent management practices from This Way Ahead to support existing employees in other parts of the company. Working with experts from the consulting firm FSG Inc., we applied their methodology to our data. Our analysis showed that 38 percent of our recent hires have characteristics similar to those of This Way Ahead participants, and many may be facing similar challenges as a result. Thus, This Way Ahead's proven strategies can help improve retention rates and increase employee loyalty across the company.

## PARTICIPANT IMPACT

**71%**  
RECEIVED A  
JOB OFFER

**74%**  
IMPROVED  
SOFT SKILLS

LIKE DECISION MAKING +  
TIME MANAGEMENT

**70%**  
INCREASED  
CONFIDENCE\* +  
SELF-ESTEEM

\*particularly in their ability to get a job in the future



## LEADER IMPACT

**95%**  
REPORTED  
GROWTH

IN AT LEAST ONE KEY COMPETENCY such as leadership, management, communications, and the ability to manage teams or work with people from diverse backgrounds

**81%**  
INCREASED  
PRIDE

IN WORKING FOR GAP INC.

**66%**  
ARE A LOT MORE  
WILLING TO GO  
BEYOND

WHAT IS NORMALLY EXPECTED TO HELP THEIR TEAM SUCCEED

**91%**  
WOULD  
PARTICIPATE  
AGAIN

# SUPPLIER SUSTAINABILITY

WE PARTNER WITH ALL OF OUR BRANDED-APPAREL SUPPLIERS AND OTHER KEY STAKEHOLDERS TO HELP PROVIDE SAFE, FAIR AND HEALTHY WORKING CONDITIONS FOR THE WOMEN AND MEN WHO CREATE OUR CLOTHES.

Using a holistic approach, we implement a variety of programs that serve as the foundation for our supplier sustainability efforts while also building country-specific approaches where appropriate. Given the need for industrywide collaboration, in some cases we partner with other brands to improve results for garment workers.

Our goal is to design and implement industry-leading programs that can help transform and future-proof the apparel manufacturing sector. In partnership with our suppliers, NGOs, multilateral organizations and other stakeholders, we're continuing to build the capability of our suppliers. Our efforts are multifaceted and focus on a range of interventions – improving worker and management relations, innovating how we assess and improve working conditions and using technology to directly engage with and respond to workers' needs.

**LEARN MORE: How we're improving working conditions** ↗

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
100% of supplier facilities producing branded apparel are rated yellow or green by 2020	<div style="width: 95%;"><div style="width: 95%;"></div></div> 95%	95% of supplier facilities were rated yellow or green
100% of Tier 1 suppliers transition to digital wage payments by 2020	<div style="width: 68%;"><div style="width: 68%;"></div></div> 68%	68% of suppliers are already using checks or bank transfers
200 supplier facilities participate in our Workplace Cooperation Program by 2020	<div style="width: 35%;"><div style="width: 35%;"></div></div> 35%	69 supplier facilities are participating
100% of Gap Inc.'s supplier facilities in Bangladesh complete fire and building safety remediation as part of the Alliance for Bangladesh Worker Safety by 2018	<div style="width: 84%;"><div style="width: 84%;"></div></div> 84%	42 out of 50 facilities have received full remediation from the Alliance, with the remaining eight awaiting final inspection

● New in 2017/2018 ■ ON TRACK ■ PROGRESSING ■ NEEDS ATTENTION



# SUPPLIER SUSTAINABILITY

## OUR APPROACH

THE FOUNDATION OF OUR APPROACH IS GROUNDED IN FOUR FACILITY-FOCUSED PROGRAMS:

- ASSESSMENT + REMEDIATION PROGRAM**

Our approach to improving working conditions is based on transparency, partnership and innovation. We believe that by working together, we can achieve our commitments to improve workers' well-being, protect human rights, reduce environmental impacts and unleash improved business performance. [Learn more \(p.29\)](#)
- WORKPLACE COOPERATION PROGRAM**

We developed this program with [International Labour Organization \(ILO\) Better Work](#) in 2015 to help improve communication between workers and management. This intensive program is based on eight modules and seeks to drive continuous improvement in the workplace by maturing industrial relations and establishing functioning grievance mechanisms. [Learn more \(p.35\)](#)
- WORKFORCE ENGAGEMENT PROGRAM**

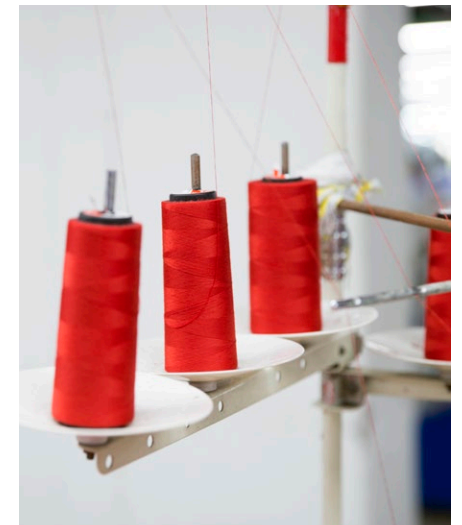
We launched this program in collaboration with Verité in 2015 to measure and improve the degree to which garment workers feel valued and engaged at work. This program gives workers an opportunity to provide anonymous feedback on key topics, such as supervisor relationships, grievance mechanisms, and training and development opportunities. [Learn more \(p.36\)](#)
- P.A.C.E. (PERSONAL ADVANCEMENT & CAREER ENHANCEMENT)**

Our P.A.C.E. (Personal Advancement & Career Enhancement) program gives women in Gap Inc.'s supply chain and sourcing countries the foundational life skills, technical training and support they need to advance in the workplace and in their personal lives. [Learn more \(p.37\)](#)

## MILLS EXPANSION

Until recently, many of our programs have focused on our **Tier 1 suppliers** – the cut-and-sew, embroidery and laundry facilities from which we directly source.

Beginning in 2017, we began measuring the social and environmental performance of our Tier 2 suppliers – the mills that provide our fabric – through our redesigned **Mill Sustainability Program (p.43)**. We will leverage **Social & Labor Convergence Project (SLCP)** tools to improve our mills' sustainability performance.



# SUPPLIER SUSTAINABILITY

## PARTNERSHIPS

IN ADDITION TO OUR FOUR PROGRAMS, WE MANAGE OR PARTICIPATE IN A BROAD SET OF INITIATIVES THAT ADDRESS COUNTRY-SPECIFIC LABOR ISSUES, PARTNERING WITH OTHER APPAREL AND FOOTWEAR COMPANIES, EXPERT ORGANIZATIONS, NGOS, GOVERNMENTS AND MULTILATERAL ORGANIZATIONS.

### SOCIAL & LABOR CONVERGENCE PROJECT (SLCP)

As a signatory to this [collaboration](#) among apparel and footwear brands, retailers, industry groups and civil society organizations, we support a new shared data-collection tool that can assess the social and labor performance of manufacturing facilities across the apparel and footwear supply chain. In 2017 and 2018, Gap Inc. chaired both the SLCP Tool Development Working Group and the Verification Working Group in which we helped facilitate the creation of the first SLCP tool and verification process. We also enrolled some of our facilities in the pilot and supported the broader pilot covering over 150 facilities in more than 10 countries. The final version has been developed and will launch in China and Sri Lanka in late 2018, with 17 of our approved facilities and mills encouraged to participate. We aim to support the expansion and sectoral adoption of the SLCP and are investing significant resources to institutionalize it across our supply chain to promote supplier ownership of social performance.

### INTERNATIONAL LABOUR ORGANIZATION (ILO) BETTER WORK

As a founding partner of this [program](#), we view the ILO team as our key implementing partner in every country where they operate, representing several of our key sourcing markets.

### BETTER THAN CASH ALLIANCE

In 2018, we joined this [alliance](#) – a partnership of companies, governments and international organizations – to accelerate the transition from cash-based wage payments to digital wage payments in the apparel supply chain.

**Digital Wage Payments** [p.32](#)

### THE ARBITRATION COUNCIL FOUNDATION + ILO BETTER FACTORIES CAMBODIA

We partnered with [The Arbitration Council](#) and [ILO Better Factories Cambodia](#) to deliver a workshop on freedom of association, workplace cooperation and dispute resolution for our Cambodian suppliers and the unions represented at their facilities. We're committed to holding this type of forum in additional sourcing markets in 2018 and beyond.

**Freedom of Association** [p.34](#)

### ALLIANCE FOR BANGLADESH WORKER SAFETY (ALLIANCE)

Gap Inc. is a founding member of 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. As of fiscal 2017, all major remediation requiring significant investments to improve worker safety was completed in the facilities from which we source. The remaining issues, while important, are relatively minor. In the facilities that have already completed remediation, we are transitioning oversight of the fire and building safety programs to smaller safety monitoring organizations that will work closely with local partners in Bangladesh to carry on this important work. The Alliance provides [detailed information on its progress and impact](#).

**Fire, Building + Electrical Safety** [p.33](#)

### AMSTERDAM COALITION

We are working with several of the world's largest apparel companies and the [Organisation for Economic Co-operation and Development](#) (OECD) to address working conditions and employment practices in South India's apparel supply chain. We seek to partner with the Indian government and fabric mills and apparel facilities in South India to systematically address key labor issues that require comprehensive, multistakeholder interventions.

### MAXIMIZING WORKER ENGAGEMENT WORKING GROUP

In partnership with [BSR](#) and other industry-leading apparel and footwear companies, we seek to align around a common mission and set of guiding principles for our companies' distinct worker engagement and worker well-being programs. We aim to help scale and institutionalize worker engagement best practices in partnership with other companies across the apparel and footwear supply chain.

### REMEDIATION IN BANGLADESH FACILITIES AS OF FISCAL 2017

**42** FACILITIES RECEIVED FULL REMEDIATION from the Alliance



**8** FACILITIES PENDING FULL REMEDIATION They have completed the civil work required and are awaiting the final Alliance inspection process.

# SUPPLIER SUSTAINABILITY

## ASSESSMENT + REMEDIATION PROGRAM

WE MONITOR OUR SUPPLIERS' FACILITIES' ADHERENCE TO OUR **CODE OF VENDOR CONDUCT (COVC)** BEFORE INITIAL APPROVAL AND THEN ANNUALLY, ALONGSIDE OUR EFFORTS TO BUILD INNOVATIVE PROGRAMS THAT CREATE SUPPORTIVE, EMPOWERING WORKPLACES.

**LEARN MORE:**  
**Assessment + Remediation Program**

- Including:
- Assessment practices, resolution data and our management approach
  - Detailed management approach to **human rights issues and policies**
  - How we **partner with facilities**

### PROGRAM OVERVIEW

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.

In 2017, Gap Inc. set a goal to not work with any red-rated facilities by 2020. We made significant strides toward this goal in 2017 by integrating this work more deeply into our sourcing decisions, concentrating our business with preferred vendors and increasing our investment to help facilities close out COVC violations in a sustainable, responsible way. In addition to a dedicated Supplier Sustainability team that engages directly with facilities on these issues and targets, we train global sourcing employees on human rights policies and procedures, building companywide awareness of a holistic approach to collaboration and management.

We have created internal systems to develop a close partnership between our Supplier Sustainability, Global Supply Chain and Data Insights teams. Our Supplier Sustainability and Data Insights teams meet monthly to evaluate progress

toward our goal and identify facilities that are lagging so that we can focus our resources on improvement. Since we track data by country and category (such as knits, wovens, accessories, etc.), we are also able to collaborate with category leaders on the Global Supply Chain team. Through training and education, we also work closely with key vendors to build their capacity for continuous improvement and help them implement proactive measures that will prevent COVC issues from arising in the first place.

In 2017, we raised the bar for our facility approval process and no longer allow red-rated facilities (based on their pre-production assessment) to be approved by Gap Inc. for production. In the past, we approved red-rated facilities if they agreed to address the issue in question within a certain timeframe.

We also changed our approach to assessing red-rated facilities. Rather than wait one year after our initial assessment to reassess red-rated facilities, we work with them to develop a time-bound corrective action plan and evaluate them again at the end of the agreed-upon timeframe to determine whether they have successfully achieved the required remediation. This approach allows us to work more closely with facility management to ensure that they are making the necessary investments and adjustments to their practices.



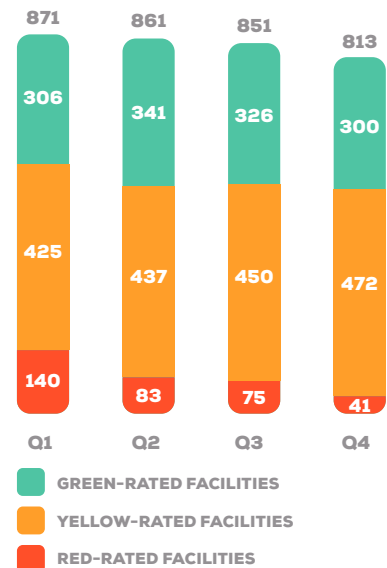
Fair Trade facility, Sri Lanka

# SUPPLIER SUSTAINABILITY

## SUPPLIER PERFORMANCE ANALYSIS

We analyze our suppliers' performance against our COVC and use the consolidated, country-level results to track and analyze progress or areas of concern for these issues. Our analysis showed that we closed a higher percentage of issues in 2017 than in 2016: In 2017, we closed 91 percent of issues that had remained open for 12 months, compared to 82 percent in 2016. As we identify emerging areas of concern, we partner with our suppliers to implement changes to our systems or develop new programs to address salient issues.

## FACILITY TREND PERFORMANCE 2017



## RESOLUTION OF FACILITY CODE OF VENDOR CONDUCT ISSUES OPEN AS OF 2/1/2016

	2/1/2016 Open Issues	3 MONTHS 5/1/2016		6 MONTHS 8/1/2016		1 YEAR 2/1/2017		2 YEARS 2/1/2018	
		Open Issues	Resolved	Open Issues	Resolved	Open Issues	Resolved	Open Issues	Resolved
BANGLADESH	452	312	31%	113	75%	44	90%	17	96%
CAMBODIA	158	88	44%	36	77%	29	82%	5	97%
CHINA	873	481	45%	224	74%	98	89%	59	93%
GUATEMALA	12	2	83%	2	83%	2	83%	1	92%
INDIA	791	703	11%	565	29%	181	77%	88	89%
INDONESIA	365	208	43%	178	51%	82	78%	57	84%
PAKISTAN	100	100	0%	59	41%	34	66%	30	70%
SRI LANKA	278	233	16%	199	28%	103	63%	74	73%
UNITED STATES	0	0	100%	0	100%	0	100%	0	100%
VIETNAM	629	423	33%	243	61%	94	85%	44	93%
OTHER	296	232	22%	170	43%	50	83%	23	92%
<b>TOTAL</b>	<b>3,954</b>	<b>2,782</b>	<b>30%</b>	<b>1,789</b>	<b>55%</b>	<b>717</b>	<b>82%</b>	<b>398</b>	<b>90%</b>

## RESOLUTION OF FACILITY CODE OF VENDOR CONDUCT ISSUES OPEN AS OF 2/1/2017

	2/1/2017 Open Issues	3 MONTHS 5/1/2017		6 MONTHS 8/1/2017		1 YEAR 2/1/2018	
		Open Issues	Resolved	Open Issues	Resolved	Open Issues	Resolved
BANGLADESH	583	369	37%	196	66%	52	91%
CAMBODIA	271	118	56%	54	80%	40	85%
CHINA	1,102	553	50%	213	81%	44	96%
GUATEMALA	12	2	83%	1	92%	1	92%
INDIA	733	541	26%	342	53%	62	92%
INDONESIA	443	358	19%	269	39%	75	83%
PAKISTAN	11	11	0%	11	0%	1	91%
SRI LANKA	285	230	19%	140	51%	65	77%
UNITED STATES	1	1	0%	0	100%	0	100%
VIETNAM	832	459	45%	250	70%	48	94%
OTHER	332	247	26%	136	56%	44	87%
<b>TOTAL</b>	<b>4,605</b>	<b>2,889</b>	<b>37%</b>	<b>1,612</b>	<b>65%</b>	<b>432</b>	<b>91%</b>

# SUPPLIER SUSTAINABILITY

## INTERNATIONAL LABOUR ORGANIZATION (ILO) BETTER WORK

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 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 and Nicaragua.

## ASSESSMENTS IN ILO BETTER WORK MARKETS

	FACILITIES ASSESSED BY ILO BETTER WORK		FACILITIES ASSESSED BY GAP INC.		TOTAL
<b>BANGLADESH</b>	32	62%	20	38%	52
<b>CAMBODIA</b>	43	80%	11	20%	54
<b>HAITI</b>	5	100%	0	0%	5
<b>INDONESIA</b>	43	54%	37	46%	80
<b>JORDAN</b>	3	30%	7	70%	10
<b>NICARAGUA</b>	5	63%	3	38%	8
<b>VIETNAM</b>	79	54%	66	46%	145
<b>TOTAL</b>	210	59%	144	41%	354



## MILL SUSTAINABILITY PROGRAM

2018 marks the launch of our Mill Sustainability Program, which integrates key industry programs and puts supplier ownership at its center.

Our first step on this journey was to comprehensively map the mills from which we source fabric and group them into three categories: preferred mills, which represent the majority of our business volume, non-preferred mills, and niche and new mills. While we have yet to finish identifying all of the niche mills, we made progress in 2017, mapping 179 facilities that represent 80 percent of our business volume.

In March 2017, we communicated to our entire mill base our expectations of their social and environmental performance, which are conditions of doing business with us. We are now in the midst of gradually rolling out the comprehensive mill program to the identified mills.

**Mill Sustainability Program p.43**



# SUPPLIER SUSTAINABILITY

## DIGITAL WAGE PAYMENTS

IN 2018, WE SET A **NEW GOAL** FOR ALL OF OUR TIER 1 SUPPLIERS TO TRANSITION FROM A CASH-BASED WAGE-PAYMENT SYSTEM TO A DIGITAL WAGE-PAYMENT SYSTEM BY 2020.

To support our commitment, we joined the UN's **Better Than Cash Alliance** (BTCA). BTCA works with the private sector, governments and international organizations to accelerate the transition to digital payments, which can help reduce poverty and support inclusive growth.

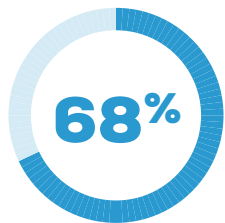
Countries from which we source are at different levels of digitization. For example, we began working with our suppliers in India nearly a decade ago to transition away from cash-based wage payments, while in Cambodia and Bangladesh, the majority of our facilities continue to use cash. Approximately 30 percent of our suppliers use cash payments, which can present a variety of security risks to workers and contribute to financial exclusion.

Globally, more than 30 percent of working-age adults lack access to formal financial services. Rates of financial exclusion are higher among women, who comprise about 80 percent of the garment-industry workforce. By committing to work with our suppliers to use electronic wage-payment methods, we hope to increase the number of people in our supply chain – particularly women – who have access to formal financial products and services, including bank and savings accounts, credit and insurance. This will give workers greater control over their finances and offer them a safer way to save, send and invest their money. Our suppliers will benefit from cost savings via a faster, more efficient payment system. Digital wages will also help increase accountability and transparency across the garment sector.

We are also evaluating how we can tie our digital wage-payment work to financial literacy training programs, which our **P.A.C.E. program (p.37)** provides. We recognize that providing financial access to individuals in developing countries is only one piece of the puzzle – another crucial piece is helping to ensure that workers can effectively use those resources.



Vietnam



68% OF OUR TIER 1 SUPPLIERS PAY WAGES DIGITALLY

**BETTER THAN CASH ALLIANCE**



# SUPPLIER SUSTAINABILITY

## KEY ISSUES

WE ARE PROUD TO SUPPORT THE PRINCIPLES OUTLINED IN THE UNIVERSAL DECLARATION OF HUMAN RIGHTS (UDHR), THE UN GLOBAL COMPACT, THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) GUIDELINES FOR MULTINATIONAL ENTERPRISES AND THE ILO'S CORE CONVENTIONS.

These principles form the foundation of our **Human Rights Policy**, which defines our approach and activities to respect human rights and prohibit human rights abuses.

In addition to the programmatic updates in this report, detailed information on our human rights policies, management approach and resolution actions for key issues is available at the links below.

### LEARN MORE: [Respecting Human Rights](#)

- **Child Labor and Young Workers**
- **Discrimination**
- **Wages and Benefits**
- **Fire, Building and Electrical Safety**
- **Grievance Mechanisms**
- **Short-Term Contracts**
- **Human Trafficking and Forced Labor**
- **Working Hours**
- **Humane Treatment**
- **Freedom of Association**
- **Foreign Contract Workers and Recruitment**
- **Unauthorized Subcontracting**

## FIRE, BUILDING + ELECTRICAL SAFETY PROGRAM

In 2017, we expanded our approach to fire, building and electrical safety (FB&ES) beyond Bangladesh, where we continue to collaborate with the **Alliance for Bangladesh Worker Safety**. We recognize that some of our key sourcing countries – Cambodia, Indonesia and Pakistan – may also have FB&ES risks and we want to do our part to reduce those risks and ensure safety for workers in those countries. As part of a pilot, we partnered with an expert third party to assess facilities on fire and electrical safety – 20 in Cambodia, three in Indonesia and three in Pakistan. We are now working with these facilities on remediation against their improvement plans.

Our assessment also provided analysis on the unique challenges that contribute to FB&ES risk in each country. For instance, Cambodia lags far behind in fire-safety regulations and most buildings do not have adequate fire protection. In Indonesia, we found that up to 70 percent of fires in the capital city of Jakarta are caused by short circuits. It also revealed that fires spread quickly when access to water is scarce and fire trucks face heavy traffic and poor road conditions. In Karachi, Pakistan, the assessment revealed a number of issues, including code violations, lack of awareness about safety measures, and a shortage of firefighting infrastructure and resources.

In addition to assessing the facilities, our partner trained facility managers and Gap Inc. sourcing staff on how to address the biggest issues.

### LEARN MORE: [Fire, Building and Electrical Safety](#)

## GRIEVANCE MECHANISMS

We take a multifaceted approach to help ensure that workers are able to effectively raise grievances:

- Our **Workforce Engagement Program (p.36)** – based on worker surveys, interviews and messaging applications – offers one approach in which individuals can confidentially report workplace related grievances to facility management. We are currently working in China and Vietnam to provide resources through a smartphone app and developing a scaling strategy to bring it to other sourcing markets.
- Our **Workplace Cooperation Program (pg.35)** provides training for workers and management on how to develop and implement grievance mechanisms. Our goal is

to deliver this program to 200 facilities by 2020.

- Our **Assessment and Remediation program (p.29)** evaluates the efficacy and use of grievance mechanisms. Our Supplier Sustainability team also provides contact information to workers in the facilities from which we source, so they are able to reach out to us directly if there are issues that require our attention.

We believe that context-specific approaches to grievance mechanisms will increase the likelihood that workers will use them. We are in the midst of evaluating additional service providers that can help implement technology-based solutions in other sourcing markets.

### LEARN MORE: [Grievance Mechanisms](#)



# SUPPLIER SUSTAINABILITY

## KEY ISSUES CONTINUED

### FREEDOM OF ASSOCIATION

Our **Code of Vendor Conduct (COVC)** and **Human Rights Policy** explicitly support freedom of association and the rights of workers to lawfully and peacefully associate, organize and bargain collectively.

We use a wide range of approaches in seeking to ensure that freedom of association rights are respected, from supporting open dialogue between facility workers and managers to partnering with workers' rights groups and trade unions when appropriate.

In January 2018, we partnered with **The Arbitration Council** and **ILO Better Factories Cambodia** to lead a workshop on freedom of association for our Cambodian suppliers and the unions represented in their facilities. The purpose was to improve employee and employer relationships through a mutual understanding of freedom of association, workplace cooperation and dispute-resolution mechanisms.

In the workshop, we provided guidance on how facilities should respect and address freedom of association and dispute-prevention and resolution regulations, including those enshrined in ILO Conventions No. 87 and No. 98 and Cambodian labor law. We also discussed the rights, roles and responsibilities of employers and employees, and provided practical information on how to improve workplace cooperation, prevent disputes and effectively use resolution mechanisms. The workshop also included an overview of Gap Inc.'s **Workplace Cooperation Program (p.35)**, which aims to improve worker-management dialogue at facilities.

Through the workshop, we reached facility managers, union leaders and workers. To complement this training, we also required all of our Cambodian suppliers to enroll in ILO Better Factories Cambodia's advisory services by the end of 2018. This will help ensure that the voice of workers will be heard and issues will be resolved fairly through the establishment of workplace committees. More broadly, in recent years we have seen fewer instances of freedom of association issues in our sourcing facilities, such as blocking attempts to organize. We continue to work with our suppliers and stakeholders on improving understanding and access for workers and management. We are in the midst of planning additional trainings in other key sourcing markets.

**LEARN MORE: Freedom of Association**

### WORKING HOURS

One of the compliance issues we frequently encounter relates to worker **overtime**, which increased across most of our sourcing countries in 2017. Overtime is a complex challenge to address because many workers seek premium overtime pay, while facilities seek to optimize their production capacity across multiple buyers. In addition, buyers themselves, including Gap Inc., often require changes to orders that either increase or reduce the size of an order. Despite these challenges, we will continue to address the role that our buying practices have on overtime.

**LEARN MORE: Working Hours**

### GENDER BASED DISCRIMINATION AND HARASSMENT

Women constitute between 60 and 80 percent of India's apparel workforce. During regular assessments of the facilities we work with in India, we have found serious violations pertaining to gender-based discrimination and harassment, which are known to be systemic issues in India. We recognize this as an urgent issue that all relevant stakeholders must invest more time and resource into addressing.

To do our part, Gap Inc.'s Supplier Sustainability team is working with our suppliers in India – covering over 100,000 workers – to help them build an environment where they clearly define and implement policies on Prevention of Sexual Harassment (POSH) and create an Internal Complaints Committee, both of which are required under Indian law, though inadequately enforced. We aim to help our suppliers raise awareness among both male and female employees about this issue, and about their rights and responsibilities under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act of 2013.

As a first step, we conducted sensitization programs with all of our suppliers in India, and have provided them with guidance on the relevant legal requirements. We also have defined time-bound goals, such as commitments from our vendors to train 100 percent of their employees on this issue, and have identified expert organizations for them to partner with in implementing this work. As a result, regular training and awareness also provided to all their employees to enhance understanding of the issues, the various forms it can take, its root

causes and their roles and responsibilities. Regular trainings are provided to Internal Complaints Committees to strengthen their understanding and capabilities to address sexual harassment cases. To review progress, Gap Inc. assessments include components on POSH and determine areas for improvement, if needed, within a remediation plan.

Given the urgency and importance of this issue, we are now developing regional strategies to address this issue in other key sourcing countries, and will be launching similar trainings in Bangladesh, Cambodia, Indonesia and Vietnam in 2018.

**LEARN MORE: Discrimination**

### CHILD AND FORCED LABOR

We continue to maintain a strong focus on protecting human rights, including issues such as forced and child labor. Under no circumstance is it acceptable for child, forced or trafficked labor to be employed within our operations or used in the production of any Gap Inc. product. Recent legislation has supported global awareness and we annually report our actions to uncover and protect against these issues within our U.K. Modern Slavery Act 2015 and California Transparency in Supply Chain Act **disclosures**. While we have not discovered instances of forced or child labor in our supply chain in recent years, we remain vigilant about these issues and detail our comprehensive management approaches for both issues.

**LEARN MORE: Child Labor and Young Workers**

# SUPPLIER SUSTAINABILITY

## WORKPLACE COOPERATION PROGRAM

OUR WORKPLACE COOPERATION PROGRAM AIMS TO FACILITATE DIALOGUE BETWEEN WORKERS AND MANAGEMENT.

It does so by addressing a broad set of issues, from washroom sanitation and better quality of food in the canteen, to overtime and worker well-being. This training program works with democratically elected bipartite committees – committees comprising an equal number of workers and management, which are legally required in most countries from which we source – so they can better collaborate to address workplace issues. Inherent in this training program is a recognition that workers in many facilities do not feel comfortable voicing their grievances in the presence of upper-level management. Our approach, designed in partnership with **International Labour Organization (ILO) Better Work**, seeks to address those relations in a way that benefits all stakeholders.

In 2017, we focused on expanding this program to improve social dialogue in facilities. We began using new data assessments to better understand the benefits of the program and areas for improvement, launched a new training module and set a goal to reach 200 facilities by 2020.

## QUALITATIVE SURVEYS

In 2017, we sent a qualitative survey to 69 facilities to better understand the experience of workers and managers in the program, including how they perceive the effectiveness of the bipartite committee in making decisions, whether they feel comfortable sharing issues and complaints, and how they describe the quality of the relationship between workers and managers. We conduct these surveys quarterly so that we can respond to opportunities and challenges more rapidly.

Through these surveys, we learned that workers who have undergone training feel more comfortable sharing issues. They describe the quality of worker-management relationships as positive and believe that the committees are resolving workplace grievances and issues more effectively than before the program was introduced. However, the surveys also revealed that the program is not yet reaching its full potential. We need to identify ways to engage more workers, beyond those who have undergone training, to participate in the bipartite committee.

A challenge we have identified in working with bipartite committees is how to share updates and information from committee meetings with the rest of the facility's workforce. To address this, we are partnering with **Spread the Word**, a consultancy focused on workplace communication, that will help us teach workers and managers who receive our training how to share that knowledge more broadly in the facility.

## ANALYZING BUSINESS IMPACT

Since part of our aim with this program is to improve business performance, we have begun collecting data to analyze whether the Workplace Cooperation Program is improving productivity, efficiency and quality. We created a quarterly data-collection tool and are asking participating facilities to track and share their data on different business indicators, such as absenteeism, number of grievances, productivity and more. We are working with ILO Better Work to conduct an independent impact assessment of the program, examining whether there is a correlation between the program and business benefits.

## SUPERVISORY SKILLS TRAINING

In partnership with ILO Better Work, we also began implementing a new training module in 2018 to reach a key group of employees we have not yet engaged in the program: mid-level managers. Through our supervisory skills training, we aim to help middle managers improve their communication with workers, who typically contact middle management first to discuss problems or make suggestions to improve facility working conditions. We plan to launch this training module in 2018.



2017 REACH:

**9 COUNTRIES**

**69 FACILITIES**

**12K+ WORKERS +**

TRAINED

**125K+ WORKERS REPRESENTED**

**+24% POINTS** More committee members report feeling comfortable sharing issues during committee meetings.

**+26% POINTS** More committee members say they are satisfied with how the committee makes decisions.

**+31% POINTS** More workers are aware of the worker-management committee at their facility.

# SUPPLIER SUSTAINABILITY

## WORKFORCE ENGAGEMENT PROGRAM

IN 2015, GAP INC. LAUNCHED ITS WORKFORCE ENGAGEMENT PROGRAM TO IMPLEMENT A WORKER-CENTERED APPROACH TO IMPROVE SUSTAINABLE SUPPLIER PERFORMANCE AND MEASURE IMPACT.

By measuring how valued and engaged workers feel at work and the contributing factors, the program sought to set priorities and goals for facility improvement. Gap Inc. engaged Verité to develop and help implement

this program. In August 2018, Verité released a **white paper** highlighting the program’s return on investment, lessons learned and case studies to drive broader industry awareness of supply chain worker engagement.

Using data from facilities that were re-assessed during the 2015-2017 implementation of our Workforce Engagement Program, Verité found that in facilities where significant management improvements were made – including supervisor training, communication and worker feedback, and training and career development – workers’ sense of value and

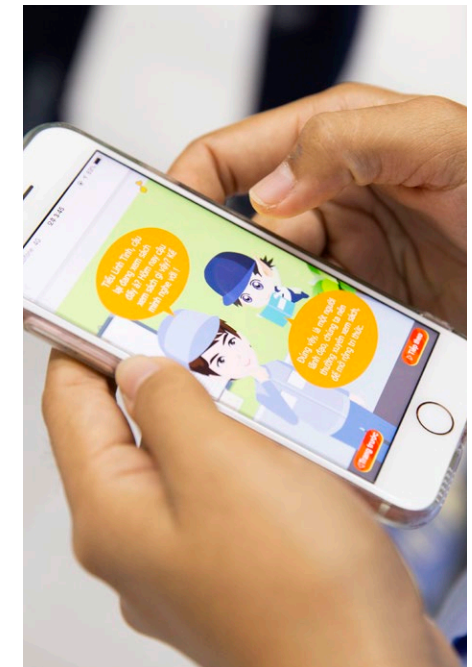
engagement improved. This, in turn, drove positive business results.

In one case highlighted in the report, the team noted a 5 percent decrease in worker turnover from 2015 to 2016.

We are currently working with other brands and **BSR** in the Maximizing Worker Engagement Working Group to develop an enabling environment for a supplier-owned model of worker engagement that can be adopted and promoted across the industry. The working group’s goal is to bring together like-minded brands across the apparel and footwear sector

to adopt guiding principles to establish a system that puts workers at the center of engagement and well-being.

Achieving the scale of our objectives requires that we find ways to drive greater adoption of the program. We are exploring new technology solutions (including **MicroBenefits**) to help us lower the cost of such initiatives for greater adoption among our vendors. We are also sharing best practices across vendors, from Vietnam to China to Indonesia, to develop the program’s sustainability.



# P.A.C.E. : EMPOWERING WOMEN



OUR P.A.C.E. (PERSONAL ADVANCEMENT & CAREER ENHANCEMENT) PROGRAM GIVES WOMEN IN GAP INC.'S SUPPLY CHAIN AND SOURCING COUNTRIES THE FOUNDATIONAL LIFE SKILLS, TECHNICAL TRAINING AND SUPPORT THEY NEED TO ADVANCE IN THE WORKPLACE AND IN THEIR PERSONAL LIVES.

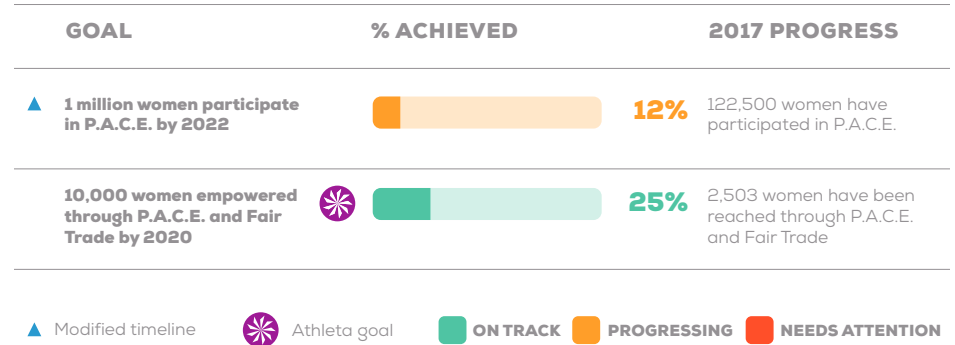
We launched P.A.C.E. in vendor facilities in 2007 and have expanded the program to community settings to unlock new possibilities for women and adolescent girls.

**LEARN MORE:**  
**Our P.A.C.E. program** [↗](#)

## 2017 ACTIVE COMMUNITY PARTNERS

PARTNER	COUNTRY
Apparel Training & Design Centre	India
CARE	Bangladesh, Ethiopia, Haiti, Indonesia, Sri Lanka, Vietnam
China Women's University	China
Fujian Hwa Nan Women's College	China
Gram Tarang Employability Training Services	India
Maria Elena Cuadra (MEC)	Nicaragua
Project Concern International (PCI)	Guatemala
Foundation SAE-A	Haiti
Self-Employed Women's Association (SEWA)	India
Want Want Group	China
Win-Win Strategies	El Salvador, Guatemala, Nicaragua

## GOALS + PERFORMANCE



P.A.C.E. IS ACTIVE IN

**13 COUNTRIES**

**+172% PARTICIPATION**   
FROM 2016 TO 2017

**43K WOMEN PARTICIPATED**  
IN 2017



**122K+ WOMEN PARTICIPATED**  
SINCE THE PROGRAM LAUNCHED IN 2007



# P.A.C.E. : EMPOWERING WOMEN

## 2017 PROGRESS

IN 2017, WE IMPLEMENTED A NEW STRATEGY THAT WILL HELP US GROW P.A.C.E. BY FORMING NEW PARTNERSHIPS, IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF OUR PROGRAM MANAGEMENT AND DEVELOPING A NEW LEARNING MANAGEMENT PROGRAM.

We seek to bring P.A.C.E. to as many women and girls as possible. By 2022, we aim to reach 1 million women with this life-changing program and anticipate that we will serve many more in the years after that. This is a shift from the goal we announced in 2015 to reach 1 million

women by 2020. Based on learnings from our scaling efforts and our commitment to prioritize the program’s impact over meeting a deadline, this was the right change for Gap Inc. and P.A.C.E.

To reach our goal, we are looking for long-term partners who share our vision of women’s empowerment and can help us sustainably scale P.A.C.E. In 2017, we formed partnerships with groups including India’s **Self-Employed Women’s Association** – one of the country’s largest organizations focused on women engaged in entrepreneurial activities – which will bring P.A.C.E. to 200,000 women, and **MEC Nicaragua**, a women’s advocacy and rights organization.

Over the years, P.A.C.E. has evolved from teams focused on local management to a global program that can share lessons across geographies. This helps us tailor content to fit local priorities while building resources for a global scale. We are developing a new community of practice that will make it easier for P.A.C.E. teams as well as our implementing partners globally to share tools, knowledge and resources, such as master trainers.

Lastly, we created a new approach to learning management so that our partners and strategic vendors can more easily implement P.A.C.E. in workplace settings and train their own trainers to deliver the program. For instance, we have licensed P.A.C.E. to two strategic vendors that can

lead the program in any of their facilities, even those that do not produce products for Gap Inc. This increases our efficiency in implementing P.A.C.E., gives more women in facility environments access to P.A.C.E., and deepens our relationship with strategic vendors, which supports our business goals.

In addition to our P.A.C.E. expansion strategy, we piloted a girls curriculum in community settings in China, Haiti, India and Sri Lanka. We also invested in a new data platform to help our partners and vendors track the progress of P.A.C.E. implementation and began developing indicators to measure P.A.C.E.’s impact in community settings. We will use these evaluations for program improvements.



P.A.C.E. in the classroom, India

# ENVIRONMENT

## SUPPLY CHAIN

40 **WATER STEWARDSHIP**

46 **CHEMICAL MANAGEMENT**

## OPERATIONS

48 **CLIMATE + ENERGY**

50 **WASTE**



# WATER STEWARDSHIP



WATER IS ESSENTIAL TO HUMAN HEALTH AND WELL-BEING, AND IT'S ALSO ESSENTIAL TO OUR BUSINESS.

Our water stewardship strategy is built on the principle that clean, safe water is both an environmental goal and a basic human right. We have a responsibility and an opportunity to address water issues because it is a critical natural resource for our business – 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.

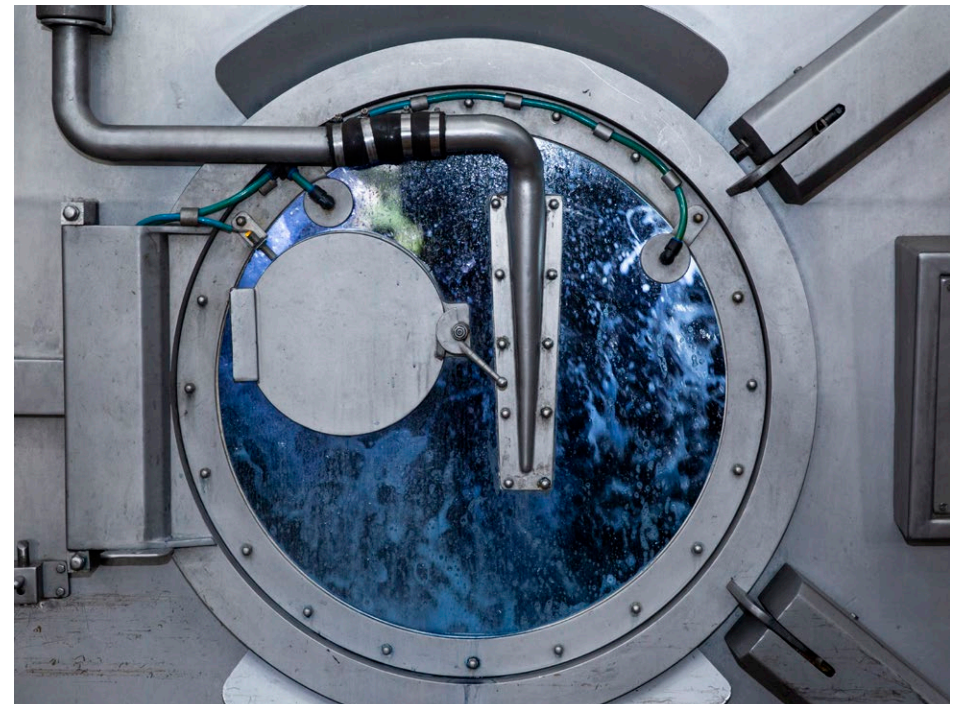
To help build the resilience of our company, our supply chain and the people who make our clothes, we strategically address water use in product design and manufacturing, water contamination, and education about water and sanitation.

**LEARN MORE:** [How we create solutions for women + water](#)

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
✓ <b>1 billion liters of water saved in manufacturing in 2017</b>	 <b>240%</b>	Gap Inc. suppliers saved 2.4 billion liters of water
● <b>10 billion liters of water saved in manufacturing by 2020, from a 2014 baseline</b>	 <b>33%</b>	Gap Inc. suppliers have saved over 3.3 billion liters of water since 2014

● New in 2017/2018
✓ Achieved
■ ON TRACK
■ PROGRESSING
■ NEEDS ATTENTION





# WATER STEWARDSHIP

## OUR APPROACH

OUR WOMEN + 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.

The program is focused on three key areas: water stewardship in manufacturing; access to water, sanitation and hygiene (WASH) for women; and designing more water efficient products.

1

## MANUFACTURING

We partner with fabric mills and laundries to reduce manufacturing impacts.



**2.4B LITERS OF WATER SAVED**

**AT DENIM LAUNDRIES + MILLS IN 2017**

In 2017, we worked with three denim laundries and 24 mills, reducing the amount of water used in manufacturing by 2.4 billion liters, exceeding our 1 billion liter goal.

**Mill Sustainability Program p.43**

2

## WOMEN

We build awareness and educate the women who make our clothes about safe water-handling practices and increase their access to safe water.



**34K PEOPLE TRAINED**

**ON WATER, SANITATION + HYGIENE PRACTICES**

In partnership with WaterAid, we trained 34,000 people on **water, sanitation and hygiene (WASH) practices.**

**Women+Water Alliance p.44**

3

## PRODUCT

We adopt more water-efficient product design and sourcing practices.



**76.6M LITERS OF WATER SAVED**

**WITH WASHWELL SINCE 2016**

Our program to reduce the water used in finishing denim saves at least 20 percent of water used in the laundry stage of production. Since the program began in 2016, Washwell has saved more than 76.6 million liters of water.



**LESS WATER USED TO FINISH DENIM WITH WASHWELL**

**Product Sustainability p.52**

# WATER STEWARDSHIP

## 2017 PROGRESS

AFTER EXCEEDING OUR 2017 GOAL TO REDUCE WATER IN MANUFACTURING BY 1 BILLION LITERS – WE SAVED 2.4 BILLION LITERS – WE SET AN AMBITIOUS **NEW GOAL** IN 2018 TO CONSERVE 10 BILLION LITERS OF WATER BY THE END OF 2020 THROUGH SUSTAINABLE MANUFACTURING PRACTICES.

These potential water savings are equivalent to the daily drinking-water needs for 5 billion people. Our primary strategy to achieve this goal is to enhance our engagement with the mills and laundries in our supply chain and use water-saving methods in the production of our clothing.



### The CEO Water Mandate

#### CEO WATER MANDATE

We are a signatory to the **CEO Water Mandate**, which enables collaboration with other companies, governments, civil society and others to address challenges related to water scarcity, quality and governance, and access to water and sanitation.

## PARTNERSHIPS



#### SUSTAINABLE APPAREL COALITION (SAC)

We are a founding member of the **SAC** and use the Higg Index to evaluate suppliers' environmental performance and engage them to meet our goals. Beginning in 2017, we expanded our use of the Higg Facility Environmental Module (FEM) 3.0 to collect data from mills' self-assessments, which are verified by a third party.

## Ø ZDHC

#### ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC) ROADMAP TO ZERO

We joined this **commitment** in 2014 to work toward zero discharge of hazardous chemicals in our supply chain. We integrate ZDHC tools and resources, such as the Manufacturing Restricted Substances List (MRSL) and Wastewater Guidelines, into our Water Quality Program and our Mill Sustainability Program. We are also a member of the ZDHC leader program. Beginning in 2018, our strategic mills and laundries will be required to test their wastewater discharge twice a year and publish the results through the ZDHC Gateway. [Learn more \(p.46\)](#)



#### CLEAN BY DESIGN

We are collaborating to expand this Natural Resources Defense Council (NRDC) **program**, which helps mills in China improve their operational efficiency to reduce water, energy and chemicals use. We worked with eight mills through 2017 for a total of 11 mills to date. The NRDC's results show an annual savings of 7 million tons of water and nearly \$13 million in operating costs across all mill participants. Each mill used 11 percent less water, 7 percent less coal and saved, on average, \$230,000 in annual operating costs. Additionally, we have developed our own program for six mills in China – the China Mill Efficiency Program – and saved 1.4 billion liters of water.



#### RACE TO THE TOP

In Vietnam, our largest sourcing country, we partner with **Race to the Top** to work with other global apparel and footwear brands, government, local industry and civil society on programs that support sustainability, cost savings and opportunities for innovation in our sector. The first mills to participate in the Mill Optimization program reported water, energy and fiscal savings.



#### PARTNERSHIP FOR CLEANER TEXTILE (PaCT)

In Bangladesh, we work with **PaCT** to improve the environmental performance of the country's textile wet-processing sector, which uses up to three times more water than the global average. In 2017, we worked with three denim laundries (out of nine total participating laundries), helping us save 115 million liters of water.



#### USAID + GAP INC. WOMEN+WATER ALLIANCE

In 2017, we launched this Global Development Alliance (GDA) with the **United States Agency for International Development** (USAID) to improve and sustain the health and well-being of women and communities touched by the apparel industry. [Learn more \(p.44\)](#)



# WATER STEWARDSHIP

## MILL SUSTAINABILITY PROGRAM

IN 2017, WE TRANSITIONED OUR **MILL SUSTAINABILITY PROGRAM**, WHICH BEGAN IN 2013, FROM A PILOT TO A STRATEGIC PHASE WITH THE PURPOSE OF DRIVING TRANSPARENCY, REDUCING COMPLIANCE RISKS AND CONTRIBUTING TO OUR SUSTAINABILITY GOALS.

By 2020, we expect all Gap Inc.-approved mill facilities to participate in and report using the **Sustainable Apparel Coalition (SAC) Higg FEM 3.0**, **Zero Discharge of Hazardous Chemicals (ZDHC) MRSL** and Wastewater Guidelines, and **Social & Labor Convergence Project (SLCP)** social and labor assessment. To meet these goals, we are collaborating closely with our Tier 2 mill suppliers and local NGO partners. We have also further integrated these programs into our business through internal partnerships with our Global Supply Chain team.

The program is centered around five key objectives:

- Establish a clear sustainability roadmap for mill engagement that is measurable, innovative and integrated into business decision making
- Assess internal and external needs to build capacity for this program
- Develop and conduct training and education with our mill partners
- Continuously monitor mills' social and environmental performance
- Create a mill scorecard to integrate the program's impact into our overall business portfolio

Before engaging our mill suppliers, we first wanted to identify them at the facility level – a challenge in the highly-fragmented apparel supply chain. In 2017, we began comprehensively mapping mills in three categories: preferred mills, which represent the majority of our business volume, non-preferred mills, and niche and new mills. While we have yet to finish identifying all of the niche mill facilities from which we source fabric, we made progress in 2017, mapping 179 facilities that represent 80 percent of our business volume. We have learned that our engagement with mill vendors is more effective when we're able to build relationships with the vendors supplying fabrics for our products and work collaboratively to reduce the environmental impacts of manufacturing.

In 2018, we will begin our phased implementation of the program, with goals for:

- All preferred and Tier 2 mill facilities to complete a self-assessment and receive third-party verification for the Higg FEM 3.0
- All mills to review and understand the ZDHC MRSL and Wastewater Guidelines
- Select mills to pilot the SLCP assessment

By deepening engagement with suppliers through these programs, we aim to spur innovation so that our suppliers contribute ideas and pilot new technologies to reduce environmental impacts.

**LEARN MORE:** [Our Mill Sustainability Program](#)



Mill facility wastewater treatment, Vietnam

# WATER STEWARDSHIP



## USAID + GAP INC. WOMEN+WATER ALLIANCE

IN 2017, WE LAUNCHED THE **WOMEN+WATER ALLIANCE**, A GLOBAL DEVELOPMENT ALLIANCE (GDA) WITH **USAID** (UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT), TO IMPROVE AND SUSTAIN THE HEALTH AND WELL-BEING OF WOMEN AND COMMUNITIES TOUCHED BY THE APPAREL INDUSTRY.

Over the course of this five-year program, Gap Inc. will serve as the co-funder and primary program manager. The program will operate in two river basins in India with four implementing partners – CARE, ICRW, Water.org and ISC – toward two goals: encourage communities to adopt key water, sanitation and hygiene (WASH) practices, and build access to

and sustainably manage quality water resources and sanitation services.

This pioneering public-private partnership aligns closely to our business and sustainability goals related to sustainable water stewardship and empowering women through our P.A.C.E. program. Through rigorous monitoring and evaluation, we will deepen our understanding of the WASH needs of women and girls in the communities where we operate and improve our ability to deliver programs that support their well-being. We will also learn and share best practices for WASH and water stewardship to catalyze progress across the apparel industry and beyond.

[LEARN MORE: The USAID + Gap Inc. Women+Water Alliance](#)

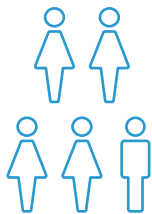


India

### WOMEN

THE GLOBAL APPAREL WORKFORCE IS

**80% FEMALE**



### WATER

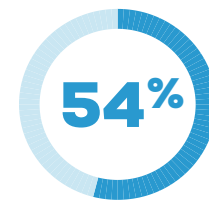
THE APPAREL INDUSTRY IS RESPONSIBLE FOR

**20% OF FRESHWATER POLLUTION**



### INDIA

**45M PEOPLE** WORK IN INDIA'S TEXTILE INDUSTRY



**54% OF PEOPLE IN INDIA FACE HIGH WATER STRESS**

# WATER

## WOMEN+ WATER ALLIANCE 2017 PROGRESS

In 2017, the first year of the program’s implementation, the Women+Water Alliance focused on program development and stakeholder engagement to ensure the success of program activities. This included establishing operating guidelines and policies, conducting a needs assessment and delivering program recommendations, and developing a monitoring and evaluation framework. Stakeholder engagement and partner development included hosting a Women+Water launch in India, updating program designs and identifying project locations. The Alliance provides quarterly programmatic and financial updates to USAID.

This partnership speaks to the opportunity for the public and private sectors to each bring their unique skills, reach and access to collaborate on a shared vision. For this partnership, Gap Inc. offers a unique value proposition through our experience delivering P.A.C.E. and our access to women, particularly in India, a top apparel sourcing country. USAID offers essential technical expertise and funding. Other partners also offer complementary resources, expertise and programmatic abilities.

As part of this, we worked with partners on an assessment in India to understand the WASH challenges and opportunities that women and girls face. We also created a list of potential project locations in India. In 2018, we will begin training in Madhya Pradesh, India, based on Gap Inc. mill-supplier presence, water availability and the local need for better WASH practices in communities.

Our partnership with USAID is unique because it is one of the first times a private company has taken the lead on program management (serving as the prime partner), implementation, and monitoring and evaluation for a development project. Because of this, a number of our business teams have been involved in implementing the GDA. On the programmatic side, the Women + Water group works closely with our Sustainable Innovation and P.A.C.E. teams, which will help the Alliance reach 200,000 women by 2022. This will contribute to our larger P.A.C.E. goal to change the lives of 1 million women by 2022. We have also worked with our Internal Audit, Finance, Legal and Communications teams to establish the necessary systems and processes to implement this work. Some of these may prove to be useful in future programs and partnerships, such as an evaluation tool that we created to understand and mitigate the risks of potential implementing partners.



## WOMEN+ WATER ALLIANCE PARTNERSHIPS



**CARE**  
Implements P.A.C.E. to reach 200,000 women by 2022



**WATER.ORG**  
Is expanding the WaterCredit microfinance model to help communities access sustainable WASH products and services



**INSTITUTE FOR SUSTAINABLE COMMUNITIES (ISC)**  
Assesses best practices on water stewardship and management, and builds tools and guidelines for the apparel sector and communities to address water priorities



**INSTITUTE FOR DEVELOPMENT IMPACT (I4DI)**  
Conducts independent, third-party baseline, midterm and final evaluations of the program



**INTERNATIONAL CENTER FOR RESEARCH ON WOMEN (ICRW)**  
Assesses how well P.A.C.E. fosters behavior change on water, sanitation and hygiene (WASH) practices in households and communities

# CHEMICAL MANAGEMENT

THE GLOBAL APPAREL INDUSTRY ACCOUNTS FOR HIGH AMOUNTS OF MANUFACTURING CHEMICAL USE, AND THE DISCHARGE OF THESE CHEMICALS CAN THREATEN LOCAL WATER SOURCES AND AFFECT PEOPLE LIVING IN SURROUNDING COMMUNITIES.

We aim to eliminate the discharge of hazardous chemicals within our supply chain to reduce our environmental impact and improve access to clean, safe water in the communities where our suppliers and mills operate.

**LEARN MORE: How we're reducing the impact of chemicals** ↗

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
Work toward zero discharge of hazardous chemicals in our supply chain by 2020	<div style="width: 10%;"></div>	Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing

ON TRACK PROGRESSING NEEDS ATTENTION



# CHEMICAL MANAGEMENT

## OUR APPROACH

OUR APPROACH TO CHEMICAL MANAGEMENT INCLUDES THREE KEY COMPONENTS:

- **WORK WITH SUPPLIERS:** We communicate chemical safety requirements to our suppliers through our Code of Vendor Conduct (COVC) and require them to acknowledge and comply with these requirements.
- **COMPLIANCE AND MONITORING:** We use third-party testing of products and components of products to ensure compliance with global chemical regulations and Gap Inc. chemical restrictions.
- **INDUSTRY PARTNERSHIPS:** We partner with industry groups, including **Zero Discharge of Hazardous Chemicals (ZDHC)**, the **Apparel and Footwear International RSL Management (AFIRM)** Group, and the **Sustainable Apparel Coalition (SAC)**, to implement a consistent set of tools and processes to support best practices, monitor supplier performance and encourage use of safer chemicals. In addition to helping us achieve our water and sustainability commitments, these partnerships help advance the industry as a whole.

Gap Inc. chemical restrictions are informed by global regulations as well as hazard- and risk-based considerations. They include our Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL). Since 2008, Gap Inc. suppliers have been expected to

comply with our RSL. Since 2015, we have asked all our suppliers to comply with the **ZDHC MRSL** and we are aligned with the **AFIRM Group RSL**.

## 2017 PROGRESS

In 2017, we laid the groundwork for deeper collaboration on chemical management with our strategic suppliers and mills. We also continued to focus on effective engagement in industry partnerships, including ZDHC, the AFIRM Group and the SAC.

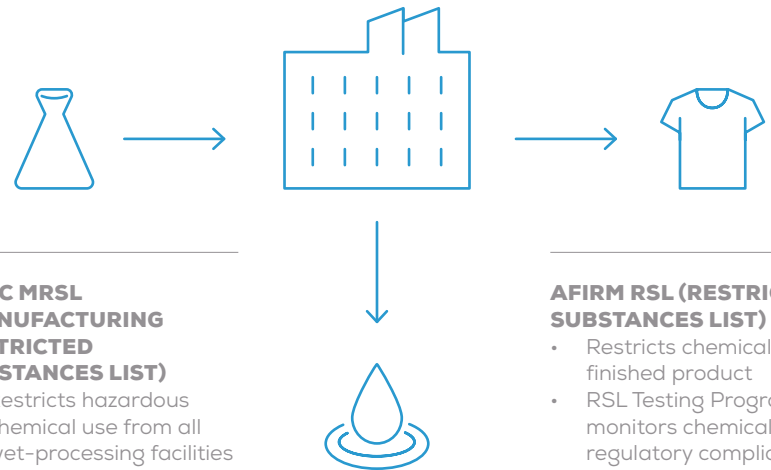
As a ZDHC signatory brand, we are integrating ZDHC tools and resources into Gap Inc. policies and systems. In 2017, we piloted the **ZDHC Wastewater Guidelines** with key suppliers. In 2018, we are adopting the guidelines into existing supply-chain programs, including our Water Quality Program (WQP), which reaches all denim laundries, and our Mill Sustainability Program. Our strategic mills and laundries will now be required to test their wastewater twice a year to ZDHC standards and publish the results through the **ZDHC Gateway** – a platform that allows brands to monitor supplier performance and provides suppliers information on better alternatives to restricted substances.

We asked all Tier 1 cut-and-sew suppliers and strategic Tier 2 fabric suppliers to respond to the SAC’s recently updated Higg Index Facilities Environmental Module (FEM) 3.0 to assess chemical management in our supply chain. We will use this data to inform the evolution of Gap Inc.’s chemical management strategy.

## INDUSTRY INITIATIVES

### SAC HIGG FEM (FACILITIES ENVIRONMENTAL MODULE)

- Covers many sustainability topics including chemicals, water and energy
- Baseline Gap Inc. supply chain on chemicals management



### ZDHC MRSL (MANUFACTURING RESTRICTED SUBSTANCES LIST)

- Restricts hazardous chemical use from all wet-processing facilities

### AFIRM RSL (RESTRICTED SUBSTANCES LIST)

- Restricts chemicals in finished product
- RSL Testing Program monitors chemical regulatory compliance

### WASTEWATER GUIDELINES

- Gap Inc. Water Quality Program (WQP) for laundries
- ZDHC testing program to monitor MRSL compliance through wastewater and sludge testing (ZDHC Wastewater Guidelines)


# CLIMATE + ENERGY

CLIMATE CHANGE IS A GLOBAL CHALLENGE THAT TRANSCENDS BOUNDARIES, AFFECTING PEOPLE AND COMMUNITIES EVERYWHERE.

We view this challenge as an environmental issue, a human rights issue and a business issue. We also feel an ethical responsibility to address climate change by aligning our goals and strategies with the best science and industry practices.

**LEARN MORE:** [How we're doing our part on climate](#)

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
50% reduction in GHG emissions in our owned and operated facilities globally by 2020, from a 2015 baseline	 <b>28%</b>	14% reduction in emissions from a 2015 baseline

■ ON TRACK
 ■ PROGRESSING
 ■ NEEDS ATTENTION





# CLIMATE + ENERGY

## OUR APPROACH

AFTER SETTING OUR 2020 GOAL AND DEVELOPING OUR CLIMATE STRATEGY IN 2016, WE FOCUSED OUR EFFORTS IN 2017 ON DEFINING A CONCRETE PLAN TO MEET THAT GOAL.

One of our core focus areas is optimizing energy efficiency in our retail stores, which represent more than 85 percent of our operational emissions.

As we have continued to improve the energy efficiency of our stores, we have come to understand that we cannot achieve our 2020 goal through these efforts alone. Because our stores are often housed in buildings and malls owned by landlords, we have limited ability to implement efficiency improvements and building upgrades. For this reason, we are exploring ways to purchase cleaner energy through various renewable energy initiatives that will help us meet our goal.

In 2017, we worked closely with internal teams – including Strategic Sourcing, Legal, Accounting and Finance – to educate decision makers about large-scale renewable energy and explore different solutions that will work best for Gap Inc. Ultimately, we believe our proposed investments in renewable energy will not only help us meet our goal and address the energy impacts of our more than 3,000 sites, but also benefit our business by reducing operating costs. Moreover, it will help drive demand for renewable energy and spur the growth of the low-carbon economy.

As a first step, we have identified an opportunity to install a three-megawatt on-site solar array at our distribution center in Fresno, California, that will reduce the site’s emissions by the equivalent of removing 254 passenger cars from the road annually. This facility will begin generating power in 2019. In addition to adding solar energy to our distribution centers, we are exploring multiple off-site renewable energy opportunities to offset the impact of our stores.

## 2017 PROGRESS

In 2017, we continued our efforts to reduce our climate impacts in three ways:

- Improving energy efficiency at our stores, offices and distribution networks
- Expanding our investments in renewables
- Evaluating the opportunity to set a science-based target beyond 2020

In addition, we are members of **Business for Innovative Climate and Energy Policy** (BICEP), an advocacy coalition within **Ceres** comprising businesses committed to working with policymakers to pass meaningful energy and climate legislation. BICEP-sponsored legislation aims to enable a rapid transition to a low-carbon, 21st-century economy that will create new jobs and stimulate economic growth while stabilizing our planet’s fragile climate.

Gap Inc. recently signed on to two letters from BICEP members in support of two important pieces of legislation in our home state of California: Senate Bill 32, which extends California’s climate pollution reduction target to 80 percent below 1990

levels by 2050, and Senate Bill 350, which provides a roadmap to move us forward by implementing 50-50-50 benchmarks by 2030 (raising the renewable portfolio standard to 50 percent, reducing petroleum use by 50 percent and increasing energy efficiency in buildings by 50 percent). Through our engagement with Ceres and other multistakeholder organizations, we believe that we have a role to play in both decreasing our own environmental impact as it relates to climate change and advocating for policies, legislation and global agreements that will help us all transition to a low-carbon economy.

## SCIENCE-BASED TARGET

In 2017, Gap Inc. signed on to the **Science Based Targets initiative** (SBTi) to align our climate goals with the scientific consensus and core commitment of the Paris Agreement to limit global warming to less than 2 degrees Celcius. The initiative – a partnership between **CDP**, **World Resources Institute** (WRI), **World Wildlife Fund** (WWF), and the **UN Global Compact** (UNGC) – includes more than 400 companies. By setting and meeting these goals, we will do our part to help the world avoid the most dangerous impacts of climate change.

We established our 2020 Scope 1 and 2 GHG emissions-reduction goal using a science-based methodology. To meet the standards of the SBTi protocol, we are also establishing a Scope 3 goal to reduce upstream and downstream emissions, including in transportation and our supply chain.

We also joined the SBTi Apparel and Footwear Sector Guidance Working Group to help define how our industry should determine Scope 3 emissions and set science-based goals. Together with other global apparel companies, we are researching and aligning on best practices and approaches to calculating Scope 3 emissions. Using this methodology, we plan to submit Gap Inc.’s science-based target for Scope 3 emissions and finalize a target in 2019.

## CDP CLIMATE CHANGE

See our **CDP Climate Change** response for detailed information on our strategy and performance, which incorporates recommendations from the **Task Force on Climate-related Financial Disclosures** (TCFD).




# WASTE

WE HAVE A RESPONSIBILITY TO HELP PREVENT GLOBAL WASTE IN OUR OPERATIONS, WHICH CAN NEGATIVELY IMPACT THE ENVIRONMENT AND ADD UNNECESSARY COST TO OUR BUSINESS.

In North America, 90 percent of our waste comes from our retail locations, and we are exploring ways to reduce and divert our packaging waste. By innovating to optimize packaging and reduce volume, lower business costs and support industrywide change, we aim to divert more than 30 million pounds of material from landfill every year.

**LEARN MORE:**  
How we're diverting waste [↗](#)

## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
<b>80% of waste diverted from landfill across our U.S. facilities by 2020</b>	 <b>47%</b>	47% of waste is diverted from landfill across our U.S. facilities
<b>80% of Athleta store waste diverted from landfill by 2020</b>	  <b>70%</b>	70% of packaging waste from Athleta stores is recycled

 Athleta goal  ON TRACK  PROGRESSING  NEEDS ATTENTION

## OUR APPROACH

IN 2017, WE SHIFTED OUR APPROACH TO OUR WASTE-DIVERSION GOAL.

Since landlords control waste management at 75 percent of our North American stores, we have historically focused on engaging our largest landlords to identify opportunities to improve recycling. However, recognizing that an industry solution will take more time, we shifted our priority in 2017 to explore steps we can take as a company to innovate our packaging design and recycling systems to achieve our 2020 goal.

We will continue to engage our landlords and other retail tenants to develop a long-term solution. In the short term, we are working across our business to create

new packaging solutions that reduce waste and improve the reuse and recycling of materials. We are also incorporating questions about waste and recycling into our regular store audits. Additionally, we are engaging our brands to improve recycling rates at our stores and working with our Transportation/Logistics team on how to use our transport system to ensure that we recycle as much material as possible.

Waste in the retail sector requires both company-specific and industry-level solutions. Therefore, we engage external stakeholders to improve recycling capability and access; work with the retail industry and suppliers to create new solutions for packaging and store displays; and engage our brands, sourcing and transportation teams to create and implement programs that help us meet our waste-reduction goal.

A group of four diverse young adults (two women and two men) are posing together against a plain white background. They are all wearing casual t-shirts and jeans. The woman on the far left has a large, curly afro and is wearing a red t-shirt. The woman next to her has blonde hair and is wearing a yellow t-shirt. The man in the center has dark curly hair and is wearing a blue t-shirt. The man on the far right is wearing a grey baseball cap and a maroon t-shirt. They are all smiling or looking towards the camera with relaxed expressions. The word 'PRODUCT' is overlaid in large white letters on the right side of the image.

# PRODUCT

- 52 **PRODUCT SUSTAINABILITY**
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# PRODUCT SUSTAINABILITY

WE AIM TO DESIGN GREAT PRODUCTS WITH SUSTAINABILITY IN MIND AND COLLABORATE ACROSS OUR BUSINESS TO DEVELOP STRATEGIES TO IMPROVE THE SUSTAINABILITY PERFORMANCE OF OUR BRANDS AND PRODUCTS.

Our brands approach sustainability by starting with the materials they source, the products they design and the suppliers they work with. They are also beginning to communicate directly with customers about our efforts to produce responsibly.

**LEARN MORE:** [Our work on product sustainability](#)



**76.6M  
LITERS  
OF WATER  
SAVED**

WITH WASHWELL  
SINCE 2016



**228  
DENIM  
STYLES  
QUALIFIED**

FOR WASHWELL  
IN SPRING 2018



**850+  
EMPLOYEES  
TRAINED**

ON PRODUCT  
SUSTAINABILITY  
IN 2017



# PRODUCT SUSTAINABILITY

## 2017 PROGRESS

IN 2017, WE ENHANCED OUR SYSTEMS AND TOOLS TO MORE DEEPLY ENGAGE OUR BRANDS AND INTERNAL BUSINESS PARTNERS.

For example, our Sustainability and corporate Learning and Development teams collaborated to deliver and scale several new tools, including a training curriculum and guidance on sustainable fibers, sustainable wet processing, recycled materials and sustainability marketing claims.

### PREFERRED FIBER + MATERIALS TOOLKIT

We also worked with **Textile Exchange**, the **Sustainable Apparel Coalition (SAC)** and **MADE-BY** to create a Preferred Fiber & Materials Toolkit that rolled out in 2018. With this, designers and developers are better able to select the best fibers based on sustainability factors, such as water, chemicals, energy and emissions, land use and biodiversity, social conditions, animal welfare, potential for circularity and improved conditions for women. The toolkit also allows product design and development teams to evaluate fibers based on commercial factors, such as quality, cost, availability and traceability.

## TRAINING

We developed and incorporated sustainability workshops and a training curriculum into our companywide learning and development program. In 2017, we held 10 workshops engaging approximately 850 product design and development employees. We also created a monthly newsletter on product sustainability that reaches 350 product development employees.

## CUSTOMER COMMUNICATION

We have begun to communicate our product sustainability efforts to customers through store displays, product descriptions, product labeling, social media and other publications. We also engage in educational campaigns and media around events, such as World Water Day, and through our strategy to source more sustainable cotton, including the Better Cotton Initiative (BCI). We see the opportunity to increase our consumer communication in 2018 and beyond.

## BRAND GOALS

Two of our brands, Gap and Athleta, have deepened their commitment to product sustainability by forming executive sustainability steering committees, choosing their own priorities and goals, and leading strategy workshops on sustainability with cross-functional teams. To ensure accountability, both brands have developed a sustainability scorecard to share updates. Banana Republic and Old Navy are developing long-term sustainability objectives in 2018 to inform their priorities, goals and customer-facing strategies.

## GAP BRAND

### GAP FOR GOOD

In 2017, Gap brand launched its consumer-facing Gap for Good platform, highlighting more sustainable fashion. This builds on Gap's Earth Day 2017 commitment to source 100 percent of its cotton from more sustainable resources by 2021. Over the past year, the brand has increased consumer communication about its sustainability commitments and showcased its efforts in a Gap for Good **pop-up store** in New York City in Fall 2017. Gap also trained store employees to speak to the core programs behind Gap for Good.

In 2016, Gap brand pioneered a smart denim wash program called Washwell that conserves water in the laundry stage of production. In 2017, we refined the process, streamlined the program to encourage wider adoption across brands, and expanded it to include woven bottoms. In 2018 we are scaling the program to other brands in our portfolio.

In 2017, 16 vendors participated in Washwell, up from four vendors in 2016. We saved 76.6 million liters of water through Washwell in 2017, up from 17.9 million liters in 2016.



Gap for Good pop-up store, NYC

# PRODUCT SUSTAINABILITY

## ATHLETA

Athleta has a strong commitment to environmentally conscious products and sustainable practices. The brand believes in protecting the Earth as a natural playground, positively contributing to the direction of the apparel industry, offering customers responsible options, driving demand for sustainable goods, and supporting the potential of women and girls.



### 2020 GOALS

In honor of these values, Athleta announced four brand-specific commitments on Earth Day 2017:

- PROTECT RESOURCES:** By 2020, 80 percent of Athleta materials will be made with sustainable fibers. Over the past two years, the brand has been working to use more recycled synthetics, organic cotton and more efficient fabric dyeing and finishing techniques. These materials, as demonstrated by life-cycle assessments, conserve water, use less energy, and emit less GHGs and hazardous chemicals than their conventional counterparts.
- CONSERVE WATER:** By 2020, 25 percent of Athleta's product will be made using manufacturing techniques that save water. The brand is investigating new technologies and expanding existing programs that use less water.
- DIVERT WASTE:** By 2020, 80 percent of Athleta's store waste will be diverted from landfill.
- EMPOWER WOMEN:** By 2020, Athleta will impact 10,000 women and their communities through programs like P.A.C.E. and Fair Trade. Athleta certified the first of its facilities as Fair Trade in 2016 and debuted its first Fair Trade Certified products in 2017.

### B CORP

In 2017, Athleta began the process to seek **B Corp Certification** which it received in 2018. B Corp Certification, awarded by the nonprofit B Lab, requires a company to meet rigorous standards of social and environmental performance, accountability and transparency. With this accreditation, Gap Inc. has become one of the largest publicly traded retail companies with a Certified B Corp subsidiary apparel brand.

We plan to learn from Athleta as a case study for Gap Inc., providing a benchmark and roadmap of potential opportunities for greater social and environmental impact across the enterprise. The effort to attain certification required coordination between Athleta and Gap Inc., executive sponsorship and building connections among many teams, including Sustainability, Operations, Talent, Real Estate, Legal and our Board of Directors.

We included employees at Gap Inc. and Athleta headquarters and all of Athleta's nearly 150 retail stores in the announcement, teaching them about



the certification through signage, team meetings and store 'chat-ins'. In 2018, we are creating a B Corp Governance Committee to build momentum toward Athleta's goals and improve our score in the coming years, as well as continue to educate and engage our employees.

We will also share the news via our customer channels, including social media, retail websites, stores and catalogs. Athleta is using this platform to start conversations and embark on a journey of making business a force for good – a mission that the brand intends to promote throughout the industry.

### CUSTOMER ENGAGEMENT

Athleta started using simple, clear symbols in catalogs to indicate which products are Fair Trade and which are sourced from facilities that participate in our P.A.C.E. program. The brand also shares its sustainability efforts on [athleta.com](#), including its five core values and progress toward its 2020 sustainability goals.



# RAW MATERIALS




WE BELIEVE GREAT PRODUCTS ARE CREATED WITH SUSTAINABILITY AT THEIR CORE – WHICH MEANS USING MORE SUSTAINABLE RAW MATERIALS TO MAKE OUR CLOTHES.

We give our brands license to improve the sustainability of their products by selecting the best raw materials that meet the performance of their products, while also meeting our standards for social and environmental sustainability. We are constantly refining and innovating our strategy to source and use more sustainable raw materials.



**LEARN MORE: How we source more sustainable raw materials** [↗](#)






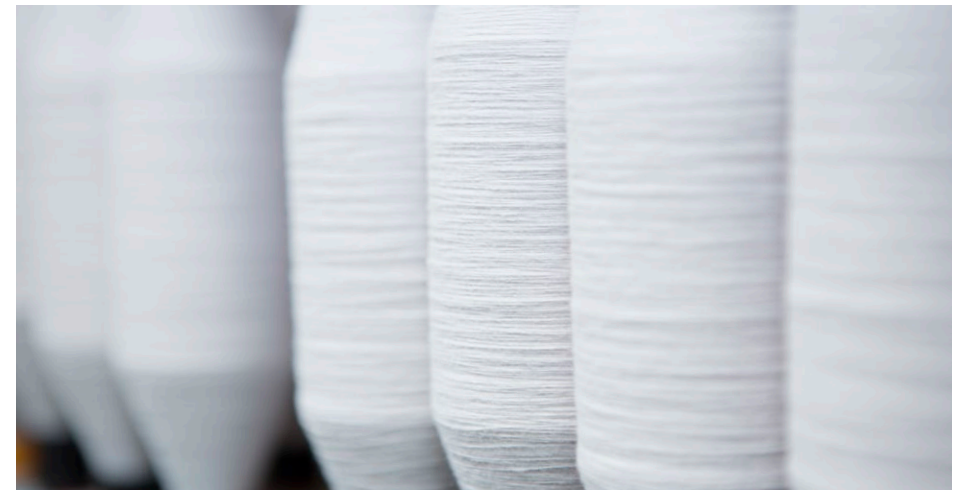
## GOALS + PERFORMANCE

GOAL	% ACHIEVED	2017 PROGRESS
● Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020	<div style="width: 100%;"></div>	Reporting in progress
● 100% of cotton sourced from more sustainable sources by 2021 	<div style="width: 100%;"></div>	Reporting in progress
● 80% of Athleta materials made with sustainable fibers by 2020 	<div style="width: 44%; background-color: #f4a460;"></div> <b>44%</b>	35% of Spring 2018 product was made with sustainable fibers
● 25% of Athleta product made using techniques that save water by 2020 	<div style="width: 4%; background-color: #e85c33;"></div> <b>4%</b>	1% of product was made using techniques that save water

● New in 2017/2018

 Gap brand goal  Athleta goal

 ON TRACK  PROGRESSING  NEEDS ATTENTION



# RAW MATERIALS

## 2017 PROGRESS

IN 2017, WE REFINED OUR RAW MATERIALS STRATEGY TO FOCUS ON THE FOUR FIBERS THAT ACCOUNT FOR APPROXIMATELY 97 PERCENT OF OUR FIBER CONSUMPTION: COTTON, POLYESTER, NYLON, AND MAN-MADE CELLULOSICS, SUCH AS RAYON AND MODAL.

Historically, fiber traceability has been a challenge as fabric sourcing is done separately from supplier selection. In 2017, we improved our ability to track our fiber consumption to help meet our goals. With these updates, and in partnership with our Sourcing Strategy team, we've improved our fabric management systems to provide detailed data on our fiber consumption and volumes.

## 2017 SUSTAINABLE FIBER SOURCING

FIBER TYPE	% OF FIBER TYPE
<b>Natural Fibers</b>	
Organic cotton	0.1% of cotton
BCI cotton	20.8% of cotton
Recycled wool	3.9% of wool
<b>Synthetics</b>	
Recycled nylon	11% of nylon
Recycled polyester	1.7% of polyester
<b>Man-Made Cellulosics</b>	
Lenzing modal	2.5% of rayon
TENCEL	3.9% of rayon

## COTTON

As we continue to evolve our sourcing practices, we are also deepening our understanding of the regions from which we source, with a focus on risks in water-sensitive areas and other impacts arising from climate change. We have built a comprehensive evaluation of cotton-sourcing risks – the crop is especially vulnerable to water-related impacts as it is primarily grown in high water-stress locations, such as India, China and Pakistan. We joined the **Better Cotton Initiative** (BCI) in 2016 as part of our ongoing efforts to build resiliency by integrating more sustainable materials into our product design and sourcing practices, and Gap brand aims to use 100 percent more sustainable cotton by 2021. To us, this includes Better Cotton, organic, recycled and American-grown cotton. Across all of our brands, Gap Inc. sourced 116 million tons of BCI cotton in 2017.

## SYNTHETICS

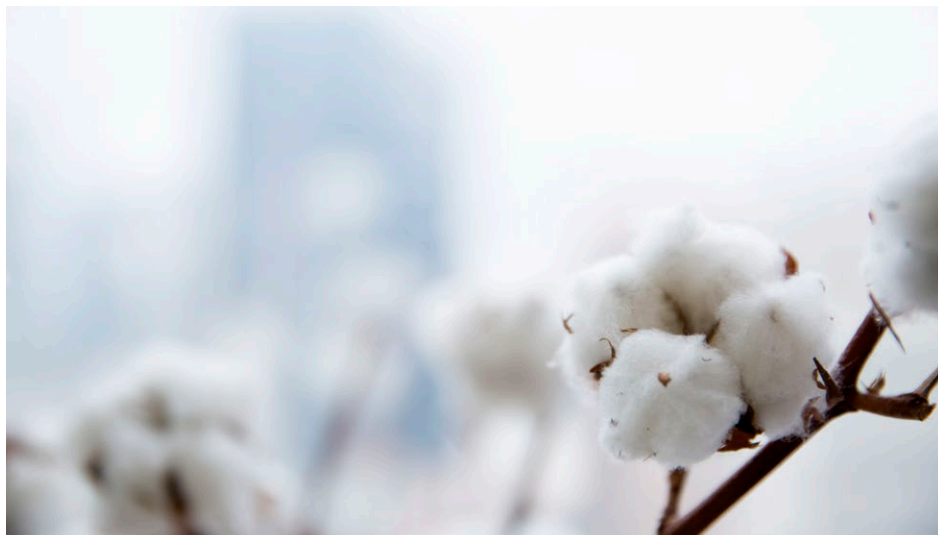
We also use synthetic materials in our products, including polyester, spandex and nylon, which provide essential performance properties. However, synthetics are often derived from nonrenewable, petroleum-based sources. They also have fewer end-of-life solutions than natural fibers because they may never biodegrade. To address these challenges, we're taking steps to ensure that we're sourcing more sustainable synthetic fibers. In 2017, we began exploring more sustainable polyester options, including recycled polyester. After working with external groups, including the **Textile Exchange** Recycled Polyester Working Group and

Biosynthetics Working Group in 2016, we have been gathering data for a life-cycle assessment and formed an internal working group to define the challenges and opportunities of recycled polyester and supplier mapping.

## MAN-MADE CELLULOSICS

In 2017, we created a **companywide policy** to eliminate our use of wood-derived fibers from ancient and endangered forests by 2020. This commitment helps protect critical forests and supports our other efforts to tackle climate change, as forest ecosystems are vital natural resources that promote biodiversity, protect watersheds and help mitigate the release of carbon dioxide to the atmosphere. Our new policy aims to ensure that our suppliers do not use ancient, endangered, high-conservation or high-carbon value forest areas to make cellulose-based textiles, including rayon, modal, viscose and lyocell. We developed our policy in partnership with Canopy's sustainable fashion and forestry initiative, **CanopyStyle**.

To achieve our commitment, our Global Sustainability and Global Supply Chain teams are partnering with mills to identify our raw-material suppliers in order to eliminate sourcing of wood-derived fibers from ancient and endangered forests. We are working with those suppliers to go through CanopyStyle's audit and remediation plan, and to develop trials using innovative fabrics. In partnership with our major suppliers, we are also exploring ways to integrate recycled cellulosics into our raw-materials pool.





# CIRCULAR DESIGN: PRODUCT END OF LIFE

IN ORDER TO CREATE TRULY SUSTAINABLE FASHION, WE RECOGNIZE THAT WE MUST ADDRESS THE FULL LIFE CYCLE OF OUR GARMENTS, FROM RAW MATERIALS TO END OF LIFE – AND BACK AGAIN.

The environmental impact of a product at the end of its life is large – the majority of textiles ultimately end up in landfill or are incinerated. We understand that we must close the loop and create a system that uses recycled inputs and reduces waste. To do so, we are building programs to address product end of life and create circular design systems that reduce waste and increase recycling, upcycling and reuse.

**LEARN MORE:**  
How we map the product life cycle [↗](#)

## INDUSTRY COLLABORATION

THERE ARE OPPORTUNITIES FOR INDUSTRYWIDE COLLABORATION TO FIND INNOVATIVE SOLUTIONS TO MANY OUTSTANDING ISSUES.

We are **partnering with leaders** in the circular economy, including the **Ellen MacArthur Foundation, Global Fashion Agenda (GFA)** and **Fashion Positive**, to explore circularity opportunities. In 2017, we attended the Ellen MacArthur **Circular Fibres Initiative** workshop and contributed to its **report**, addressing circularity and solutions for product life extension and end of life solutions. This will set the foundation for our strategy, alongside an industry partnership that is seeking large-scale innovation.

As part of our **2020 Circular Fashion Commitment** with GFA, we have set three commitments to achieve by 2020:

- We will train our cross-functional product teams for each of our brands on circular design techniques and best practices.
- We will help to increase the volume of used garments collected globally through participation in pre-competitive, industry-led collection pilots.
- We will identify the most promising recycling technologies for post-consumer materials across multiple product categories and start scaling them in our supply chain.



Lenzing modal, Athleta




# APPENDIX

59 **GOALS + PROGRESS DETAIL**





61 **SASB REFERENCE TABLE**

# APPENDIX: GOALS + PROGRESS DETAIL

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.

CATEGORY	GOAL	TARGET YEAR	STATUS	DETAILS
<b>SOCIAL</b>				
<b>Employees</b>	Pilot and commit to expand programs that provide advance notice and stable, flexible scheduling to store employees	2017	Complete	We've taken steps to reduce on-demand scheduling and to provide schedules sooner throughout our brands.
	Ensure female representation at all leadership levels is meaningfully above external norms	Ongoing	Tracking	Women make up 76% of our employees, 68% of our global store managers, 50% of our leadership (VP and up) and serve equally as our brand leaders.
<b>This Way Ahead</b>	60% of This Way Ahead participants report increased on-the-job skills and confidence as a result of their internships	2018	Complete	97% of youth report increase in job skills and 66% of youth report increase in confidence.
	65% of This Way Ahead interns receive offers to continue as Gap Inc. sales associates upon the completion of their internships	2020	Complete	77% of interns received job offers in the most recent year. As we evolve the program, our goals have shifted.
	10,000 youth participate in This Way Ahead	2020	New - 2017	3,900 youth completed the program as of fiscal 2017. Expansion to over 30 cities has broadened our reach, allowing us to scale.
	5% of annual new store hires are from This Way Ahead	2025	New - 2017	668 new store hires (0.66% of total new hires) were from This Way Ahead in 2017.
<b>Community Investment</b>	All teams have a Community Leader (CL) and all CLs organize and lead at least three volunteer projects per year	2018	Complete	62% of teams have a CL; 74% of CLs led at least three volunteer projects.
	All Community Leaders form a long-term relationship with one nonprofit partner to maximize volunteering impact	2018	Complete	81% of CLs have established relationships.
	Support \$15 million in employee-driven community investment per year	Ongoing	Tracking	\$14.8 million in employee driven community investment in 2017, made up of employee volunteer hours, financial donations, volunteer hours and Gap Inc. matching of time and money.
<b>P.A.C.E.</b>	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	2020	Complete	We expanded the program to bring new educational opportunities to girls ages 11 to 17 in community settings.
	Improve the lives of 1 million women and girls in Gap Inc.'s supply chain and other manufacturing and community settings through P.A.C.E.	2022	Adjusted	122,500 women have participated through 2017. Our timeline shifted due to scaling strategy.
	10,000 women empowered through P.A.C.E. and Fair Trade 	2020	Tracking	2,503 women have been reached through P.A.C.E. and Fair Trade in Athleta supplier facilities.

# APPENDIX: GOALS + PROGRESS DETAIL

CATEGORY	GOAL	TARGET YEAR	STATUS	DETAILS
<b>Supply Chain</b>	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	2018	Complete	We implemented our Workforce Engagement Program at 89 facilities representing 220,000 workers with Verité and Good World Solutions.
	100% of strategic suppliers of branded apparel self-report their sustainability performance in Gap Inc.'s global sustainability data system	2018	Complete	As part of the Social and Labor Convergence Project (SLCP), we are helping to create a shared tool for footwear and apparel companies to assess facilities' social and labor performance. This represents a more unified effort to self-report sustainability performance.
	100% of supplier facilities producing branded apparel are rated yellow or green	2020	Tracking	95% of supplier facilities were rated yellow or green.
	100% of Tier 1 suppliers transition to digital wage payments	2020	New - 2018	68% of suppliers are already using checks or bank transfers.
	200 supplier facilities participate in our Workplace Cooperation Program	2020	New	69 supplier facilities are participating.
<b>ENVIRONMENT</b>	50% absolute reduction in Scope 1 and 2 GHG emissions in our owned and operated facilities globally, from a 2015 baseline	2020	Tracking	We achieved a 14% reduction in emissions from a 2015 baseline.
	80% of waste diverted from landfill across our U.S. facilities	2020	Tracking	Pilots are underway; we are currently reassessing our approach to reducing waste production and improving diversion.
	80% of Athleta waste diverted from landfill	 2020	Tracking	Athleta is currently recycling 70% of packaging waste from its stores.
	1 billion liters of water saved in manufacturing	2017	Complete	Gap Inc. suppliers saved 2.4 billion liters of water in 2017.
	10 billion liters of water saved in manufacturing, from a 2014 baseline	2020	New - 2018	Gap Inc. suppliers have saved over 3.3 billion liters of water since 2014.
	Work toward zero discharge of hazardous chemicals in our supply chain through membership in the ZDHC 2020 Roadmap	2020	Tracking	Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing.
<b>PRODUCT</b>	Eliminate the use of wood-derived fibers from ancient and endangered forests	2020	New - 2017	Our teams are partnering with mills to identify our raw-material suppliers in order to go through CanopyStyle's audit and remediation plan, and to develop trials using innovative fabrics.
	100% of cotton sourced from more sustainable sources	 2021	New - 2017	Sourcing of more sustainable cotton increased over 10 times in 2017; we will report on percentage progress toward our goal in 2018.
	80% of Athleta materials made with sustainable fibers	 2020	New - 2017	35% of Spring 2018 product was made with sustainable fibers.
	25% of Athleta product made using techniques that save water	 2020	Tracking	1% of product was made using techniques that save water in 2017.



# APPENDIX: SASB REFERENCE TABLE

The **Sustainability Accounting Standards Board (SASB)** is an independent, private sector standards-setting organization dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. This table references the Standard for the Apparel, Accessories & Footwear industry as defined by SASB's Sustainable Industry Classification System (SICS) with the location of that information in Gap Inc.'s 2017 Global Sustainability Report (GSR) and [gapincustainability.com](http://gapincustainability.com).

TOPIC	ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE	DATA	REFERENCE
	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	Quantitative	Number	ACCG-AA-000.A	As of Feb. 3, 2018, (FY'17), we sourced from 855 Tier 1 branded apparel supplier facilities, defined as direct-relationship cut and sew facilities and their associated embroidery, laundry and screen printing facilities.  We have identified 179 Tier 2 mill suppliers which represent about 80% of business volume.	<p><b>Social: Supply Chain</b></p> <p><b>GSR: Supplier Sustainability (p.26)</b></p> <p><b>GSR: Mills + Laundries (p.43)</b></p>
<b>Management of Chemicals in Product</b>	Description of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	N/A	CG-AA-250a.1		<p><b>Environment: Reducing Chemicals</b></p> <p><b>GSR: Chemical Management (p.46)</b></p>
	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Discussion and Analysis	N/A	CG-AA-250a.2		<p><b>Environment: Reducing Chemicals</b></p> <p><b>GSR: Chemical Management (p.46)</b></p>
<b>Environmental Impacts in the Supply Chain</b>	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements	Quantitative	Percentage (%)	CG-AA-430a.1	100% of Tier 1 supplier denim laundries have wastewater meeting or exceeding legal requirements, in accordance with our Water Quality Program.  Supplier Facilities beyond Tier 1 <ul style="list-style-type: none"> <li>N/A</li> </ul> By 2020, we expect strategic Gap Inc.-approved mill facilities to participate in and report for the Sustainable Apparel Coalition (SAC) Higg FEM 3.0 and Zero Discharge of Hazardous Chemicals (ZDHC) MRSL and Wastewater Guidelines.	<p><b>Environment: Mills + Laundries</b></p> <p><b>GSR: Water Stewardship (p.43)</b></p>
	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Index Facility Module (Higg FEM) assessment or an equivalent environmental data assessment	Quantitative	Percentage (%)	CG-AA-430a.2	100% of Tier 1 suppliers were requested to complete the SAC's Higg Index Facility Module. <ul style="list-style-type: none"> <li>94% of active Tier 1 branded apparel suppliers completed the 2017 data request</li> </ul> Suppliers beyond Tier 1 requested to complete the Higg Index Facility Module <ul style="list-style-type: none"> <li>108 invited Tier 2 mill facilities completed the 2017 data request</li> </ul>	<p><b>Measuring Our Progress: Environmental</b></p> <p><b>GSR: Water Stewardship (p.43)</b></p>
<b>Labor Conditions in the Supply Chain</b>	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	Quantitative	Percentage (%)	CG-AA-430b.1	90.4% of Tier 1 branded apparel suppliers were audited to our Code of Vendor Conduct during the fiscal year. <ul style="list-style-type: none"> <li>22% of audits conducted by third-party assessor, primarily through ILO Better Work</li> </ul>	<p><b>Measuring Our Progress: Working Conditions</b></p> <p><b>Social: Working Conditions</b></p>

# APPENDIX: SASB REFERENCE TABLE

TOPIC	ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE	DATA	REFERENCE																					
<b>Labor Conditions in the Supply Chain (continued)</b>					<ul style="list-style-type: none"> <li>Facilities with a consistently low non-conformance rate may be assessed on a biannual basis; all facilities are audited prior to initial production.</li> </ul> <p>Suppliers beyond Tier 1 audited to Code of Vendor Conduct</p> <ul style="list-style-type: none"> <li>N/A</li> </ul> <p>In March 2017, as part of our Mill Sustainability Program, we communicated to our entire mill base our expectations of their social and environmental performance, which are requirements of doing business with us.</p>	<p><b>Gap Inc. Code of Vendor Conduct (COVC)</b></p> <p><b>Gap Inc. Supplier Factory List</b></p> <p><b>Environment: Mills + Laundries</b></p> <p><b>GSR: Assessment + Remediation (p.29)</b></p>																					
	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	Quantitative	Rate	CG-AA-430b.2	<p>As of fiscal year 2017, 5% of facilities received red ratings during assessments against our Code of Vendor Conduct.</p> <p>For issues open as of 2/1/2017, 91% of corrective action plans were resolved by 2/3/2018.</p>	<p><b>Measuring Our Progress: Working Conditions</b></p> <p><b>GSR: Assessment + Remediation (p.29)</b></p>																					
	Discussion of greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	Discussion and Analysis	N/A	CG-AA-430b.3		<p><b>Social: Working Conditions</b></p> <p><b>GSR: Supplier Sustainability (p.33)</b></p> <p><b>Environment: Supply Chain</b></p> <p><b>GSR: Water Stewardship (p.40)</b></p> <p><b>GSR: Chemical Management (p.46)</b></p>																					
<b>Raw Material Sourcing</b>	Discussion of environmental and social risks associated with sourcing priority raw materials	Discussion and Analysis	N/A	CG-AA-440a.1		<p><b>Environment: Raw Materials</b></p> <p><b>GSR: Raw Materials (p.55)</b></p>																					
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	Quantitative	Percentage (%) by weight	CG-AA-440a.2	<table border="1"> <thead> <tr> <th>FIBER TYPE</th> <th>% OF FIBER TYPE</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Natural Fibers</b></td> </tr> <tr> <td>Organic cotton</td> <td>0.1% of cotton</td> </tr> <tr> <td>BCI cotton</td> <td>20.8% of cotton</td> </tr> <tr> <td>Recycled wool</td> <td>3.9% of wool</td> </tr> <tr> <td colspan="2"><b>Synthetics</b></td> </tr> <tr> <td>Recycled nylon</td> <td>1.1% of nylon</td> </tr> <tr> <td>Recycled polyester</td> <td>1.7% of polyester</td> </tr> <tr> <td colspan="2"><b>Man-Made Cellulosics</b></td> </tr> <tr> <td>Lenzing modal</td> <td>2.5% of rayon</td> </tr> <tr> <td>TENCEL</td> <td>3.9% of rayon</td> </tr> </tbody> </table>	FIBER TYPE	% OF FIBER TYPE	<b>Natural Fibers</b>		Organic cotton	0.1% of cotton	BCI cotton	20.8% of cotton	Recycled wool	3.9% of wool	<b>Synthetics</b>		Recycled nylon	1.1% of nylon	Recycled polyester	1.7% of polyester	<b>Man-Made Cellulosics</b>		Lenzing modal	2.5% of rayon	TENCEL	3.9% of rayon
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