



Gap Inc.
**2018
Global
Sustainability
Report**

2018 Global Sustainability Report

OVERVIEW

- [4 Letter from Our CEO](#)
- [5 2018 Highlights](#)
- [6 Gap Inc. Goals + Progress](#)
- [7 Brand Goals + Progress](#)
- [8 About Gap Inc.](#)
- [8 About this Report](#)

STRATEGY

- [10 Sustainability Strategy](#)
- [11 Value Chain](#)
- [12 Materiality](#)
- [13 Core Sustainability Focus Areas](#)
- [14 Management Approach](#)
- [15 Sustainable Development Goals](#)
- [16 Code of Business Conduct](#)
- [16 Governance](#)
- [16 Risk Management](#)
- [17 Stakeholder Engagement](#)

SOCIAL

- Operations**
- [19 Talent](#)
- [21 Equality + Belonging](#)
- [25 Employee Engagement](#)
- [27 This Way Ahead: First Jobs](#)

- Supply Chain**
- [29 Supplier Sustainability](#)
- [30 Assessment + Remediation](#)
- [36 Capability Building](#)
- [40 P.A.C.E.: Empowering Women](#)

ENVIRONMENT

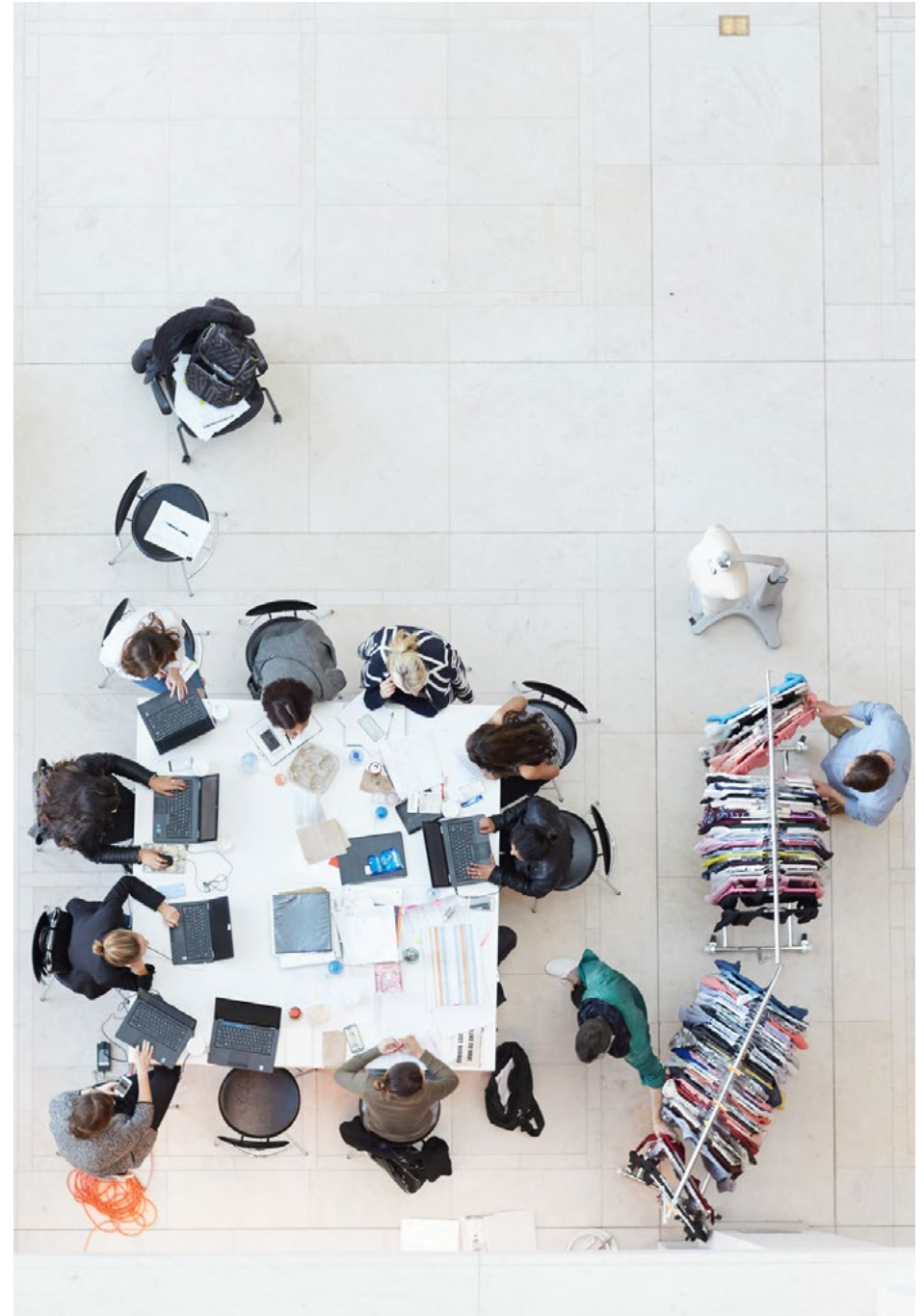
- Supply Chain**
- [44 Water Stewardship](#)
- [52 Chemicals Management](#)
- Operations**
- [54 Energy](#)
- [55 Waste](#)

PRODUCT

- [57 Product Sustainability](#)
- [58 Brand Goals](#)
- [61 Raw Materials](#)
- [63 Circularity + End of Life](#)

APPENDIX

- [65 Goals + Progress Detail](#)
- [67 SASB Reference Table](#)





Overview

- [4 Letter from Our CEO](#)
- [5 2018 Highlights](#)
- [6 Gap Inc. Goals + Progress](#)
- [7 Brand Goals + Progress](#)
- [8 About Gap Inc.](#)
- [8 About this Report](#)



Letter from Our CEO

AUGUST 2019

I'm proud to share the progress we made last year, presented here in our 2018 Global Sustainability Report.

The report represents a tremendous amount of dedication by our employees and collaboration with our partners around the globe. Together, we're united by a belief that our business can and should be a force for good.

More than a measure of accomplishments, this update serves as a diagnostic inventory of the critical work ahead and targets where we can most effect change.

We're continually striving to protect those who make our products, limit our environmental impact, and foster inclusive workplaces where everyone is welcome – from our global offices to our suppliers' facilities to thousands of stores in communities around the world.

Addressing the dire impacts of climate change is one of our priorities. We are accelerating work to transition our business to a low-carbon economy. We will meet our 2020 goal to halve the carbon footprint of our global owned and operated stores and offices since 2015, and are committed to 100 percent renewable energy for these facilities by 2030. In addition, we'll be moving aggressively to partner across the industry to respond to emissions, waste and pollution in our supply chains.

Last year our brands expanded efforts to embed sustainability into product design and raw materials selection. In addition to leveraging customer insights and analytics, designers are making informed decisions with the help of new toolkits and courses

that deliver the products our customers love, with less impact on the environment. With these resources, teams can create truly sustainable fashion with an unfettered view into the life cycle of our garments, from raw materials to end of life. One example that demonstrates these design decisions at scale is our commitment to sourcing more sustainable cotton. Gap Inc. was recently named one of the "fastest movers of 2018" and ranked third on the Better Cotton Initiative's global ranking of top companies sourcing by volume.

Connecting our most pressing sustainability efforts is water, a precious natural resource that is essential to our business. From cotton fields to fabric production to manufacturing, the apparel industry is an intense user of water globally. Above all, access to clean, safe water is a vital human right. We're partnering with organizations to help people who are disproportionately impacted by water insecurity and are innovating with our suppliers to reduce the amount of water used in manufacturing.

We remain focused on advancing human rights, addressing labor issues and supporting the communities globally that are affected by our business. For example, we continue to support the advancement of women in our supply chain through our P.A.C.E. program. In partnership with our suppliers, we're scaling our trainings on worker-management dialogue and prevention of sexual harassment, expanding our approach to fire, building and electrical safety, and launching a three-year initiative with the International Labour Organization focused on improving social dialogue and industrial relations in Bangladesh. Underpinning all of these efforts are the



continued gains we are making against our goal of only sourcing product from factories that earn a green or yellow rating against our Code of Vendor Conduct.

As we issue this report, we're also celebrating Gap's 50th anniversary and undergoing a significant transformation at our company. As we work to separate into two companies, one thing is for certain: the values that shape who we are and what we stand for will not change.

ART PECK
CEO, GAP INC.

"The report represents a tremendous amount of dedication by our employees and collaboration with our partners around the globe. Together, we're united by a belief that our business can and should be a force for good."

2018 Highlights



Expanded our **Mill Sustainability Program**

to amplify our social and environmental assessments deeper into our supply chain

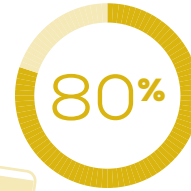


[Read More p.48](#)

Worked with our suppliers to

Digitize Wage Payments

for garment workers, reaching 80 percent of facilities



[Read More p.39](#)



Saved a cumulative

5.7B Liters of Water

in product manufacturing through 2018

[Read More p.46](#)

Entered a **3MW Solar PPA** (power purchasing agreement) at our Fresno distribution center

and a **7.5MW Solar Virtual PPA** to source 100% renewable energy for Athleta's store footprint

[Read More p.54](#)

Sourced almost exclusively from

Facilities Rated Green or Yellow,

as evaluated against our COVC, making progress toward our goal to eliminate sourcing from red-rated facilities



[Read More p.30](#)

Earned **B-Corp Certification for Athleta + Hill City,**



our newly launched high-performance menswear brand

[Read More p.59](#)

Increased our sourcing of Better Cotton, making Gap Inc. the **3RD Largest Buyer of BCI Cotton Globally**



[Read More p.62](#)

Scaled our P.A.C.E. program to reach

280K+ Women + Girls in **17 Countries**



through 2018

[Read More p.41](#)

Expanded our first-jobs program, **This Way Ahead,** to



in the U.S., Canada, UK and Japan

[Read More p.28](#)

Gap Inc. 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. Report data is through fiscal 2018 (February 2, 2019) unless otherwise noted. Additional detail is available in the [Goals + Progress Detail \(p.65\)](#).

GOAL	2018 PROGRESS	% ACHIEVED
SOCIAL		
OPERATIONS		
Support \$15 million in employee-driven community investment per year	\$15.6 in employee-driven community investment	106%
Reach 10,000 youth through This Way Ahead by 2020	5,677 youth have participated in This Way Ahead through 2018	57%
Hire 5% of entry-level employees from This Way Ahead annually by 2025	1,107 entry-level hires were from This Way Ahead	28%
SUPPLY CHAIN		
100% of supplier facilities producing branded apparel are rated yellow or green by 2020	98% of supplier facilities were rated yellow or green	98%
100% of Tier 1 suppliers transition to digital wage payments by 2020	80% of suppliers are using digital wage-payment mechanisms	80%
Reach 1 million women through P.A.C.E. by 2022	Over 280,000 women have participated in P.A.C.E. through 2018	28%

● ON TRACK
 ● PROGRESSING
 ● NEEDS ATTENTION

GOAL	2018 PROGRESS	% ACHIEVED
ENVIRONMENT		
SUPPLY CHAIN		
Save 10 billion liters of water in manufacturing by 2020, from a 2014 baseline	5.7 billion liters of water have been saved by Gap Inc. suppliers through 2018, from a 2014 baseline	57%
Work toward zero discharge of hazardous chemicals in our supply chain by 2020	Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List (MRSL) and verify through wastewater testing.	
OPERATIONS		
Reduce GHG emissions by 50% in our owned and operated facilities globally by 2020, from a 2015 baseline	18% reduction in emissions to date; signed a 3.5MW PPA and a 7.5MW VPPA to source renewable energy	18%
Divert 80% of waste from landfill across our U.S. facilities by 2020	47% of waste was diverted from landfill across our U.S. facilities	47%
PRODUCT SUSTAINABILITY (GAP INC.)		
Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020	Verified that 77% of cellulosic fiber volume is compliant with our commitment; work is underway to verify the remainder	77%

Brand Goals + Progress

GOAL	2018 PROGRESS	% ACHIEVED
GAP		
Source 100% of cotton from more sustainable sources by 2021	53% of cotton was from more sustainable sources	53%
Make 75% of qualifying products using Washwell™ water-saving techniques by 2021	22% of denim was made using Washwell™ water-saving techniques	22%
ATHLETA		
Make 80% of materials with sustainable fibers by 2020	46% of products were made with 30% or more sustainable content	46%
Make 25% of products using water-saving techniques by 2020	4% of products were made using water-saving techniques	4%
Divert 80% of store waste from landfill by 2020	70% of store waste was diverted from landfill	70%
Empower 10,000 women through P.A.C.E. and Fair Trade by 2020	3,212 women participated in P.A.C.E. or received Fair Trade premiums	32%

GOAL	2018 PROGRESS	% ACHIEVED
BANANA REPUBLIC		
Source 100% of cotton from more sustainable sources by 2023	45% of cotton was from more sustainable sources	45%
Make 50% of products with sustainable fibers by 2023	28% of products were made with sustainable fibers	28%
Make 50% of products using water-saving techniques and cleaner chemistry practices in our supply chain by 2025	Reporting in progress	
OLD NAVY		
Source 100% of cotton from more sustainable sources by 2022	40% of cotton was from more sustainable sources	40%
Make 100% of denim products using water-saving techniques by 2022	60% of Spring 2019 denim was made using water-saving techniques	60%
<ul style="list-style-type: none"> Banana Republic and Old Navy goals were set in 2019. Progress is based on 2018 benchmarks. 		

● ON TRACK
 ● PROGRESSING
 ● NEEDS ATTENTION

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, Intermix, Janie and Jack, and Hill City brands.

We have approximately 135,000 part-time and full-time employees. Our products are available for purchase in more than 90 countries through 3,194 Company-operated stores, 472 franchise stores and e-commerce sites (as of fiscal 2018).

Gap Inc., on February 28, 2019, announced plans to create two independent publicly traded companies: Old Navy, a category leader in family apparel, and Gap Inc., which will consist of the iconic Gap brand, Banana Republic, Athleta, Intermix, Janie and Jack, and Hill City brands. In early 2019, Gap Inc. purchased Janie and Jack, a leader in premium children's fashion. Gap Inc. expects to effect the separation through a spin-off in early 2020.

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 700 vendors. Our vendors have factories in about 40 countries.

Learn More
[Annual Filings](#)



BANANA REPUBLIC



INTERMIX

JANIE AND JACK

HILL CITY



ABOUT THIS REPORT

This report covers Gap Inc.'s global operations for the fiscal year ending February 2, 2019.

Data within covers fiscal 2018, unless otherwise noted. Our last report covered fiscal 2017 and is available with our other [past sustainability reports](#).

This report focuses on developments and actions for our key programs, progress toward our corporate and brand goals during fiscal 2018, preparations for activities in 2019, 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 at gapinc.sustainability.com, 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



Strategy

- [10 Sustainability Strategy](#)
- [11 Value Chain](#)
- [12 Materiality](#)
- [13 Core Sustainability Focus Areas](#)
- [14 Management Approach](#)
- [15 Sustainable Development Goals](#)
- [16 Code of Business Conduct](#)
- [16 Governance](#)
- [16 Risk Management](#)
- [17 Stakeholder Engagement](#)



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 are also communicating 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.



“Our commitment to sustainability benefits our company and the communities in which we operate. It also reduces our risk and builds resiliency into our supply chain. When we look holistically at the impact of our priorities, we can see real returns on our investments in renewable energy and GHG reductions, in building a diverse and equitable work force, and in engaging with industrywide initiatives.”

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, the environment and everyone who is touched by our brands.




Design + Development →

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 address our larger environmental footprint.

Our Programs

- [Water Stewardship \(p.44\)](#)
- [Product Sustainability \(p.57\)](#)



Tier 3 Suppliers
Raw Materials + Processing →

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 \(p.44\)](#)
- [Chemicals Management \(p.52\)](#)
- [Product Sustainability \(p.57\)](#)



Tier 2 Suppliers
Textile Manufacturing →

Fabric mills use large quantities of energy and 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 \(p.30\)](#)
- [P.A.C.E.: Empowering Women \(p.40\)](#)
- [Water Stewardship \(p.44\)](#)
- [Chemicals Management \(p.52\)](#)



Tier 1 Suppliers
Product + Finishing →

We believe in a comprehensive approach for improving working conditions in our supply chain, combining facility monitoring and capability building programs to help our suppliers continuously improve. We also engage closely with all of our vendors to measure and address their environmental impact.

Our Programs

- [Assessment + Remediation \(p.30\)](#)
- [Capability Building \(p.36\)](#)
- [P.A.C.E.: Empowering Women \(p.40\)](#)
- [Water Stewardship \(p.44\)](#)
- [Chemicals Management \(p.52\)](#)
- [Product Sustainability \(p.57\)](#)



Logistics + Distribution →

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

- [Energy \(p.54\)](#)
- [Waste \(p.55\)](#)



Retail Stores →

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 impact. We also run our This Way Ahead program at our stores to help young people with barriers to employment obtain their first jobs.

Our Programs

- [This Way Ahead: First Jobs \(p.27\)](#)
- [Energy \(p.54\)](#)
- [Waste \(p.55\)](#)
- [Product Sustainability \(p.57\)](#)



Consumer Use + End of Life →

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

- [Circularity + End of Life \(p.63\)](#)

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. Our material issues, viewed alongside our value chain, demonstrate 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	Human Rights + Social Impact	Resource Use, Scarcity + Impacts
Corporate Governance	Worker Rights + Well-being	Water
Radical Transparency	Income, Wages + Inequality	Chemicals Management + Compliance
Technology + Product Innovation	Human Capital + Development	Energy + Climate Stewardship
Resiliency	Diversity + Inclusion	Waste + End of Life
Country/Regional Legal + Economic Conditions	Reputation + Consumer Engagement	Sustainable Materials Sourcing



Core Sustainability Focus Areas

We recognize that we cannot lead on every issue. Given our business operations and strengths, we prioritize our greatest opportunities for leadership to maximize impact.

Gap Inc.'s sustainability materiality assessment set our overarching sustainability agenda and helped establish our five core focus areas:

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.



“Business is undergoing a huge shift in expectations; we have to act with integrity in all we do. It’s our job to step forward with big ambitions, set transformative goals and prepare for the future of retail. Sustainability is not just a buzzword; it’s built into our business and helps us ask the right questions as we look ahead.”

KEITH WHITE
EXECUTIVE VICE PRESIDENT,
GLOBAL SUSTAINABILITY, GAP FOUNDATION, AND LOSS PREVENTION, 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

Hire 5% of entry-level employees through This Way Ahead by 2025



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

Our Work

- Talent
- Equality + Belonging
- 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

- Equality + Belonging
- P.A.C.E.: Empowering Women
- Women + Water

Our Goal

Reach 1 million women through P.A.C.E. by 2022



Ensure sustainable consumption and production patterns

Our Work

- Sustainability Reporting
- Waste
- Chemicals Management
- Product Sustainability

Our Goal

Source 100% of cotton from more sustainable sources by 2025



Ensure access to water and sanitation for all

Our Work

- Women + Water
- Mill Sustainability Program
- Chemicals Management

Our Goal

Save 10 billion liters of water in manufacturing by 2020, from a 2014 baseline



Take urgent action to combat climate change and its impacts

Our Work

- Energy

Our Goal

Reduce GHG emissions by 50% in our owned and operated facilities globally by 2020, from 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 appropriate 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 company-wide program for monitoring, enforcing and addressing any issues related to our [Anti-Corruption Policy](#), which combines elements from our COBC with anti-bribery requirements under the 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 \(COBC\)](#)

[Policies](#)

GOVERNANCE

Our 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 Keith White, Executive Vice President, Global Sustainability, Gap Foundation and Loss Prevention. He reports directly to Gap Inc. CEO, Art Peck, and meets regularly with our Executive Vice President of Global Supply Chain and Product Operations, Shawn Curran.

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 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.

Learn
[Governance](#)

More

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](#)

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. Multistakeholder 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](#)

[A full list of our initiatives and the 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

Operations

- [19 Talent](#)
- [21 Equality + Belonging](#)
- [25 Employee Engagement](#)
- [27 This Way Ahead: First Jobs](#)

Supply Chain

- [29 Supplier Sustainability](#)
- [30 Assessment + Remediation](#)
- [36 Capability Building](#)
- [40 P.A.C.E.: Empowering Women](#)

Talent

Our business success depends on our people.

We cultivate a culture that attracts and engages talented employees and gives them opportunities to achieve their work and life goals, and we provide programs and customized experiences to help our people achieve their full potential.

Our talent practices are aimed at developing a diverse pipeline of employees, giving individuals new challenges to help them grow into new roles with greater responsibility, and cultivating great leaders who can build great teams. We believe in our employees' potential and provide myriad career opportunities for those who want to learn and grow with us.

Learn More

[How we help our employees realize their potential](#)

OUR APPROACH

Our workplace culture and benefits are designed to meet the professional and personal needs of our employees and their families.

Over the years, we have built on our foundation of putting people first. This includes improving wages and scheduling practices so that the people who work in our stores experience greater stability and flexibility, as well as financial incentives, work-life integration and benefits that help employees make the most of their professional and personal lives. This supports employees and increases their engagement at work, which contributes value to our business.

In 2018, we invested in a few critical areas to develop talent, understand employee engagement and enhance flexibility for our people.



Talent

BUILDING TALENT

In 2018, we expanded the Gap Inc. talent map to help provide all of our employees – professionals, managers, directors and executives – with opportunities for development. These tiered focuses meet individual contributors and leaders where they are on their professional journey, providing development programs tailored to their needs.

Our learning and development programs reach the following employees:

- **Individuals:** helping them to be leaders at any level, even if they are not directly managing other people
- **New Managers:** helping newly hired or promoted managers understand the principles of sound leadership as they begin to manage others for the first time
- **Managers:** helping existing managers deliver ongoing results through effective leadership and management
- **Directors:** helping people who have multiple years of leadership experience improve how they “lead leaders” and drive results for their teams
- **Executives:** helping experienced leaders enhance their skills in leading multifunctional, diverse global teams to drive results at the enterprise level

Our enterprise learning efforts are open to all HQ employees and combine classroom-based experiences with virtual learning, homework, hands-on workshops and continual learning opportunities.

The company offers over 12,000 courses that we create, manage or have access to, covering a range of subjects, including goal setting, how to be a great boss, situational leadership, unconscious bias and inclusive leadership, how to have powerful conversations, and many more.

By delivering best-in-class training, our aim is to inspire and engage Gap Inc. talent through a consistent framework that empowers employees to drive their work forward while building strong relationships.

GREAT BOSSES

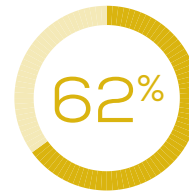
We know that one of the primary reasons people stay in their jobs is because they have great bosses. Great bosses build great teams, and great teams contribute great value to the company. We focus on developing our leaders’ ability to connect, listen to feedback and continuously improve.

As part of our talent development investments in 2018, we rolled out a program dedicated to creating and celebrating great-boss moments. This campaign focused on 10 practical ways our people can “boss better,” from rewarding successes to being honest, curious, and open-minded to understanding that progress is better than perfection.

Additionally, we launched the Great Boss Survey, a vehicle for managers to get actionable feedback directly from the people they lead. In the spirit of continuous improvement, we conduct this survey twice a year and the results go directly to managers.

EMPLOYEE OPINION SURVEY

To understand the needs of our employees, Gap Inc. conducted a company-wide opinion survey in 2018 to measure our employees’ sentiments and engagement across the entire talent life cycle. This survey is a critical component of our continuous listening strategy: We use the insights to understand what’s important to our employees and to indicate where we should focus our investments and build new programs and strategies that help us create a thriving, productive work environment.



of Employees Responded
(approximately 84,000)

EXPANDED PARENTAL-LEAVE POLICY

We are proud that Gap Inc. has become one of the top employers in the U.S.; we’ve been recognized as one of Business of Fashion’s Best Companies to Work For. One of the ways we have achieved this status is by continually making investments in programs and benefits that will have a positive impact on our employees’ well-being.

In 2018, we expanded our parental leave benefits to allow parents more time for bonding: We provide 12 weeks of leave (six weeks at 100 percent of pay and six weeks at 50 percent of pay) to support employees with new family members, regardless of how those families are formed. This benefit is now available to a broad section of our U.S. employees, including our hourly store associates who have worked at least 24 hours a week for the past year.

This program builds on other important steps we have taken to invest in our people, including our leadership as the first Fortune 500 company to have our global pay data independently verified to confirm that we [pay women and men equally](#) around the world.

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, formalized a program in which 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.

Equality + Belonging

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 our employees and other industry leaders to 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.

Learn More

[Our commitment to equality and opportunity](#)

OUR APPROACH

We expanded our approach to developing a workplace that supports our core values of equality and creating a sense of belonging.

Our Equality and Belonging strategy focuses on three areas:

1. 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.

2. 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.

3. 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.



Equality + Belonging

EMPLOYEE NETWORK GROUPS

Over the years, Gap Inc. employees from diverse backgrounds have developed Equality and Belonging Network Groups, which provide opportunities for cross-cultural learning, mentoring and relationship building. These groups organize development, networking and volunteering events to encourage belonging; foster awareness of underrepresented groups; and provide personal and professional development.

In January 2019, Gap Inc. employees announced two new Equality and Belonging Network Groups:

- Gap Parents:** Building on Gap Inc.'s record as a family-friendly company, we formed Gap Parents to help working parents thrive at Gap Inc. The group's goal is to provide opportunities for parents to learn from one another, create connections with mentors, and access tools and resources.

Gap Parents plans to contribute insights and provide feedback to support our business functions, including our benefits team and our kid and baby design teams. The group also plans to lead discussion forums to support our employees through different stages of parenthood, including expecting a first child, returning to work, adding a sibling, navigating school decisions, same-sex parenting, adoption and more.

- Gap V.E.T.S.:** This new group – Veterans, Enablement, Transition and Support – is intended to build



an inclusive culture across Gap Inc. and advocate for the military veteran community. The group is providing community outreach and organizing philanthropy and education opportunities to support veterans and those with military heritage across Gap Inc.

These new groups join Gap Inc.'s existing Equality and Belonging Network Groups, which include:

- AANG:** African American Networking Group
- ASIA:** Asians Supporting Inclusion and Awareness
- GEAR:** Gay Employees, Allies and Resources, an LGBTQ employee and allies group
- GAPWIL:** Women in Leadership
- HOLA:** Honoring Our Latino Ancestry

COLOR PROUD COUNCIL

In 2018, a group of employees formed Color Proud Council, a cross-enterprise body to challenge industry norms and too-often accepted biases by ensuring we know the importance of putting an inclusive lens on fundamental aspects of our business, including: product design, merchandising and marketing, as well as expanding efforts to recruit, develop and retain diverse talent.

Fostering a thriving, inclusive workforce starts with talent acquisition and retention. During the year, Color Proud Council partnered with the business to revamp recruiting pipelines, took a critical look at existing training programs, and spearheaded a new line of inclusive apparel products.

TRAINING + RESOURCES

INCLUSION TRAINING

In 2017, we launched a series of unconscious-bias trainings to employees, which expanded to our global workforce in 2018. We also created curricula and accessible resources that support equality and belonging. We want our leaders and employees to identify how unconscious bias and other issues come to life in their everyday work.

BE ONE. GET ONE.

At Gap Inc., we value mentorship as a developmental process that helps build incredible careers. We view it as a personal journey that works best when people connect organically, instead of relying on

matching systems and formalized reports. In 2018, we launched our Be One. Get One. program to empower employees to take an active role in both their own development and the development of others.

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.

Equality + Belonging

PUBLIC COMMITMENTS



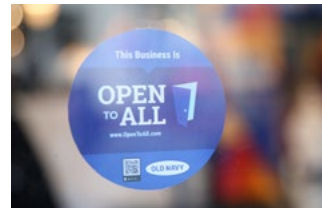
UN HUMAN RIGHTS LGBTI CORPORATE STANDARDS OF CONDUCT FOR BUSINESS

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 **ACT!ON** FOR DIVERSITY & INCLUSION

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.



OPEN TO ALL

On Oct. 4, 2018, Gap Inc. and our family of brands announced that we joined a coalition of advocacy organizations and companies by signing the [Open to All Business Pledge](#). The pledge reaffirms that our workplaces and stores are welcoming spaces for everyone, and each U.S. store displayed the Open to All sticker.

For us, this is nothing new, and is in line with our Code of Business Conduct and Zero Means Zero policy. We are proud to join with other businesses and national social justice groups like the NAACP, HRC, ACLU and Anti-Defamation League to show that we are open to all.

AWARDS



BLOOMBERG GENDER-EQUALITY INDEX

As a company working for a more equal, diverse and inclusive future for all, we're proud to be included in the 2019 [Bloomberg Gender-Equality Index](#) for the second consecutive year. Bloomberg listed Gap Inc. as one of 230 global companies committed to transparency in gender reporting and advancing women's equality.



THOMSON REUTERS DIVERSITY & INCLUSION INDEX

Gap Inc. was named one of the world's most diverse and inclusive companies for the second consecutive year. In the third annual [Thomson Reuters Diversity & Inclusion Index](#) which scores companies using environmental, social and governance metrics, Gap Inc. was ranked fifth out of 7,000 international corporations.



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.

Equality + Belonging

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.

[Learn more](#)
[Workplace Data](#)

ETHNIC DIVERSITY

United States*

	2015	2016	2017	2018
White				
All	50%	48%	47%	45%
Management	73%	72%	71%	69%
New Hires	46%	44%	41%	41%
Asian				
All	7%	7%	7%	7%
Management	9%	10%	10%	10%
New Hires	6%	6%	6%	6%
Black				
All	19%	19%	20%	19%
Management	7%	6%	6%	7%
New Hires	24%	24%	25%	24%
Hispanic				
All	20%	21%	22%	24%
Management	10%	10%	11%	12%
New Hires	18%	19%	21%	22%
Other Minority				
All	4%	5%	5%	5%
Management	1%	2%	2%	2%
New Hires	6%	6%	6%	7%
All Minorities				
All	50%	52%	54%	55%
Management	27%	28%	29%	31%
New Hires	54%	56%	58%	59%

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

GENDER REPRESENTATION

Global

	2015	2016	2017	2018
VP + Above				
Women	49%	51%	50%	54%
Men	51%	49%	50%	46%
Sr. / Director				
Women	59%	61%	61%	62%
Men	41%	39%	39%	38%
Sr. / Manager				
Women	60%	61%	61%	59%
Men	40%	39%	39%	41%
Store Management				
Women	69%	68%	68%	70%
Men	31%	32%	32%	30%
New Hires				
Women	73%	74%	74%	74%
Men	27%	26%	26%	26%
Overall				
Women	74%	75%	76%	76%
Men	26%	25%	24%	24%

PROMOTION RATES

United States

	2015	2016	2017	2018
VP + Above				
Women	10%	3%	4%	3%
Men	13%	7%	11%	8%
Sr. / Director				
Women	12%	10%	9%	7%
Men	10%	12%	6%	6%
Sr. / Manager				
Women	16%	16%	13%	11%
Men	15%	14%	13%	7%
Professional				
Women	6%	7%	8%	8%
Men	7%	8%	8%	8%
Overall				
Women	7%	7%	8%	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 empower Gap Inc. employees to support the potential of people in their communities through donations of time, talent and money.

Every year, we work to ensure that our legacy of community involvement remains strong, and we are proud that this spirit is ingrained in our company culture. Encouraging our employees to volunteer or donate helps build strong communities as well as attract and retain talented, engaged people for Gap Inc. Getting involved in the community is easy for our employees, as we build in time for them to volunteer – all salaried employees can volunteer five hours per month “on the clock.” In addition, we match donations of both time and money, so that employees can support the causes they care about in the way that works best for them. We measure the dollar value of employee donations of time and money, and the company match to both; we refer to this as “employee-driven community investment.”

Learn More
[How we invest in others and ourselves](#)

OUR APPROACH

In 2018, we reached or exceeded all of our employee-engagement goals tied to employee-driven community investment.

We are especially proud of our strong network of 2,900 Community Leaders, who serve as Gap Foundation ambassadors and drive volunteerism for teams in our stores, corporate offices and distribution centers around the world. These Community Leaders build partnerships with local nonprofits that frequently span many years and are designed to move beyond good intentions to deliver true impact by leveraging the expertise of our worldwide teams.

In recent years, we have evolved our approach to integrate giving back even more deeply into our culture. Today, each Gap Inc. function 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.



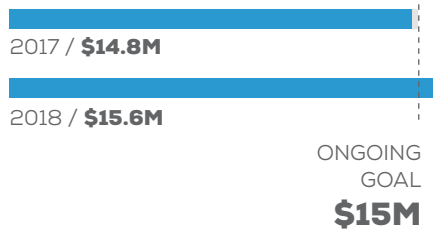
Employee Engagement

GOAL

Support \$15 million in annual employee-driven community investment

PERFORMANCE

Employee-Driven Community Investment



2018 EMPLOYEE-DRIVEN COMMUNITY INVESTMENT



\$10.6M
in Volunteer Hours

the financial equivalent of 431,534 volunteer hours

\$2M
in Employee Financial Donations

\$3M
in Gap Inc. Matching

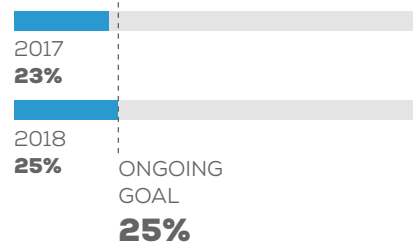
of employee volunteer hours and financial donations

KEY METRIC

25% of Gap Inc. employees volunteer annually

PERFORMANCE

% Employees Volunteered

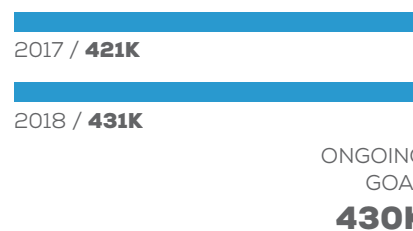


KEY METRIC

Gap Inc. employees log 430,000 volunteer hours annually

PERFORMANCE

Volunteer Hours



This Way Ahead: First Jobs

This Way Ahead is opening doors for the next generation with first jobs, providing the mentoring and confidence to make dreams a reality.

Through structured training and paid work experience at Old Navy, Gap, Banana Republic, Athleta and our distribution centers, This Way Ahead helps youth between ages 16 to 24 who are facing barriers to employment land their first job. The program builds leadership skills among the Gap Inc. employees who mentor This Way Ahead youth. It also helps Gap Inc. build a valuable pipeline of future employees while developing [best practices for managing talent](#) that we can apply across the company.

Learn More
[How we developed our program + how we approach implementation](#)



» THIS WAY AHEAD

5,677
Youth
have participated
through 2018



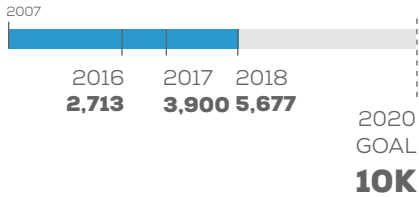
This Way Ahead: First Jobs

GOAL

Reach 10,000 youth through This Way Ahead by 2020

PERFORMANCE

This Way Ahead Participants

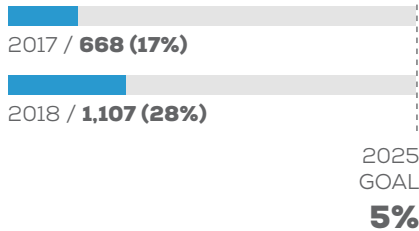


GOAL

Hire 5% of entry-level employees from This Way Ahead annually by 2025

PERFORMANCE

Entry-Level Hires from This Way Ahead (Progress to Goal)



2018 PROGRESS

In 2018, we greatly expanded This Way Ahead. With more than 1,700 young people participating, we grew the number of hires by 60 percent compared to 2017. We also initiated a new national partnership with the Boys & Girls Clubs of America, growing the number of cities where the program runs from 15 to 53.

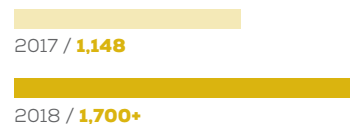
As we work toward our near-term goal of reaching 10,000 youth by 2020, we are focusing our expansion in large markets in the U.S. and Canada while also looking to establish a presence in smaller markets. We have invested resources in making the program easier to implement and customize. In 2018, we created a playbook distilling five key ingredients for teams to use when launching This Way Ahead. At a small number of Athleta stores, Gap stores in Japan and distribution centers, we led a pilot program that empowers teams to customize the playbook based on their specific business needs.

In 2018, we also continued our efforts to apply talent management practices from This Way Ahead to support existing employees across the company. Based on analysis showing that 38 percent of our recent hires have characteristics similar to those of This Way Ahead participants, This Way Ahead partnered with an internal, enterprise-wide initiative to apply the program's proven strategies to improve retention rates and increase employee engagement across the company.

In recognition of This Way Ahead accomplishments, Fortune named Gap Inc. to its "Change the World" list in 2018.

REACH + GROWTH

Youth



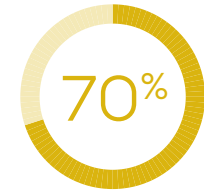
Stores



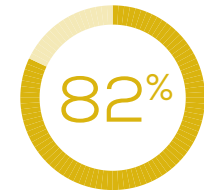
Cities



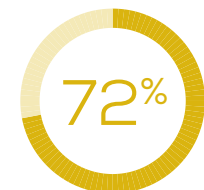
IMPACT



of youth reported "a lot" of **Increased Confidence**



of mentors reported **Improved Skills** in creative thinking + problem-solving



of alumni have secured **Stable Employment** compared to 55% of their peers, according to a study of 10 years of alumni

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 for monitoring facilities and building supplier capabilities for improved working conditions, taking country-specific approaches where appropriate. Our [Human Rights Policy](#) guides our programmatic response to develop a supply chain that is resilient, responsive and respectful of the workers who make our products.

Gap Inc. has worked to develop and implement a dedicated program for assessing and remediating issues in sourcing facilities, and in recent years has developed a suite of capability building programs. Having in-country field teams enables us to closely monitor facilities according to our [Code of Vendor Conduct \(COVC\)](#), allowing us to have thorough, on-the-ground insight into how our suppliers perform and what salient issues workers in our supply chain face. 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 drive innovation that transforms the apparel manufacturing sector. In partnership with our suppliers, NGOs, multilateral organizations and other stakeholders, we're establishing initiatives that 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](#)

OUR APPROACH

We believe in a comprehensive approach to improving working conditions in our supply chain, combining facility monitoring and capability building programs to help our suppliers continuously improve.

1. ASSESSMENT + REMEDIATION

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 improve business performance.

Read More [p.30](#)

2. CAPABILITY BUILDING

In partnership with our suppliers, we developed a suite of programs that aim to develop facilities' capabilities for worker representation and leadership involvement. By coordinating with external partners, NGOs and our suppliers, initiatives such as our **Workplace Cooperation Program** and **Workforce Engagement Program** mature industrial relations in facilities and provide functioning grievance mechanisms while also measuring and improving the degree to which garment workers feel valued and engaged at work. In addition to our cornerstone programs, we manage or participate in a broad set of initiatives that address country-specific labor issues. Our life-skills program, **P.A.C.E.**, gives women training and support to advance in their professional and personal lives.

Read More [p.36](#)

Supplier Sustainability

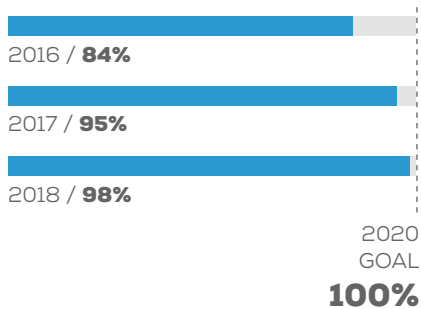
ASSESSMENT + REMEDIATION

GOAL

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

PERFORMANCE

% Supplier Facilities Rated Yellow or Green



2018 FACILITY RATINGS



- 39% Green-Rated Facilities
- 59% Yellow-Rated Facilities
- 2% Red-Rated Facilities

ASSESSMENT + REMEDIATION

We monitor the adherence of the facilities operated by our suppliers to the Gap Inc. Code of Vendor Conduct (COVC) before initial approval and then annually. This is in conjunction with our efforts to build innovative programs that create supportive, empowering workplaces.

Our Assessment and Remediation program is the foundation on which we evaluate our suppliers' abilities to meet our sustainability expectations; the program provides insight on what issues workers may be facing and what additional programs would be beneficial. We primarily evaluate factories through our own field team's assessments, though we do work with third parties, such as Elevate, for assessments in Pakistan, and with [International Labour Organization Better Work \(p.32\)](#) in countries where they operate. Our global field team is located primarily in the countries from which we source, giving us a direct, on-the-ground understanding of worker needs and facility performance.

We use a color-coded system to rate facilities' performance based on assessments. High-performing facilities with no critical and few violations are rated green. Average performers are rated yellow, while facilities that need improvement on one or more serious issues are rated red. Critical, severe and key violations have a greater negative impact on a facilities' rating than more technical "noncompliance" violations do.

In 2017, Gap Inc. set a goal to not work with any red-rated facilities by 2020. We have made significant strides toward this goal, moving from 16 percent red-rated

facilities in 2016 to less than 2 percent by the end of fiscal 2018. By integrating this work more deeply into our sourcing decisions and concentrating our business with preferred vendors, we were able to increase 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 company-wide awareness on COVC requirements, and collaborating internally to manage vendor performance and drive sustained performance. 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.

We have created internal systems to develop a close partnership between our Supplier Sustainability, Global Supply Chain and Data Insights teams. This integration with sourcing and data analysis allows us to track and analyze major trends as well as the effectiveness of our programs. When we identify concerning trends or hotspots, we develop specific action plans to build awareness with our suppliers, collaborate with all affected stakeholders and formalize systems to address the issue.

Beginning in 2017, we raised the bar for our facility approval process and no longer allow red-rated facilities (based on their preproduction assessment) to be approved by Gap Inc. for production. In the past, we approved red-rated facilities if they resolved the issues in question within a certain time frame.

We also changed our approach to assessing red-rated facilities. Rather than waiting one year after our full 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 time frame 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.

In 2018, we saw encouraging success with our efforts towards our goal of 100 percent green- and yellow-rated facilities. We also recognize that at any given point in time, some facilities may slip below our COVC standards; we are committed to continuing to monitor and working closely with our suppliers to remediate issues. Achieving a baseline performance level allows us to keep a closer eye on concerning issues and focus on capability building programs such as enhancing bipartite committees (our Workplace Cooperation Program) and soliciting direct worker engagement (our Workforce Engagement Program).

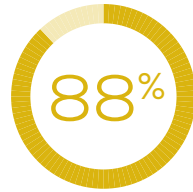
As we strive toward our goal, we also recognize that the best way to address most serious issues is to partner with our vendor or their facility to remediate. However, in the event that a facility or vendor fails to address persistent noncompliance or other egregious issues over an extended period of time, we will create a responsible exit plan. In that case, we give notice to the facility that orders will not be re-placed, in order to minimize disruption to workers. In these situations, we will continue to monitor the facility and work on pending issues through and following deactivation.

Supplier Sustainability

ASSESSMENT + REMEDIATION

SUPPLIER PERFORMANCE

We analyze our suppliers' performance against our Code of Vendor Conduct (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 resolved 88 percent of issues within 12 months, for ones that were open as of Feb. 2, 2018. As we monitor areas of concern for emerging issues or trends, we partner with our suppliers to implement changes to our systems or develop new policies or programs.



Code of Vendor Conduct Issues Resolved within 12 months

RESOLUTION OF FACILITY COVC ISSUES OPEN AS OF 2/1/2018

	2/1/2018		5/1/2018 (3 months)		8/1/2018 (6 months)		1/31/2019 (12 months)	
	Open Issues	% Resolved	Open Issues	% Resolved	Open Issues	% Resolved	Open Issues	% Resolved
Bangladesh	457	18%	375	18%	201	56%	79	83%
Cambodia	281	15%	238	15%	178	37%	70	75%
China	602	51%	293	51%	156	74%	60	90%
Guatemala	1	100%	0	100%	0	100%	0	100%
India	371	18%	303	18%	185	50%	90	76%
Indonesia	462	38%	286	38%	98	79%	21	95%
Pakistan	177	55%	80	55%	63	64%	10	94%
Sri Lanka	104	9%	95	9%	48	54%	19	82%
Vietnam	743	28%	538	28%	320	57%	43	94%
Others	191	20%	152	20%	91	52%	11	94%
Total	3,389	30%	2,360	30%	1,340	60%	403	88%



Supplier Sustainability

ASSESSMENT + REMEDIATION

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. As a founding member of this program, we view the ILO team as our key partner in every country where they operate, representing several of our key sourcing markets. 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.

We also worked closely with Better Work to help found the Better Work Academy, which provides training and advisory services to global assessment staff. Their approach looks to move beyond “assessment only” facility monitoring and develop comprehensive solutions to improving industrial relations in facilities. The Academy has been operating for several years, and in 2018 several other brands joined.

We believe that it’s important to include leadership in capability building programs, as having mechanisms to provide worker feedback does not help if management is not prepared enough to take feedback and make improvements.

Read More
[ILO Better Work and Supervisory Skills Training \(p.38\)](#)

2018 ASSESSMENTS IN ILO BETTER WORK MARKETS

	Facilities Assessed by ILO Better Work		Facilities Assessed by Gap Inc.		Total
Bangladesh	24	62%	15	38%	39
Cambodia	47	90%	5	10%	52
Haiti	5	71%	2	29%	7
Indonesia	56	70%	24	30%	80
Jordan	9	100%	0	0%	9
Nicaragua	6	100%	0	0%	6
Vietnam	91	61%	59	39%	150
Total	238	69%	105	31%	343

SOCIAL & LABOR CONVERGENCE PROGRAM (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. In 2019, we joined the SLCP Council.

We also enrolled some of the facilities we source from in the pilot and supported the broader pilot covering over 123 facilities in two countries. The final version was developed and launched in China and Sri Lanka in late 2018, with 15 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.

MILL SUSTAINABILITY PROGRAM

Our supply chain is complex and reaches far beyond our Tier 1 suppliers – the cut-and-sew facilities from which we directly source, as well as their supporting embroidery, screen printing and laundry facilities. Beginning in 2017 and expanding in 2018, we’ve begun monitoring the social and environmental performance of our Tier 2 suppliers – the mills that provide our fabric – through our Mill Sustainability Program. The program integrates key industry programs and puts supplier ownership at its center and we will leverage SLCP tools to improve our mills’ social performance.

Our first step on this journey was to comprehensively map the mills from which we source raw materials and group them into three categories: preferred mills (which represent the majority of our business volume), secondary mills, and niche and new mills. While we have yet to finish identifying all of the niche mills, 2018 marked a comprehensive understanding of our Tier 2 supplier base, mapping over 200 facilities that represent a significant portion of our business volume. After we communicated to our entire mill base our expectations of their social and environmental performance – conditions of doing business with us – we began implementing our comprehensive program at the identified mills.

Read More
[Mill Sustainability Program \(p.48\)](#)

Supplier Sustainability

ASSESSMENT + REMEDIATION

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

- [Child Labor and Young Workers](#)
- [Discrimination and Harassment](#)
- [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 + Recruitment](#)
- [Unauthorized Subcontracting](#)

FIRE, BUILDING AND ELECTRICAL SAFETY PROGRAM

In 2017, we expanded our approach to fire, building and electrical safety (FB+ES) beyond Bangladesh, where we continued to collaborate with the Alliance for Bangladesh Worker Safety through the end of 2018. At that point, we joined Nirapon, a locally-managed organization created to carry forward the important FB+ES improvements that have been achieved so far.

Based on the work we did with the Alliance, we recognized that some of our key sourcing countries – Cambodia, Indonesia and Pakistan – may also have FB+ES risks and we want to play our role to reduce those risks and provide safety for workers in those countries. Reducing the risk of catastrophic events is paramount, and we also see an opportunity to avoid supply disruptions from smaller scale incidents that could result in lost working days, worker injury or displacement and product damage. As part of a pilot, we partnered with an expert third party to assess facilities on structural, fire and electrical safety – three in Cambodia, 16 in Indonesia and nine 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 key countries. 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

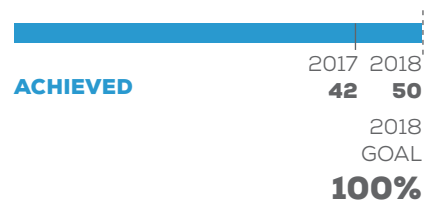
of Jakarta are caused by electric short circuits. It also revealed that fires spread quickly when access to water is scarce and fire trucks face heavy traffic and poor road conditions. In Karachi, Pakistan, the assessment revealed a number of issues, including code violations, lack of awareness about safety measures, and a shortage of firefighting infrastructure and resources. In 2018, we identified three service providers that will help us conduct FB+ES assessments in 28 of our top strategic facilities. In 2019, we will bring this program to Vietnam and India; Pakistan and Cambodia will follow by 2020. Also beginning in 2019, we are joining the [Life and Building Safety Initiative \(LABS\)](#) to address these issues in multiple regions.

KEY METRIC

100% of supplier facilities in Bangladesh complete fire and building safety remediation by 2018

PERFORMANCE

Supplier Facilities That Have Achieved Full Remediation from the Alliance for Bangladesh Worker Safety



Supplier Sustainability

ASSESSMENT + REMEDIATION

KEY ISSUES, CONTINUED

GRIEVANCE MECHANISMS

Being able to raise concerns to facility management or to Gap Inc. is essential to ensuring workers have a voice in their workplace. We have developed a comprehensive suite of programs that provide myriad workplace benefits and also provide channels where workers are able to effectively raise grievances. Within each program, workers are given a voice to raise concerns with facility management and outside parties, via varied channels:

- Our [Workforce Engagement Program \(p.38\)](#) – 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 an updated scaling strategy to bring the app to other sourcing markets such as India and Sri Lanka, where we launched our Workforce Engagement Program in 2018, with implementation in early 2019.
- Our [Workplace Cooperation Program \(p.37\)](#) provides training for workers and management on how to improve industrial relations, with an emphasis on how to develop and implement grievance mechanisms. Our goal is to deliver this program to 200 facilities by 2020. We assess grievances raised via this program, including time taken to remediate, channels used and outcomes.

- Our [Assessment and Remediation program \(p.30\)](#) evaluates the efficacy and use of grievance mechanisms. Our Supplier Sustainability team provides contact information to workers in the facilities from which we source, so they are able to reach out to Gap Inc. 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. Additionally, we are responsive to external third parties that raise grievances with us via any of our communication channels.

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 joined with The Arbitration Council and ILO Better Facilities 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-employer relationships through a mutual understanding of freedom of association, workplace cooperation, and dispute-prevention and resolution mechanisms in the workplace.

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 \(p.37\)](#), 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 Facilities Cambodia's advisory services by the end of 2018. This will help to ensure that the voice of workers will be heard and issues will be resolved fairly through the establishment of workplace committees.

Additionally, in 2019 we launched a new partnership with the ILO and Better Work Bangladesh. This three year initiative – the ILO Bangladesh Social Dialogue Project to be implemented by the ILO in all factories that Gap Inc. sources from in Bangladesh – will help build

the capability of factory management, compliance staff, union members and workplace committee members through training sessions on a range of topics including: freedom of association, collective bargaining, international labor standards, communications and negotiation techniques, as well as increase the understanding of the Bangladesh Labour Act.



Supplier Sustainability

ASSESSMENT + REMEDIATION

KEY ISSUES, CONTINUED

WORKING HOURS

One of the compliance issues we frequently encounter relates to worker overtime, which fluctuates but remains an issue of concern year after year. Overtime is a complex challenge to address as many workers want to request overtime because they seek hours in order to earn premium overtime pay, while facilities seek to optimize their production capacity across multiple buyers. In addition, buyers themselves, including Gap Inc., can negatively impact work hours when requiring changes to orders that either increase or reduce the size of an order.

We will continue to address the role that our buying practices have on overtime hours, including a new initiative to understand the impact of our business planning, the [Better Buying](#) pilot. After we received our results, we shared our findings with our sourcing teams, enabling them to examine how their planning affects lead times and our visibility into our supplier's capacity to fulfill orders. Gap Inc. sourcing teams are working to develop systems that can appropriately place orders depending on our suppliers' capabilities to fulfill them; these learnings are helping us implement improvements while we continue to solicit supplier feedback.

GENDER-BASED DISCRIMINATION AND HARASSMENT

Women constitute between 60 and 80 percent of India's apparel workforce. We recognize that women face unique challenges in the workplace, especially

regarding harassment. During regular assessments of the facilities we work with in India, we have found serious violations related 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 resources into addressing.

To do our part, Gap Inc.'s Supplier Sustainability team is working with our suppliers in India – covering over 118,000 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 provided guidance on the relevant legal requirements. We also defined time-bound goals, such as commitments from our vendors to train 100 percent of their employees on this issue and identified expert organizations for them to partner with in implementing this work. As a result, these suppliers provide regular training and awareness to all of 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 determining areas for improvement, if needed, within a remediation plan. Given the urgency and importance of this issue, we are now implementing regional strategies to address this issue in other key sourcing countries. A common thread across these regional approaches are the one-day workshops we are hosting for our suppliers in China, Bangladesh, Guatemala, Haiti, Indonesia, Jordan and Vietnam. These workshops provide an overview of the issue itself, our expectations for how our suppliers can proactively mitigate it, and our requirements for our suppliers pursuing additional, more in-depth trainings at the factory level, to help ensure all appropriate staff are subsequently trained.

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 2018 U.K. Modern Slavery Act 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 to both.



Supplier Sustainability

CAPABILITY BUILDING

CAPABILITY BUILDING

We work with our manufacturing partners to implement a suite of programs aimed at providing the tools and resources to improve industrial relations, worker engagement and facility compliance on an ongoing basis.

When we approach our sourcing suppliers about human rights and working conditions, we are sharing our conviction in enabling safe, productive and responsive workplaces. We are looking to work with facilities that are places where workers feel valued and engaged at work, that they have a voice to express concerns and see their grievances addressed, and where workers and managers can communicate effectively.

By coordinating with external partners, including NGOs, unions, multilateral agencies, competitors and our suppliers, these programs – including our Workplace Cooperation Program, Workforce Engagement Program and Supervisory Skills Training – can help enhance

industrial relations in facilities, provide functioning grievance mechanisms, stabilize our sourcing operations, and create platforms for measuring and improving the degree to which garment workers feel valued and engaged at work. These complementary interventions can be implemented alone or together, depending on the needs of the facility.

In addition, we participate in broader initiatives that support the individual programs, including the Better Work Academy and the Better Than Cash Alliance’s digital-wage program, that can be implemented in available markets to heighten our suppliers’ abilities to adapt to the needs of their workforce.

Together, these programs provide a comprehensive and holistic engagement model for facilities to improve labor standards, benefit workers, and support the business continuity and resiliency of our supply chain.

Learn More
[How we’re working with suppliers](#)



Workplace Cooperation Program, India



Workplace Cooperation Program, Vietnam

Supplier Sustainability

CAPABILITY BUILDING

WORKPLACE COOPERATION PROGRAM

Our Workplace Cooperation Program (WCP) facilitates dialogue between workers and management to address workplace issues, from overtime and worker well-being, to washroom sanitation and better quality of food in the canteen. This training program works with elected bipartite committees comprising both workers and management representatives who collaborate to build good industrial relations. 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 ILO Better Work, seeks to address those relations by developing the skills of committee members and guiding effective meetings. We also provide guidance on how to best respect and abide by workers' fundamental rights at work, as defined in the ILO's Core Conventions.

In 2018, we focused on expanding and refining this program, as well as analyzing data that we collect quarterly. Since launching the program in 2016, we have reached 129 facilities – 67 in 2018 – in 10 countries. We continue to expand to our strategic vendors' owned and sub-contracted facilities, expanding the possible locations to bring wider impact. Our goal is to reach 200 facilities by 2020.

One of the ways we refined the program in 2018 was to offer an abbreviated training period, moving from two years to 12 to 16 months. Now facilities have more flexibility in offering the training modules, as teams

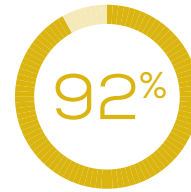
have the option to combine two half-day training modules into a one-day training to reduce time for program completion.

In addition to revising the training duration, we continued our use of the data assessments we launched in 2017 to examine how many grievances have been received and addressed, which channels were used for grievances, and how long it took to address the issues. Our preliminary analysis shows that once functioning bipartite committees are in place, workers feel more empowered to raise concerns and that these concerns are more quickly addressed. In addition, our data show that once these committees have been trained, grievances rise for a period and then diminish in frequency, illustrating the comfort workers feel in voicing complaints and the subsequent actions taken to address their concerns.

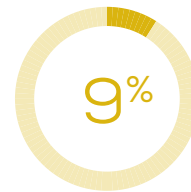
Since part of our aim with this program is to help improve our suppliers' business performance, we have begun collecting data to analyze whether the WCP is impacting productivity, efficiency and quality. We created a quarterly data-collection tool and are asking participating facilities to track and share their data on different business indicators, such as absenteeism, number of grievances, productivity and more. We are working with Better Work to conduct an independent impact assessment of the program, examining whether there is a correlation between the program and business benefits, and hope to have impact results that will allow us to refine and expand the program.

9,218
Grievances
Received

by facilities participating in our WCP from 2017-2018



Issues Resolved
within the same quarter



Repeat Issues

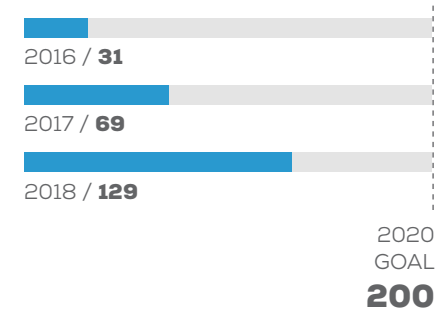
This data is self-reported by factories on a quarterly basis. It includes grievances reported through any mechanism (i.e. suggestion box, bipartite committee, union, hotline/helpline, mobile app, HR or a supervisor, an external party or any other mechanism).

KEY METRIC

Reach 200 supplier facilities with our Workplace Cooperation Program (WCP) by 2020

PERFORMANCE

Supplier Facilities Reached with WCP



Workplace Cooperation Program, India

Supplier Sustainability

CAPABILITY BUILDING

SUPERVISORY SKILLS TRAINING

In 2018, we partnered with ILO Better Work to introduce Supervisory Skills Training (SST), to reach a key group of employees we have not yet engaged: mid-level managers. This program aims to help facility managers improve their communication with workers, who typically contact middle management first to discuss problems or make suggestions to improve facility working conditions.

SST is designed to give supervisors and middle managers a deeper understanding of important leadership and supervisory concepts. Participants are trained to avoid a passive or authoritarian style of leadership, and to strike a fair balance between the interests of the company and the interests of staff. As a result of this training, we expect the participating supervisors to change their management style from 'timid' or 'domineering' to 'professional,' which will result in better production efficiencies due to higher worker motivation and retention.

SST is a three-day (24 hours total) training program that covers areas like being a professional supervisor, building good relationships, influencing, and managing workers.

During 2018, our team trained 439 supervisors from 31 facilities in seven countries. We continue to expand the trainings to more supervisors and facilities, with a target to reach 50 more facilities in 2019. In Better Work countries, we also encourage our facilities to nominate their supervisors in SST.

A program evaluation methodology has been designed and tested and will be implemented starting in 2019. Through supervisor and worker surveys and production-efficiency data from the facilities, this program evaluation will help us to measure the extent to which participants reported the trainings to be effective; the extent to which they learned new concepts; if this learning led to any behavior change; if the change in behavior was also acknowledged by the workers; and if behavior changes impacted production efficiency. Data will be tracked over 12 months and initial results will be available by the end of 2019.

WORKFORCE ENGAGEMENT PROGRAM

By engaging workers to amplify their voice and understand how they feel at work, the Workforce Engagement Program (WEP) seeks to increase worker engagement and empower facilities to make worker-centric improvements. By the end of 2018, we reached 18 facilities by supporting mobile-engagement tools, building on lessons from our 2017 technology-enabled pilots. This builds on the 100 facilities that we had reached previously.

Throughout the years, we have learned from our experiences engaging workers, and have adjusted our approach to better fit the needs of individuals, their workplaces and our business. We have tested a variety of approaches, including worker discussion groups, pen-and-paper surveys and various mobile technologies. We've now focused in on a vendor-led model that leverages scalable mobile technology, allowing workers' voices to be

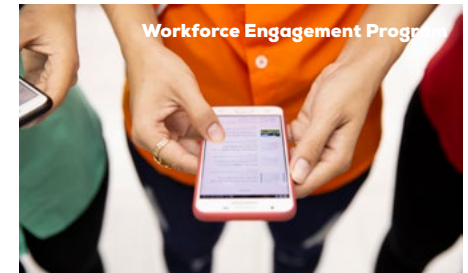
heard directly by those able to respond. We are also sharing best practices across vendors, from Vietnam to China to Indonesia to Guatemala, to sustainably expand the program.

Gap Inc. hosts WEP vendor workshops in each region to bring together our vendors and WEP service providers offering services in the region. During these workshops, our Supplier Sustainability team shares the importance of worker engagement and how it can help our vendors' business. Research on worker engagement supports supplier adoption. Improved engagement has been correlated with business outcomes like reduced absenteeism and turnover, and vendors can learn from their workforce to make improvements that are good for business, whether that's identifying a problem before it escalates or becomes a large risk, or hearing workers' ideas about opportunities to improve efficiency, safety and more.

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.

In August 2018, we co-released a [paper with Verité](#) highlighting the program's return on investment, lessons learned, and case studies to drive broader

industry awareness of supply-chain worker engagement. The insights and lessons from that report continue to drive the technology based approach that we are pursuing today.



BETTER WORK ACADEMY

As a founding member of the Better Work Academy, we are dedicated to moving beyond "assessment only" facility monitoring to support comprehensive solutions that improve industrial relations in facilities. The Academy has been operating for several years, and in 2018 and 2019, several new brands joined. Gap Inc. is a proud ambassador for the program, and to help support effective expansion, we have onboarded new partners as the Academy delivers training.

In the next year, Better Work Academy is developing a leadership skills program, as well as curriculum for top management in the supply chain. We believe it's important to include leadership in capability-building programs, which enables facilities to take action to address worker feedback provided through new grievance mechanisms.

Supplier Sustainability

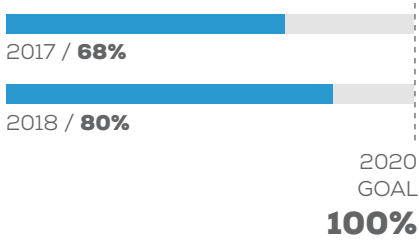
CAPABILITY BUILDING

GOAL

100% of Tier 1 suppliers transition to digital wage payments by 2020

PERFORMANCE

% Tier 1 Suppliers Paying Digital Wages



DIGITAL WAGE PAYMENTS

In 2018, we set a 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. As of the end of the year, 80 percent of our suppliers were using digital wage payments.

To support our commitment, we joined the UN’s Better Than Cash Alliance (BTCA) in 2018. 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. We define digital wage payments as mobile wallets, bank accounts, debit cards and other methods that are digitally accessible.

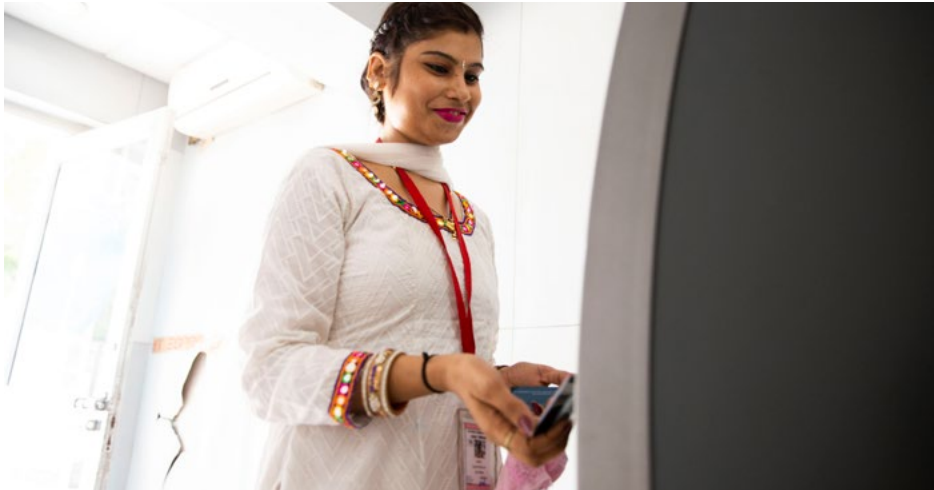
20 percent of our suppliers still use cash payments, which can present a variety of security risks to workers and contribute

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 digital 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, spend 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 \(p.40\)](#) 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.

Further, we are working with a broad set of actors to develop country-level working groups in countries that presently lack the infrastructure or capital investment required to make digital wages a scalable, cost-effective model for garment workers. We have begun an initial partnership with the Bill & Melinda Gates Foundation and BSR in Bangladesh, in tandem with other international buyers, to identify solutions that can help us address some of the key systemic barriers to digitization in the years ahead.



P.A.C.E.: Empowering Women

Our P.A.C.E. (Personal Advancement & Career Enhancement) program gives women 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. globally in vendor facilities in 2007, and have since expanded the program to community settings and in more countries to unlock new possibilities for women and adolescent girls around the world. Our goal is to reach 1 million women and girls through vendor and community partnerships by 2022.

LEARN MORE

[How we're supporting women](#)



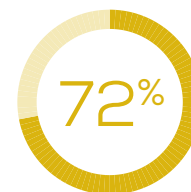
2018 REACH

158K
Women + Girls

17
Countries

61
Vendors

17
Community Partners



of Sourcing Dollars
are spent with
P.A.C.E. vendors

2018 ACTIVE COMMUNITY PARTNERS



- Apparel Training & Design Centre
- Beijing Social Work Development Center for Facilitators
- CARE
- China Women's University
- Fujian Hwa Nan Women's College
- Gram Tarang Employability Training Services
- Heifer International
- ILO Better Work
- Inno Community Development Organisation
- International Center for Research on Women
- Jordanian Hashemite Fund for Human Development (JOHUD)
- Kampuchean Action for Primary Education (KAPE)
- MAMTA Health Institute for Mother and Child
- Maria Elena Cuadra (MEC)
- Martha Tilaar Group
- Project Concern International (PCI)
- Foundation SAE-A
- Self-Employed Women's Association (SEWA)
- ShareHope
- UNHCR Jordan
- TechnoServe
- Want Want Group
- Women Win
- Xi'an Peihua University

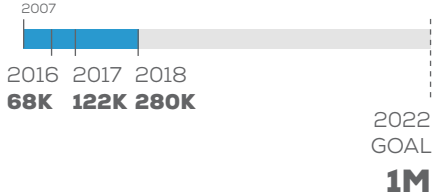
P.A.C.E.: Empowering Women

GOAL

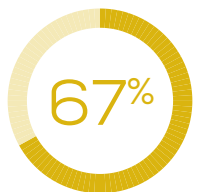
Reach 1 million women through P.A.C.E. by 2022

PERFORMANCE

P.A.C.E. Participants



REACH SINCE 2007



of Vendors made 2022 commitments

2018 PROGRESS

For P.A.C.E., 2018 was a year of significant growth and increased reach. Not only did the program reach a record number of women and girls – giving them the skills and confidence they need to advance at work and in life – we elevated the profile of P.A.C.E. through new partnerships and the launch of a company-wide marketing effort that engages customers in an important conversation about empowering women and girls.

During 2018, P.A.C.E. reached at least 158,000 women and girls in 17 countries, which represents 56 percent of the total women and girls the program has reached since P.A.C.E. launched in 2007. Looking forward, P.A.C.E. is on track to reach 300,000 women by April 2019. These gains came as the result of momentum with existing partners and the addition of new partners with the potential to greatly expand the program.

In Cambodia, we partnered with Heifer International to deliver the program to women smallholder farmers. In India, we worked with the play and entertainment company Hasbro and India’s Self Employed Women’s Association (SEWA) union to pilot P.A.C.E. in the workplace (Hasbro) and in communities (SEWA). In China, we partnered with the food and beverage company Want Want Group and China Women’s University to bring P.A.C.E. to the university setting for the first time. These partnerships allowed us to scale and expand the program, while the expansion into academia enables us to empower students and women and sustain programs that are adaptable to the formal education system.

In addition to these partners, a third of the total women reached in 2018 came through our sourcing vendors, who run their own implementation programs, supporting the resiliency of our supply chain and improving their own business outcomes. We also launched new P.A.C.E. programs in community settings in Ethiopia and Tanzania, two non-sourcing countries where we are working with CARE and Project Concern International, respectively, to build the capabilities of women economically and socially. In early 2019, we began discussions with the United Nations High Commissioner for Refugees (UNHCR) to expand on our training in Jordan, begun in 2018, to nearby countries such as Turkey.

Also in 2018, we expanded our focus on adolescent girls through community programs in Cambodia with Kampuchean Action for Primary Education (KAPE), in India with MAMTA Health Institute for Mother and Child, in Indonesia with CARE, and in China with INNO Community Development Organisation.

In addition to the expansion of P.A.C.E., we elevated the program’s profile through a marketing campaign, Raise Every Voice, led by our Gap, Banana Republic and Athleta brands. This campaign – which included a page on the brands’ e-commerce sites to raise customer awareness and share inspiring stories about P.A.C.E. graduates – engaged Gap Inc. customers in a conversation about the P.A.C.E. mission. In 2019, we will tie this campaign to a fundraising initiative, empowering our customers to support women and girls in communities near and far.

IMPACT

100%+ Improvement in Skills

Participants’ 2018 assessment scores, on average, show improvement in a range of skills, including a:

- **134% increase** in communication skills
- **113% increase** in execution skills
- **138% increase** in problem-solving and decision-making skills

*According to assessments that participants are asked to complete before and after each P.A.C.E. module

4.7% Promotion Rate for P.A.C.E.-trained women

compared to 1 percent among their peers, according to a sample set of 90 facilities

250% ROI for vendors after nine months

P.A.C.E.: Empowering Women

MAINTAINING QUALITY AS P.A.C.E. GROWS

The expansion of P.A.C.E. gives us the opportunity to reach a diversity of women and girls far beyond the facility environment. This also creates the potential for challenges: How can we ensure the quality of the program as P.A.C.E. grows? And how can we make sure the curriculum is relevant to women and girls in different regions and settings?

Two of the things that distinguish P.A.C.E. are our focus on trainers and our robust curriculum, designed to engage people with diverse needs. As P.A.C.E. grows, we want to make sure our NGO and facility partners can continue to run an effective program after the partnership with Gap Inc. ends. To do this, we invest in the people who deliver the program and continually refine the curriculum to make sure it can be adapted for different settings and learning styles.

Every year, we gather P.A.C.E. trainers from around the world to participate in a professional development program.

Looking forward, we are exploring opportunities to collaborate with other leaders in women's empowerment to create a standard program for the apparel industry to provide life and work training for women. In a discussion facilitated by the advisory practice of the International Center for Research on Women (ICRW Advisors), we are working with representatives from the International Labour Organization's Better Work program and BSR's HERproject on concrete ways we can collaborate to accelerate progress toward the change we all seek. In particular, we are exploring how to increase the effectiveness of our training programs by harmonizing curriculum and coordinating implementation. We are also looking at ways to collectively influence policy and strategy conversations on workplace women's empowerment programs.





Environment

Supply Chain

44 **Water Stewardship**

52 **Chemicals Management**

Operations

54 **Energy**

55 **Waste**

Water Stewardship

Few resources are as essential to human health and well-being as water.

Our water stewardship strategy is built on the principle that clean, safe water is an environmental concern, a basic human right and a business imperative. We have a responsibility and an opportunity to address water issues.

Water is also 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 customers to wash their clothes. It’s also critical to the health and well-being of the people who make our products, a majority of whom are women.

To help build the resilience of our company, our supply chain and the people who make our clothes, we are working strategically to use water more efficiently in product design and manufacturing, eliminate water contamination, and promote education about water and sanitation among women in particular.

Learn More

[How we create solutions for women + water](#)



Water Stewardship

OUR APPROACH

Our water stewardship strategy is focused on the intersection between our industry's significant use of water and our belief that access to clean, safe water is a basic right.

The strategy is focused on three key areas: water stewardship in manufacturing; access to water, sanitation and hygiene (WASH) for women; and designing products that use less water to create.



MANUFACTURING

We partner with strategic fabric mills, cut-and-sew facilities and laundries to reduce manufacturing impacts through programs focused on energy and water efficiency, and water quality.

**1.3B
Liters of
Water Saved**

at denim laundries, mills + cut-and-sew facilities in 2018

In 2018, we worked with 14 denim laundries, 40 mills and four cut-and-sew facilities through various sustainability programs, which continue through 2019.

This reduced the amount of water used in manufacturing by 1.3 billion liters, supporting our goal to save 10 billion liters of water by 2020.

Read More
Manufacturing [\(p.47\)](#)



WOMEN

We partner with organizations to support women's access to water, sanitation and hygiene (WASH) services and products in key sourcing countries.

**20K
Women Trained**
on WASH practices
in 2018



We also educate the women who make our clothes about safe water-handling practices through our P.A.C.E. (Personal Advancement & Career Enhancement) program and key local organizations.

In partnership with CARE, we reached 20,000 women with education on WASH practices through P.A.C.E. in 2018.

Read More
Women [\(p.50\)](#)



PRODUCT

We look for opportunities to expand the use of water-saving innovations across all of our brands, and, where possible, we are shifting to water-efficient raw materials.

**322M
Liters of
Water Saved**
through 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 it began in 2016, Washwell™ [\(p.58\)](#) has saved more than 322 million liters of water.

We are also designing products that use more sustainable raw materials that save water, with a designer-focused [Preferred Fibers Toolkit \(p.57\)](#), and by sourcing [Better Cotton Initiative \(BCI\) cotton \(p.62\)](#), which can reduce water impacts.

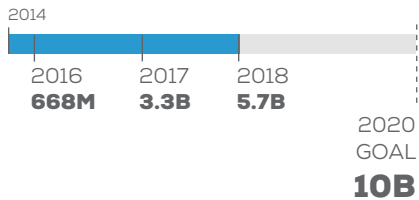
Water Stewardship

GOAL

Save 10 billion liters of water in manufacturing by 2020, from a 2014 baseline

PERFORMANCE

Liters of Water Saved (billions)



10B = **5B**
Liters of Water Saved (our goal) = **Peoples' Daily Drinking Water**



2018 PROGRESS

In 2018, we set an ambitious goal to conserve 10 billion liters of water by the end of 2020 through sustainable manufacturing practices.

This volume is equivalent to providing daily drinking water for 5 billion people. Our primary strategy to achieve this goal is to engage with the mills and laundries in our supply chain and use water-saving methods in the production of our clothing. We achieved 5.7 billion liters of water savings by the end of 2018, from a 2014 baseline.

During the year, we also expanded and amplified our efforts to deliver water, sanitation and hygiene (WASH) education to women via the United States Agency for International Development (USAID) and Gap Inc. Women + Water Alliance, and two partnerships with WaterAid, alongside our continual work to reach women via our P.A.C.E. program.

Through our brands, Washwell™ and other programs help connect our design decisions with manufacturing improvements, enabling us to save water in our supply chain while also educating our customers about water impacts and reductions.

As a result of our continuing efforts on disclosure, ambitious goal setting and thorough risk assessment, we were awarded CDP's A-ranking.

Learn More

[Detailed disclosures about our water programs](#)

CEO WATER MANDATE

We are a signatory to the [CEO Water Mandate](#), a UN Global Compact initiative, joining with other companies, governments, civil society and others to address challenges related to water scarcity, quality and governance, and access to water and sanitation.

In 2018, we helped to create "[Businesses for Water Security in the Noyyal Bhavani River Basin](#)," focused on improving the long-term sustainability of India's Cauvery River Basin, a critical watershed in one of our key sourcing regions. The project looks beyond individual facility or single-company initiatives to holistically address risks in the river basin where our, and other brands', value chains operate. It aims to help address the root causes of water risks that threaten businesses, communities and ecosystems.

Through this project, we will be working with regional and local stakeholders to address water risks and ensure water security in this basin by prioritizing solutions that consider both the river basin and apparel facility conditions.

Water Stewardship

MANUFACTURING

MANUFACTURING

Our partnerships with suppliers support our water goal through improvements in resource efficiency, water quality and overall mill sustainability.

RESOURCE EFFICIENCY

Through our resource-efficiency programs, we collaborate with strategic mills and laundries to significantly reduce their water impacts. In 2018, we worked with a total of 40 mills and 14 laundries. The facilities saw average water-use reductions of 20 percent through their implemented efficiency programs. As many water issues are based on local context and needs, we map water risks to help prioritize areas of focus and drive countrywide or basin-specific approaches.

Our resource-efficiency efforts comprise the following programs:

CLEAN BY DESIGN

We have been collaborating with the Natural Resources Defense Council (NRDC) on its Clean by Design program since 2014, and in 2018, we helped to create the Apparel Impact Institute (AII), which will serve as the program's new home. This program helps mills in China improve their operational efficiency to reduce water, energy and chemicals use. To date, we have engaged 20 mills in the Clean by Design program that, together, saved more than 650 million liters of water. In 2018, we worked with 14 mills that represent an additional potential water savings of 1.2 billion liters.

CHINA MILL EFFICIENCY PROGRAM

Additionally, we developed our own Mill Efficiency Program in China in 2017, in which we partnered with a Chinese environmental engineering firm in a year-long assessment of energy and water-savings opportunities at six mill facilities. Together, these facilities achieved more than 1.4 billion liters of water savings and more than 37,000 tons of carbon dioxide equivalent per year. We are expanding the program with additional facilities in 2019.

INDIA WATER PARTNERSHIP

In India, we embarked on a partnership in 2017 and 2018 with cKinetics, 11 mills and three denim laundries that is saving an estimated 1.2 billion liters of water annually, as well as more than 21,000 tons of carbon-dioxide equivalent per year. The program worked on the ground with our facilities to identify cost-effective as well as ambitious opportunities to improve efficiency. Over the course of a year and a half, the facilities implemented 103 projects, ranging from recovery and reuse of process water, replacement of boilers and dyeing machines to more efficient models, and overall process optimization. The work resulted in the publication of a best practices handbook that our teams can use with other wet-processing units to encourage improvements.

PARTNERSHIP FOR CLEANER TEXTILE (PaCT)

In Bangladesh and Pakistan, we work with PaCT to improve the environmental performance of the textile wet-processing sector. In 2018, we nominated

six additional denim laundries in Bangladesh to complete in-depth assessments of their operations that highlighted improvement opportunities (we worked with three denim laundries in 2016 and 2017 through PaCT as well). In Pakistan, we nominated and completed in-depth assessments for five mills and two denim laundries, and are in the process of completing assessments for four additional cut-and-sew units.

RACE TO THE TOP

In Vietnam, our largest sourcing country, we partner with IDH-led 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. In 2018, we signed on an additional two mills and three laundries, completing an on-site assessment for each that demonstrates improvement opportunities. These facilities are currently implementing water- and energy-improvement projects and will validate their savings in 2019.

TAIWAN MILL EFFICIENCY PROGRAM

In Taiwan, we started a new mill efficiency program in June 2018 as an extension of our engagement with Clean by Design in China. We completed on-site assessments of four mills that joined the program, and we plan to calculate water-improvement results in 2019, which we estimate may reach over 300 million liters. We also estimate potential GHG reductions of over 7,000 tons.

WATER QUALITY PROGRAM

We are also actively monitoring and helping improve wastewater quality at denim laundries through our Water Quality Program (WQP), which has been a requirement for over 15 years. All the denim laundries from which we source have achieved our WQP standard, which requires complete compliance with wastewater guidelines.

In 2018, we enhanced the program by adopting [Zero Discharge of Hazardous Chemicals \(ZDHC\) \(p.52\) Wastewater Guidelines](#) as WQP requirements for wastewater sampling and testing – 47 denim laundries participated, with 90 percent meeting all conventional parameters and 78 percent meeting all ZDHC MRSL parameters.



Water Stewardship

MANUFACTURING

MILL SUSTAINABILITY PROGRAM

Our Mill Sustainability Program, which we began through pilots in 2013, drives transparency, reduces compliance risks and contributes to our sustainability goals.

In 2018, we completed the transition of our Mill Sustainability Program into a strategic initiative to align our approach with industry standards that help us increase transparency, drive innovation and meet our sustainability goals. By leveraging partnerships, we can analyze and improve the environmental performance of our supply chain. Our suppliers' involvement is key to our ability to calculate our energy, greenhouse gas and water baselines, which support our setting of a Science Based Target for our Scope 3 GHG emissions and mitigate water risks. The program is also helping drive improvements in social performance at mills.

Read More
[Our climate and energy programs \(p.54\)](#)

[Our social programs \(p.32\)](#)

Three key industrywide efforts that we leverage to support our Mill Sustainability Program include:

SUSTAINABLE APPAREL COALITION (SAC)

As a founding member of the SAC, we use the Higg Index to evaluate suppliers' environmental performance and engage them to meet our goals. Since 2017, we have expanded our use of the Higg Facility Environmental Module (FEM) 3.0 to collect data from mills' self-assessments. Increasingly, these self-assessments are verified by a third party. In 2018, the Higg FEM 3.0 completion rate of our supplying mills was more than 90 percent. We now ask our strategic mills (which represent more than 75 percent of our total business) to complete the Higg FEM 3.0 annually.

ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)

We joined ZDHC's Roadmap to Zero commitment in 2014 to work toward the elimination of hazardous chemicals in our supply chain. We integrated ZDHC Roadmap to Zero Programme tools and resources, such as the Manufacturing Restricted Substances List (MRSL) and Wastewater Guidelines, into our Mill Sustainability Program. In 2018, we began requiring our strategic mills to test their wastewater twice a year and publish the results through the ZDHC Gateway.

Read more
[Our involvement with ZDHC \(p.52\)](#)

SOCIAL & LABOR CONVERGENCE PROGRAM (SLCP)

As a signatory to this collaboration among apparel and footwear brands, retailers, industry groups and civil society organizations, we are supporting a new shared data-collection tool that can assess the social and labor performance of manufacturing facilities across the apparel and footwear supply chain.

Read more
[Our involvement with SLCP \(p.32\)](#)

By 2020, we will require 90 percent of Gap Inc.-approved strategic mill facilities to participate in and report using the Higg Index FEM 3.0, ZDHC Roadmap to Zero Programme, and SLCP social and labor assessment.

KEY METRIC

90% of strategic mill facilities participate in and report using the Higg Index FEM 3.0, the ZDHC Roadmap to Zero Programme, and SLCP social and labor assessment by 2020

2018 PROGRESS

In 2018, we sharpened our understanding of the environmental impact of our mill suppliers through our use of Higg FEM 3.0. Today, 93 percent of our cut-and-sew manufacturers and 91 percent of fabric mills and dyehouses used Higg FEM 3.0, the highest response rate of any brand SAC members. We have mapped out 203 mill facilities that represent 75 percent of our business in 2018.

Another part of our investment was to join the Open Apparel Registry (OAR), a pilot initiative that assigns a unique identification number to each facility. This registry will allow us to map our suppliers' facilities and contribute toward transparency across the apparel supply chain. In the future, we hope to use the unique IDs generated by the OAR to map our supplier facilities' Higg Index, ZDHC, and SLCP modules to ease the burden of supply chain mapping across multiple sustainability initiatives.

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

Water Stewardship

MANUFACTURING

WATER SAVINGS

By the end of 2018, we saved 5.7 billion liters of water in manufacturing through the combined efforts of our resource efficiency, Mill Sustainability and Water Quality Programs.



Water Stewardship

WOMEN

SUPPORTING WOMEN WITH ACCESS TO WATER, SANITATION + HYGIENE

We seek to improve access to water, sanitation and hygiene (WASH) for women and communities touched by our business.

Roughly 80 percent of the people who make our clothes are women, and access and affordability to WASH is a major challenge in many of our key sourcing countries. In many parts of the world, women are largely responsible for household duties such as cooking and cleaning; they shoulder a disproportionate burden when it comes to water stress.

Alongside our strategic implementation partners, we lead a suite of programs to provide education, access to services and financing to women and communities to address their WASH needs. Through water-risk assessments, we have identified India as a critical location for WASH services, making it a strategic location for many of our programs.

Within Gap Inc. partner facilities, our Code of Vendor Conduct requires that key WASH needs of garment workers are met. In addition, our P.A.C.E. (Personal Advancement & Career Enhancement) program aimed at workers within our supply chain as well as global communities, provides additional capability to bring WASH education to women globally within both manufacturing facilities and communities.

2018 PROGRESS

- Through the USAID and Gap Inc. Women + Water Alliance we:
 - Reached 20,000 women with Gap Inc.'s P.A.C.E. program, in partnership with CARE
 - Catalyzed over USD \$1 million in financing, benefiting 5,800 households (27,800 individuals) to address their WASH needs through Water.org's financing model
 - Identified two pilot opportunities to address water stewardship in cotton-cultivating communities and where fabric is produced, and assessed over 100 global best practices on water stewardship in partnership with the Institute for Sustainable Communities (ISC)
- Reached over 20,000 people with support to improve their access to WASH services in India through our partnership with WaterAid
- Partnered with the WASH4Work initiative to catalyze private-sector investment and engagement in WASH
- Partnered with the CEO Water Mandate to advance collective action on water stewardship in the Cauvery River Basin in India, with other apparel sector brands



Water Stewardship

WOMEN

USAID AND GAP INC. WOMEN + WATER ALLIANCE

In 2017, we launched the [Women+Water \(W+W\) Global Development Alliance](#) 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.

Over the course of this five-year program, Gap Inc. is serving as the co-funder and primary program manager. The W+W Alliance operates in two Indian states critical to the apparel industry – Maharashtra, a key cotton-growing state, and Madhya Pradesh, a textile industry hub. Three implementing partners – CARE, Water.org and Institute for Sustainability Communities (ISC) – are helping the program work toward two objectives, where women’s self-efficacy and agency plays a critical role to:

1. Encourage communities to adopt key WASH practices
2. Build access to and sustainably manage quality water resources and sanitation services

This pioneering public-private partnership aligns closely to our goals related to sustainable water stewardship and empowering women with WASH education, services and products. The program is primarily being implemented in communities where cotton is grown and where fabric mills are located. Through rigorous monitoring and evaluation, we are deepening our understanding of the WASH needs of women and girls in communities while improving our ability to deliver

Gap Inc.

programs that support their well-being. To catalyze progress, we are also learning and sharing best practices for WASH and water stewardship across the apparel industry and beyond.

2018 PROGRESS

The Alliance made significant strides in 2018, the second year of program implementation. One of our major achievements was completing a baseline assessment of water and sanitation challenges in Madhya Pradesh. The assessment, which was carried out in partnership with Institute for Development Impact (IDI), looked at 1,000 households across 90 villages, and revealed that three quarters of the assessed households must travel to access clean, safe water, spending up to one and a half hours a day collecting water. Moreover, most households could use improved water-treatment and storage practices, and many households would benefit from caregivers improving handwashing techniques.

Progress in 2018 also included our partner CARE delivering the Gap Inc. P.A.C.E. program together with WASH training to women in Madhya Pradesh. During the year, 16,893 women graduated from the Gap Inc. P.A.C.E. program. Water.org supported CARE’s training by developing additional water and sanitation financing training material to help P.A.C.E. participants better understand their options for addressing key WASH needs for themselves and their families. Water.org also established key partnerships with microfinance institutions in India to catalyze funding for WASH needs such as retrofitting of toilets, and

water filters. Further, ISC developed a comprehensive set of best practices for apparel-industry water stewardship and identified opportunities to address water stewardship in cotton-growing communities and textile-milling communities through two pilots.

Gap Inc. also engaged the Government of India to build awareness and seek support to strengthen programs and activities. Finally, we enhanced our data-collection system with key performance indicators.

Looking ahead, the W+W Alliance aims to reach even more women with WASH education via the Gap Inc. P.A.C.E. program in Madhya Pradesh and in Maharashtra. A key component of the success of these activities is CARE’s work to engage men to support the WASH needs of women. Two pilots on water-stewardship best practices in cotton and mill communities will be implemented.

The W+W Alliance will also conduct a baseline assessment in Maharashtra with Institute for Development Impact (IDI) and assess P.A.C.E.’s impact to foster women’s behavior change on WASH practices through an extensive study conducted by the International Center for the Research on Women (ICRW). Finally, the W+W Alliance will welcome WaterAid, a new partner, to complement the ongoing activities by supporting governance for water access and quality.



WATERAID

Gap Inc. has partnered on several water initiatives with WaterAid, an NGO that supports people with access to clean water and sanitation. Alongside other companies and consultants, we have developed a new guide to help companies understand and measure the economic benefits of investing in WASH to make the case for further investment while also encouraging their supply chains to take action: [“Strengthening the business case for water, sanitation and hygiene: How to measure value for your business.”](#)

Further, we are supporting WaterAid to deliver a comprehensive WASH program for 20,000 people living in marginalized areas of Madhya Pradesh.

WASH4WORK

Gap Inc. is a partner in [WASH4Work](#), a diverse group of stakeholders from the public and private sectors that aims to mobilize businesses that are working together to strengthen business contributions to achieving Sustainable Development Goal (SDG) 6. It aims to improve access to WASH in the workplace, in the communities where workers live and across supply chains.

Chemicals Management

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 factories and mills operate.

The global apparel industry accounts for high amounts of use of chemicals in manufacturing, and the discharge of these chemicals can threaten local water sources and affect people working with them and living nearby.

Learn More
[How we're reducing the impact of chemicals](#)



OUR APPROACH

Our approach to chemicals management includes three key components:

1. 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.

2. 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.

3. 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; and in 2016, we adopted the [AFIRM Group RSL](#). Since 2015, we have required all of our suppliers to comply with the [ZDHC MRSL](#).

GOAL

Work toward zero discharge of hazardous chemicals in our supply chain by 2020



Chemicals Management

2018 PROGRESS + INDUSTRY INITIATIVES

INPUT MANAGEMENT



Our suppliers' input chemicals must comply with the **ZDHC MRSL**

Selection of better chemical inputs and starting materials is an essential part of reducing the use and discharge of hazardous chemicals.

- As a ZDHC Signatory Brand, we require our suppliers to follow the ZDHC Roadmap to Zero Programme, which includes registering with the ZDHC Gateway, maintaining a chemical inventory list and using input chemicals that comply with the ZDHC MRSL.
- We are also working to go beyond MRSL conformance by identifying and increasing our use of "preferred" chemicals. In 2018 we initiated pilots of two different programs developed by and for the apparel industry to proactively identify and increase the use of safer chemicals. As well as checking for MRSL conformance, these programs provide additional information about input chemicals (such as a third-party chemical-hazard assessment) to help identify "best-available" formulations.

PROCESS MANAGEMENT



Our suppliers must respond to the **Higg Index FEM 3.0**

Adherence to chemicals management best practices during manufacturing is critical for reducing human and environmental risks.

To support best practices in our supply chain, our COVC outlines a number of expectations for chemical use and handling. We require all Tier 1 cut-and-sew suppliers and strategic Tier 2 fabric mill suppliers to respond to the Higg Index FEM 3.0, which enables us to evaluate suppliers based on whether they follow specific chemicals management practices. We also use this data to inform the evolution of Gap Inc.'s chemicals-management strategy.

OUTPUT MANAGEMENT



Finished products must comply with the **AFIRM RSL**

Outputs of apparel and footwear manufacturing include finished products as well as wastewater and air emissions. Managing these outputs is a foundational component of reducing discharge of hazardous chemicals.

- Finished products manufactured for our brands should comply with the AFIRM RSL; we test products in order to ensure they meet regulatory standards established by the countries where we sell products.
- To address emissions, we have integrated ZDHC tools and resources for output management into Gap Inc. policies and systems for managing our supplier relationships. In 2018, we formally adopted the ZDHC Wastewater Guidelines into existing supply-chain programs, including our Water Quality Program (WQP) for all denim laundries – Tier 1 facilities that generate significant amounts of wastewater – and our Mill Sustainability Program. Our strategic mills and laundries are required to test their wastewater twice per year to ZDHC standards and publish the results through the ZDHC Gateway, a data-sharing platform that allows brands to monitor supplier wastewater data.



Our suppliers must comply with the **ZDHC Wastewater Guidelines**



Energy

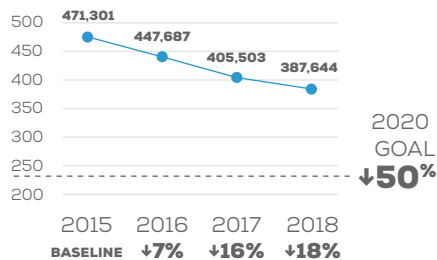
Climate change is a global challenge that transcends boundaries, affecting people and communities everywhere.

Climate risk is the key sustainability issue of our time, and is both a human and an environmental challenge. Managing this risk is critical for the long-term success of our business. We 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](#)

GOAL
 Reduce greenhouse gas emissions by 50% in our owned and operated facilities globally by 2020, from a 2015 baseline

PERFORMANCE
 Metric Tons CO₂e, Scope 1 and 2, Global Market-Based



2018 PROGRESS

In 2018, we continued our efforts to reduce our climate impacts in four ways:

- Improving energy efficiency at our stores, offices, and distribution networks
- Expanding our investments in renewable energy
- Collecting and analyzing data from our supply chain to set a Science Based Target for Scope 3 GHG emissions beyond 2020
- Signed on to the UN Fashion Charter for Climate Action

ENERGY EFFICIENCY

In 2018, we achieved an 18 percent cumulative reduction of GHG emissions in our owned and operated facilities, putting us over a quarter of the way toward meeting our 2020 goal to reduce GHG emissions by 50 percent against a 2015 baseline. In absolute terms, we reduced our GHG emissions by 83,657 metric tons of carbon-dioxide equivalents.

RENEWABLE ENERGY

In June 2018, we finalized an agreement to develop a 3-megawatt solar array at our Fresno, California, distribution center. The project, which will result in the equivalent of removing 254 passenger cars from the road annually, will offset more than half of the energy load at our Fresno facility and is projected to reduce energy expenses. We expect the array to begin generating power by the end of 2019. We are continuing to explore the possibility of combined renewable energy and storage opportunities in our distribution-center network.

Looking forward to 2019, together with four other companies – Bloomberg, Cox Enterprises, Salesforce and Workday – we formed a first-of-its-kind Virtual Power Purchasing Agreement (VPPA) partnership that is enabling us to procure a total of 42.5 megawatts of a 100-megawatt solar project in North Carolina. Historically, it has been difficult for individual companies with smaller energy needs to procure solar from large projects due to high transaction costs and complicated contract processes. By joining forces, however, we have expanded our buying power, and we will be able to

share best practices with other companies that wish to replicate this innovative model. Each company will receive approximately the same amount of energy from the project. Gap Inc. has contracted for 7.5 megawatts of solar energy, which will offset 100 percent of the energy load for our Athleta brand's headquarters and stores. The project is targeted to begin generating electricity in 2020.

SCIENCE BASED TARGETS INITIATIVE

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 Celsius. 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 cover the major impacts of our enterprise activities. We plan to submit Gap Inc.'s science-based target for Scope 3 emissions and finalize a target in 2019.

CDP CLIMATE CHANGE

Our [CDP Climate Change response](#) includes 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 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 is discarded by our stores, 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](#)

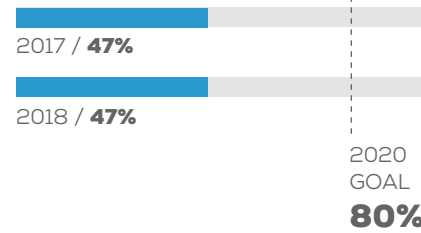


GOAL

Divert 80% of waste from landfill across our U.S. facilities by 2020

PERFORMANCE

% Waste Diverted from Landfill



2018 PROGRESS

In 2018, we continued the approach we developed in 2017 to meet our 2020 waste-diversion goal, by focusing on steps we can take as a company to innovate our packaging design and recycling systems.

We are also continuing to explore solutions for polybags. Only a portion of our store locations are able to recycle these types of soft plastics, so we are testing a suite of solutions: better communication with store employees about current recycling opportunities at their location, collaboration with our brands to reduce the quantity of polybags shipped to stores, and stricter packing standards with our vendors to reduce polybag volume through better design and packing practices. We are also creating and selecting in-store marketing materials with recyclability in mind.

In addition to work within our company and with our brands, we are continuing to engage the industry and our landlords to develop longer-term solutions that reduce waste and expand opportunities for recycling across the retail industry.



Product

- [57 Product Sustainability](#)
- [58 Brand Goals](#)
- [61 Raw Materials](#)
- [63 Circularity + End of Life](#)



Product Sustainability

We aim to design great products with sustainability in mind while collaborating across our business to improve the performance of our brands.

Our brands approach impact reduction throughout the product life cycle, examining the materials they source, the products they design and the suppliers they work with. Each brand uses its unique voice to communicate directly with customers on the importance and impact of producing responsibly.

Learn More
[Our work on product sustainability](#)



85%
of Athleta 2019 swim
was made with
recycled nylon

2018 PROGRESS

In 2018, all of our brands expanded their efforts to embed sustainability into product design and raw-materials selection, and they increased customer communication to emphasize the importance of environmental and social awareness to the people who buy and wear our clothes.

PREFERRED FIBER + MATERIALS TOOLKIT AND TRAINING

In 2018, we completed and rolled out our Preferred Fiber & Materials Toolkit, which we created alongside third-party industry partners, Textile Exchange and MADE-BY. The tool empowers product teams to select the best fibers based on sustainability impacts 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.

To complement the launch of this toolkit, we developed and incorporated sustainability workshops and a training curriculum into our company-wide learning and development program. In 2018, we trained approximately 400 additional Product Design and Development employees through our workshops: Sustainability 101, Sustainability Claims, Fiber Sustainability, Sustainable Wet Processing and Sustainable Denim. To date, we've reached over 1,500 employees with these workshops. We also continued publishing our monthly newsletter on product sustainability, which now reaches more than 600 Product Development employees.

1,500+
Product Design +
Development Employees
Trained on
Sustainable Practices
through 2018

CUSTOMER COMMUNICATION

We have continued to communicate our product sustainability efforts to customers through store displays, product descriptions, product labeling, social media and other channels. 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).

Looking ahead, many of 2018's efforts laid the foundation for comprehensive initiatives launching in early 2019. In a campaign that launched on Earth Day 2019, we partnered with other apparel brands, the Ellen MacArthur Foundation's Make Fashion Circular initiative, and the city of New York to tackle clothing waste. Through the #WearNext campaign, Athleta, Banana Republic and Gap stores in New York City host recycling bins for customers to drop off unwanted clothing for recycling or repurposing. The New York City Department of Sanitation has published an online guide to these locations.

Brand Goals

For every brand within Gap Inc., sustainability is considered a business priority.

Beginning with Athleta and Gap brand testing and scaling innovations from recycled fibers to water-saving denim washes, we learned a lot from our first brand-level goals in 2017. By 2018, all of our brands established executive sustainability steering committees, defined their own priorities and goals, and led sustainability-strategy workshops with cross-functional teams. This empowers each brand to build a strategy that is true to its identity while also pursuing meaningful environmental and social impact.

In honor of Earth Day 2019, our Banana Republic and Old Navy brands established their sustainability-focused goals, incorporating sustainable materials and water savings into design, raw materials sourcing, and manufacturing and processing.

Hill City, our newest men's performance and lifestyle brand, launched in 2018 as a B Corp. The brand is being built from the ground up with a commitment to sustainability.



GAP FOR GOOD

Gap brand launched its consumer-facing Gap for Good platform in 2017 to highlight more sustainable fashion. The platform builds on Gap's Earth Day 2017 commitment to source 100 percent of its cotton from more sustainable sources by 2021.

WASHWELL™

Since 2016, when our Gap brand pioneered Washwell™ – a denim wash program that conserves water in the laundry stage of production – we have refined the process and made it easier to adopt across our other brands. In 2018, we expanded Washwell™ so that the program is now used across our brands.

In 2018, 19 vendors participated in Washwell™, up from 16 vendors in 2017. We saved 98.9 million liters of water through Washwell™ in 2018, up from 76.6 million liters in 2017.

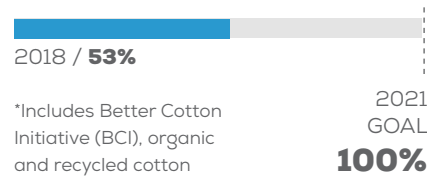
99M
Liters of
Water Saved
through Washwell™
in 2018

GOAL

Source 100% of cotton from more sustainable sources* by 2021

PERFORMANCE

% Cotton from More Sustainable Sources

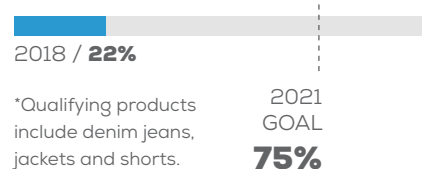


GOAL

Make 75% of qualifying products* using Washwell™ water-saving techniques by 2021

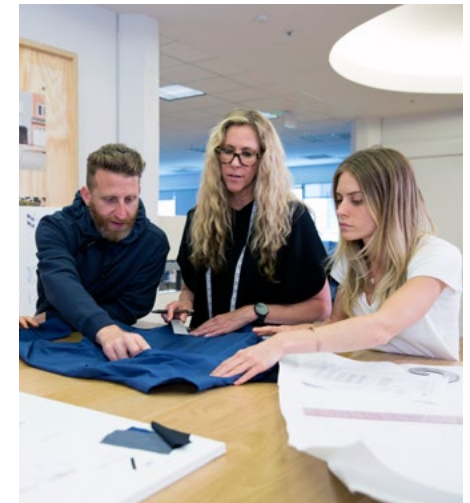
PERFORMANCE

% Products Made Using Washwell™ Water-Saving Techniques



HILL CITY

In 2018, Gap Inc. launched Hill City, a high-performance men's apparel brand that offers technical clothing that transitions seamlessly through the day – from workout to work to weekend. Incubated alongside the highly successful Athleta business, Hill City has been designated a B-Corp certified brand by integrating sustainability throughout its operations and using high-quality renewable, recycled fibers to create performance fabrics for many of its products.



Brand Goals

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.

2018 HIGHLIGHTS

2018 was a significant year for Athleta, beginning with achievements of its B-Corp certification, which means that the brand is meeting rigorous standards of social and environmental performance, accountability and transparency. As part of this certification, Athleta formed an internal governance committee to support its sustainability efforts.

- Protect Resources:** Progress was made on environmental efforts, especially around sourcing more 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 greenhouse gases and hazardous chemicals than their conventional counterparts.
- Conserve Water:** The brand is investigating new technologies and expanding existing programs that use less water.

- Empower Women:** The brand also invested in social-impact efforts, including enrolling more supplier facilities in the P.A.C.E. program and onboarding and certifying one new Fair Trade facility in Sri Lanka.

CUSTOMER ENGAGEMENT

Athleta promotes its sustainability initiatives among customers by using simple, clear symbols in catalogs and online to indicate which products are Fair Trade and which are sourced from facilities that participate in our P.A.C.E. (Personal Advancement & Career Enhancement) program. The brand also shares its sustainability efforts on athleta.com, including its five core values and progress toward its 2020 sustainability goals.



17
Facilities
enrolled in P.A.C.E.

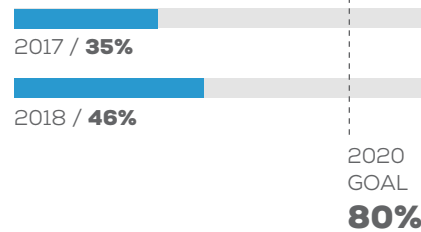
2
Facilities
certified Fair Trade
since 2017

GOAL: PROTECT RESOURCES

Make 80% of materials with sustainable fibers by 2020

PERFORMANCE

% Materials Made with 30% or more Sustainable Fibers

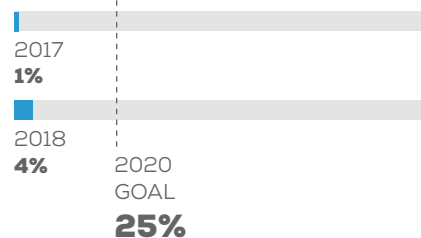


GOAL: CONSERVE WATER

Make 25% of products using water-saving techniques by 2020

PERFORMANCE

% Products Made Using Water-Saving Techniques

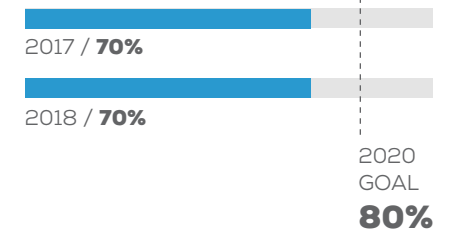


GOAL: DIVERT WASTE

Divert 80% of store waste from landfill by 2020

PERFORMANCE

% Waste Diverted from Landfill



GOAL: EMPOWER WOMEN

Impact 10,000 women through P.A.C.E. and Fair Trade by 2020

PERFORMANCE

Women Who Participated in P.A.C.E. or Received Fair Trade Premiums



Brand Goals

BANANA REPUBLIC

Banana Republic will continue to integrate sustainability into design and manufacturing decisions to reduce the environmental impacts of each garment.

GOAL

Make 50% of products using water-saving techniques* and cleaner chemistry practices** in our supply chain by 2025

*Techniques that save at least 20 percent of water compared to conventional methods at mill facilities; includes Washwell™

**Through Gap Inc.'s Zero Discharge of Hazardous Chemicals (ZDHC) commitment and ongoing efforts to select preferred chemistry options

KEY METRIC

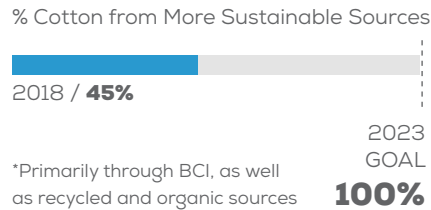
Make more eco-friendly* denim by 2023

*Includes Washwell™; sustainable cotton primarily through BCI, as well as recycled and organic sources; more sustainable dye methods, such as foam dye; eco-friendly finishes such as bio-softeners and laser technology; and trims made with recycled materials

GOAL

Source 100% of cotton from more sustainable sources* by 2023

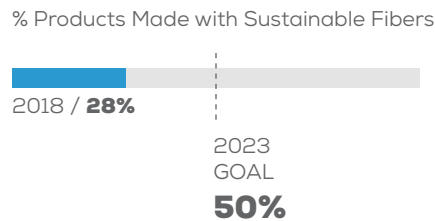
PERFORMANCE



GOAL

Make 50% of products with sustainable fibers* by 2023

PERFORMANCE



OLD NAVY

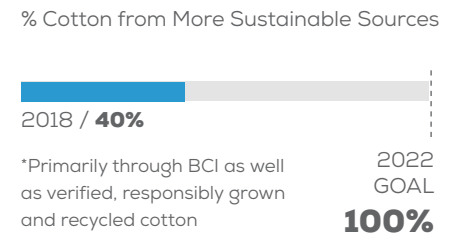
Old Navy's targets are focused in two areas of critical importance to the brand and Gap Inc. Old Navy will help scale and drive impactful improvement in water-savings efforts and sustainable-cotton sourcing, while helping to educate the brand's customers on the importance of more sustainable apparel production.



GOAL

Source 100% of cotton from more sustainable sources* by 2022

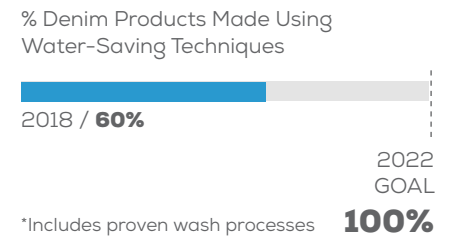
PERFORMANCE



GOAL

Make 100% of denim products using water-saving techniques* by 2022

PERFORMANCE



60 percent of Old Navy's denim purchased for Spring 2019 was made using water-saving techniques, saving 20 percent or more water in the garment wash stage compared to conventional methods.

Raw Materials

We believe great products are created with sustainability at their core – which means going all the way down to our raw materials to integrate responsible sourcing into our product life cycle.

Our brands are empowered to improve the sustainability of their products by selecting the best raw materials that meet the performance requirements of their products, while also meeting Gap Inc. standards for social and environmental sustainability. We continue to refine and evolve our strategy and engage in industry partnerships that focus on sustainable raw materials and circular approaches to materials use and end of life.

Learn More
[How we source more sustainable raw materials](#)



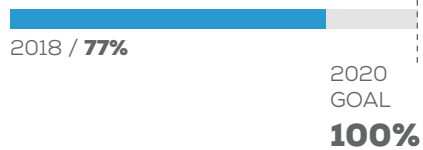
Raw Materials

GOAL

Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020

PERFORMANCE

% Products Compliant with Commitment



2018 SUSTAINABLE FIBER SOURCING

Fiber Type	% of Fiber Type
Natural Fibers	
Organic Cotton	0.2% of cotton
BCI Cotton	40% of cotton
Recycled Wool	3.5% of wool
RWS Wool	0.1% of wool
Synthetics	
Recycled Nylon	0.3% of nylon
Recycled Polyester	0.7% of polyester
Man-Made Cellulosics	
Lenzing Modal	3.9% of rayon
TENCEL	6.1% of rayon

2018 PROGRESS

In 2018, we continued our strategy to focus on the fibers that account for approximately 97 percent of our fiber consumption: cotton, polyester, nylon and man-made cellulose, such as rayon and modal.

Over the year, we focused on further improving our fabric-management systems to provide detailed data on our fiber consumption and volumes and to increase the awareness of our teams through training programs and shared tools.

COTTON

Cotton is one of the most important fibers for Gap Inc. We focus our cotton strategy around building fiber security and maintaining a comprehensive evaluation of cotton-sourcing risks, as well as building a more sustainable source of cotton that is better for people and the planet. As a crop that is primarily grown in high water-stress locations such as India, China and Pakistan, cotton is especially vulnerable to water-related impacts. We also endeavor to use more sustainable cotton across all of our brands, and Gap brand, Banana Republic and Old Navy have committed to using 100 percent sustainable cotton. This includes organic, recycled and Better Cotton Initiative (BCI) cotton. We joined BCI in 2016, and we are proud that Gap Inc. is now the world's third-largest user of BCI cotton. Across all of our brands, more than 40 percent of the cotton Gap Inc. sourced in 2018 was through BCI.

SYNTHETICS

The synthetic materials in our products – including polyester, spandex and nylon – provide essential performance properties. However, since they are generally derived from nonrenewable, petroleum-based sources, there are concerns about their production and processing, and they do not biodegrade like natural fibers, providing limited end-of-life options. We're taking steps to source more sustainable synthetic fibers, including recycled polyester and recycled nylon. However, converting recycled polyester into fabric can be costly and there are challenges with sourcing a sufficient supply. In 2018, we conducted a life-cycle assessment of recycled polyester and have been slowly increasing our use of recycled polyester where possible. We are also an active member of the Textile Exchange Recycled Polyester and Biosynthetics Working Groups, investigating industry innovations toward more sustainable fibers.

MAN-MADE CELLULOSICS

We are working closely with our top suppliers to support our company-wide policy to eliminate our use of wood-derived fibers from ancient and endangered forests by 2020. This commitment helps protect critical forests and also supports our 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 into the atmosphere. Our policy – which we developed in partnership with Canopy's sustainable fashion and forestry initiative, CanopyStyle – 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.

To achieve our commitment, we are partnering with mills on the following: identifying our raw-material suppliers in order to eliminate sourcing of wood-derived fibers from ancient and endangered forests; leveraging CanopyStyle's audit and remediation plan; and encouraging the development of innovative fabrics. In partnership with our major suppliers, we are also exploring ways to integrate recycled cellulose into our products. In 2018, we gathered data on our supply chain representing more than 80 percent of our cellulosic fiber volume through an internal survey and multiple conversations with suppliers. Through this data, we show that 77 percent of our cellulosic volume is compliant with our commitment. We still have work to do to engage additional suppliers to take the Canopy audit and have some engaged suppliers commit to a remediation plan.



Circularity + 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.

We are addressing product end of life because the environmental impact of textiles – the majority of which end up in landfills or incinerated – is large. Our programs and partnerships to address product end of life and create circular design systems are aimed at reducing waste and increasing 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 collaborating with leaders in the circular economy, including as a core partner in the Ellen MacArthur Foundation's Make Fashion Circular initiative. Through Make Fashion Circular, we have made a three-year commitment to focus on safe and reusable inputs, sustainable-fiber models and recycling old clothing. Through our involvement, we launched a textile-collection effort in New York City in early 2019 that encourages customers to bring their spent garments to select Banana Republic, Gap brand and Athleta stores for recycling. Their aim is to develop safe and reusable inputs that feed into sustainable-fiber models in order to turn old clothes into new.

In addition to these partnerships, we continued our engagement with Global Fashion Agenda (GFA) and Fashion Positive, to explore circularity opportunities.

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

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

These partnerships are supporting our strategy and setting the stage for large-scale industry-level innovation.



Appendix

65 **Goals + Progress Detail**

67 **SASB Reference Table**

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
SOCIAL				
Employee Engagement	Support \$15 million in employee-driven community investment per year	Ongoing	●	\$15.6 million in employee-driven community investment in 2018, comprising volunteer hours, employee financial donations and Gap Inc. matching of time and money
This Way Ahead: First Jobs	Reach 10,000 youth participate in This Way Ahead	2020	●	5,677 youth have participated in the program through 2018; expansion from 15 to 53 cities broadened our reach
	Hire 5% of entry-level employees from This Way Ahead	2025	●	1,107 entry-level hires were from This Way Ahead in 2018
Supplier Sustainability	100% of supplier facilities producing branded apparel are rated yellow or green	2020	●	98% of supplier facilities were rated yellow or green in 2018
	100% of Tier 1 suppliers transition to digital wage payments	2020	●	80% of suppliers are using checks or bank transfers in 2018
P.A.C.E.	Reach 1 million women through P.A.C.E.	2022	●	More than 280,000 women and girls have participated in P.A.C.E. through 2018
ENVIRONMENT				
Water Stewardship	Save 10 billion liters of water in manufacturing, from a 2014 baseline	2020	●	Gap Inc. suppliers have saved over 5.7 billion liters of water through 2018, from a 2014 baseline
Chemicals Management	Work toward zero discharge of hazardous chemicals in our supply chain	2020	●	Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List (MRSL) and verify through wastewater testing.
Energy	Reduce GHG emissions by 50% in our owned and operated facilities globally, from a 2015 baseline	2020	●	18% reduction in emissions in 2018, from a 2015 baseline; signed a 3.5MW PPA and a 7.5MW VPPA
Waste	Divert 80% of waste from landfill across our U.S. facilities	2020	●	47% of waste was diverted from landfill in 2018
PRODUCT SUSTAINABILITY (GAP INC.)				
Raw Materials	Eliminate the use of wood-derived fibers sourced from ancient and endangered forests	2020	●	Verified that 77% of cellulosic fiber volume is compliance with our commitment; work is underway to verify the remainder

● ON TRACK
 ● PROGRESSING
 ● NEEDS ATTENTION

Goals + Progress Detail

Category	Goal	Target Year	Status	Details
BRAND GOALS				
Gap brand	Source 100% of cotton from more sustainable sources	2021	●	53% of cotton was from more sustainable sources in 2018
	Make 75% of qualifying products using Washwell™ water-saving techniques	2021	●	22% of denim was made using Washwell™ water-saving techniques in 2018
Athleta	Make 80% of materials with sustainable fibers	2020	●	46% of products were made with 30% or more sustainable content in 2018
	Make 25% of products using water-saving techniques	2020	●	4% of products were made using water-saving techniques in 2018
	Divert 80% of store waste from landfill	2020	●	70% of store waste was diverted from landfill in 2018
	Empower 10,000 women through P.A.C.E. and Fair Trade	2020	●	3,212 women participated in P.A.C.E. or received Fair Trade premiums in 2018
Banana Republic	● Source 100% of cotton from more sustainable sources	2023	●	45% of cotton was from more sustainable sources in 2018
	● Make 50% of products with sustainable fibers	2023	●	28% of products were made with sustainable fibers in 2018
	● Make 50% of products using water-saving techniques and cleaner chemistry practices in our supply chain	2025	●	Reporting in progress
Old Navy	● Source 100% of cotton from more sustainable sources	2022	●	40% of cotton was from more sustainable sources in 2018
	● Make 100% of denim products using water-saving techniques	2022	●	60% of Spring 2019 denim was made using water-saving techniques

● Banana Republic and Old Navy goals were set in 2019. Progress is based on 2018 benchmarks.

● ON TRACK ● PROGRESSING ● NEEDS ATTENTION

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 2018 Global Sustainability Report (GSR) and 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	CG-AA-000.A	<p>As of 2/1/2018 (FY'18), we sourced from 774 Tier 1 branded apparel supplier facilities, defined as direct-relationship cut-and-sew facilities and their associated embroidery, laundry and screen-printing facilities.</p> <p>We have mapped out 203 mill facilities that represent about 75% of our business in 2018.</p>	<ul style="list-style-type: none"> • Social: Supply Chain • GSR: Supplier Sustainability (p.29) • GSR: Mill Sustainability Program (p.48)
Management of Chemicals in Product	Description of processes to maintain compliance with restricted substances regulations	Discussion and Analysis	N/A	CG-AA-250a.1		<ul style="list-style-type: none"> • Environment: Chemicals • GSR: Chemicals Management (p.52)
	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		<ul style="list-style-type: none"> • Environment: Chemicals • GSR: Chemicals Management (p.52)
Environmental Impacts in the Supply Chain	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	<p>100% of Tier 1 supplier denim laundries are expected to have wastewater meeting or exceeding legal requirements, in accordance with our Water Quality Program (WQP). In 2018, we enhanced the program by adopting Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guidelines as WQP requirements for wastewater sampling and testing; 47 denim laundries participated, with 90% meeting conventional parameters and 78% meeting ZDHC parameters.</p> <p>Supplier Facilities beyond Tier 1</p> <ul style="list-style-type: none"> • N/A <p>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>	<ul style="list-style-type: none"> • Environment: Mills + Laundries • GSR: Water Stewardship (p.48)
	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	<p>100% of Tier 1 suppliers were requested to complete the SAC’s Higg Index Facility Environmental Module.</p> <ul style="list-style-type: none"> • 95% of active Tier 1 branded apparel suppliers completed the 2018 data request. <p>Suppliers beyond Tier 1 were requested to complete the Higg Index FEM.</p> <ul style="list-style-type: none"> • 169 out of 194 Tier 2 mills have completed the Higg Index FEM (87% of strategic mills). 	<ul style="list-style-type: none"> • Measuring Our Progress: Environmental • GSR: Water Stewardship (p.48)

SASB Reference Table

Topic	Activity Metric	Category	Unit of Measure	Code	Data	Reference																							
Labor Conditions in the Supply Chain (continued)	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	<p>92.6% of Tier 1 branded apparel suppliers that were active for the full year were audited to our Code of Vendor Conduct (COVC) during the fiscal year.</p> <ul style="list-style-type: none"> 30% of audits were conducted by a third-party assessor, primarily through ILO Better Work. Facilities with a consistently low non-conformance rate may be assessed on a biannual basis; all facilities are audited prior to initial production. Suppliers beyond Tier 1 audited to COVC N/A <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>	<ul style="list-style-type: none"> Measuring Our Progress: Working Conditions Social: Working Conditions Gap Inc. Code of Vendor Conduct (COVC) Gap Inc. Supplier Facility List Environment: Mills + Laundries GSR: Assessment + Remediation (p.30) 																							
	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 2018, 2% of facilities received red ratings during assessments against our Code of Vendor Conduct.</p> <p>For issues open as of 2/1/2018, 88% of corrective action plans were resolved by 1/31/2019.</p>	<ul style="list-style-type: none"> Measuring Our Progress: Working Conditions GSR: Assessment + Remediation (p.30) 																							
	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	<ul style="list-style-type: none"> Environment: Supply Chain GSR: Water Stewardship (p.44) GSR: Chemicals Management (p.52) 	<ul style="list-style-type: none"> Social: Working Conditions GSR: Supplier Sustainability (p.29) 																							
Raw Material Sourcing	Discussion of environmental and social risks associated with sourcing priority raw materials	Discussion and Analysis	N/A	CG-AA-440a.1		<ul style="list-style-type: none"> Environment: Raw Materials GSR: Raw Materials (p.62) 																							
	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">Natural Fibers</td> </tr> <tr> <td>Organic Cotton</td> <td>0.2% of cotton</td> </tr> <tr> <td>BCI Cotton</td> <td>40% of cotton</td> </tr> <tr> <td>Recycled Wool</td> <td>3.5% of wool</td> </tr> <tr> <td>RWS Wool</td> <td>01% of wool</td> </tr> <tr> <td colspan="2">Synthetics</td> </tr> <tr> <td>Recycled Nylon</td> <td>0.3% of nylon</td> </tr> <tr> <td>Recycled Polyester</td> <td>0.7% of polyester</td> </tr> <tr> <td colspan="2">Man-Made Cellulosics</td> </tr> <tr> <td>Lenzing Modal</td> <td>3.9% of rayon</td> </tr> <tr> <td>TENCEL</td> <td>6.1% of rayon</td> </tr> </tbody> </table>	Fiber Type	% of Fiber Type	Natural Fibers		Organic Cotton	0.2% of cotton	BCI Cotton	40% of cotton	Recycled Wool	3.5% of wool	RWS Wool	01% of wool	Synthetics		Recycled Nylon	0.3% of nylon	Recycled Polyester	0.7% of polyester	Man-Made Cellulosics		Lenzing Modal	3.9% of rayon	TENCEL	6.1% of rayon
Fiber Type	% of Fiber Type																												
Natural Fibers																													
Organic Cotton	0.2% of cotton																												
BCI Cotton	40% of cotton																												
Recycled Wool	3.5% of wool																												
RWS Wool	01% of wool																												
Synthetics																													
Recycled Nylon	0.3% of nylon																												
Recycled Polyester	0.7% of polyester																												
Man-Made Cellulosics																													
Lenzing Modal	3.9% of rayon																												
TENCEL	6.1% of rayon																												