

Gap Inc.

TICKER:
NYSE:GPS

MARKET CAPITALIZATION:
US\$ 16 billion

HEADQUARTERS:
United States

2 OUT OF 20

Company's Overall Ranking

77 OUT OF 100

Company's Overall Score

Gap Inc. (Gap) ranks second on the benchmark, demonstrating higher transparency on its approach to managing forced labor and human trafficking risks in its supply chain relative to its peers. The company has above average disclosure across all thematic areas. Notably, Gap achieves the second highest score on the recruitment and worker voice themes. In addition, it is one of only few companies which discloses having programs to ensure worker empowerment, auditing recruitment agencies, and examples of remedy. Gap has leading practices with regards to assessing forced labor risks and purchasing practices, in particular with regards to addressing risks related to subcontracting. The company can improve its performance and disclosure in the areas of traceability, worker voice and remedy.

THEME LEVEL SCORE

Commitment and Governance	92 out of 100
Traceability and Risk Assessment	75 out of 100
Purchasing Practices	75 out of 100
Recruitment	67 out of 100
Worker Voice	75 out of 100
Monitoring	90 out of 100
Remedy	63 out of 100

LEADING PRACTICES

Training

Gap discloses its Supplier Sustainability Team is trained to recognize situations where a facility may be using forced labor and is also trained to assess compliance with the company's Foreign Contract Worker standards. In 2015, Gap held a number of trainings for this team, including a multi-day training undertaken by Verité* in Vietnam, which included evaluating contract labor requirements, management systems, and effective approaches to worker interviews. Further, staff of the ILO's Better Work program trained Gap's Capability Building team on workplace cooperation.

Gap works to build supplier capability by conducting worker trainings, participating in multi-stakeholder initiatives, and forging partnerships with expert stakeholders and suppliers to address specific human rights issues. Gap has created a field team dedicated to helping suppliers manage and improve the social and labor sustainability of their operations. Further, the company has provided specialized training for suppliers and factory management on unauthorized subcontracting in high



risk countries. Gap's Global Sustainability team also organizes on-going awareness building trainings for its global supply chain employees on its code conduct and on how sourcing decisions can impact working conditions.

Risk Assessment

Gap discloses it has a country risk assessment process to evaluate the overall risk level and specific risks in its key sourcing countries, including risks related to forced labor, migrant workers, and trafficking in persons, and subsequently develops country-specific strategies to address the risks identified. For example, Gap identified that many factories in the Middle East, Asia, and Southeast Asia employed foreign contract workers whom are particularly vulnerable to exploitation, and, as a result, has developed and implemented stringent policies for factories to ensure the rights of these workers are protected. The company also recognizes the Uzbek cotton supply chain as a key risk.

Purchasing Practices

Gap discloses its supplier approval process requires all new suppliers to undergo an assessment against Gap's Code of Vendor Conduct prior to beginning production. After the initial assessment of working conditions, the facility either earns approval or is placed in pending status while it addresses outstanding issues. Gap also conducts a capacity analysis prior to authorizing a facility for production to evaluate whether a facility has the necessary equipment and number of lines to produce the requested product quantity without subcontracting.

Gaps' sustainability and supply chain departments collaborate to build relationships with a smaller group of preferred suppliers for each product category which allows Gap to focus resources on suppliers that have the greatest alignment with the company's sustainability and business goals. Memorandums of understanding are signed with preferred suppliers who meet pre-defined requirements and Gap commits to doing business with them for two or three years. The company states this arrangement enables suppliers to plan and work more efficiently, and subsequently suppliers are more willing to make longer term investments in their operations, management systems, machinery, etc. At times, the company places orders farther in advance to help suppliers shift production from peak to low production seasons, thereby smoothing out production and helping to reduce excessive overtime.

Gap's code of conduct applies throughout its supply chain, including to subcontractors. Gap's suppliers should seek written approval before subcontracting, unless sub-contractors have been approved already. Further, suppliers are required to monitor and verify their handwork subcontractors to assess and address any risk related to Gap's code of conduct.

If Gap discovers a situation of unauthorized subcontracting, it requires the factory to immediately stop production and to register for management systems training (among other requirements). In 2014, Gap achieved 100% adherence to its Unauthorized Subcontracting Policy.

NOTABLE FINDINGS

Recruitment

Gap discloses a detailed policy regarding recruitment related fees of foreign country workers. Gap requires suppliers to pay all fees related to recruitment, including any levies, fees for work permit, fees for renewing work documents, etc. Suppliers are not allowed to collect a deposit, withhold or deduct migrant worker earnings, or accept reimbursements for recruitment related fees from workers. Where the company found fees were paid by its supply chain workers, Gap verified that its suppliers reimbursed such fees. Gap requires its supplier to ensure third party employment agencies recruit workers in compliance with the company's code of conduct and maintain relevant documentation as evidence.

Worker Voice

Gap requires factories to post the Code of Vendor Conduct in a location that is regularly accessible to workers and in languages that workers understand. Gap has provided training to managers and



workers of facilities on policies and practices with respect to wages and benefits and on the use of grievance mechanisms.

In partnership with a third-party NGO the company interviewed factory employees on and off-site to improve working conditions by measuring and improving how much supply chain workers feel valued and engaged at work. The company is also exploring how it can utilize mobile technology to provide information about workplace communication to workers and to measure the program's impact.

In environments where there are constraints upon freedom of association, Gap encourages bipartite committees in locations and at suppliers that are also involved in the ILO Better Work's Workplace Cooperation Program.

In addition to providing a grievance mechanism, Gap requires its suppliers to put in place a grievance mechanism and to cascade this expectation down its supply chain (by requiring suppliers to cascade its code of conduct to their suppliers).

Stakeholder Engagement

Gap collaborated to identify and implement solutions to address employment practices and working conditions, including forced labor, in the garment industry in Tamil Nadu, India. It initiated a meeting for Brands Ethical Working Group members and the Tirupur Exporters Association that resulted in the formation of the Tirupur Stakeholders Forum. The company reports TSF has since established a set of guidelines for factories to help eliminate poor employment practices. Gap further helped develop the Ethical Trade Initiative's Tamil Nadu Multi-Stakeholder program, which includes collaboration with 15 other major brands and retailers, local and international NGOs, and trade unions (including Anti-Slavery International and IndustriALL). The initiative addresses the Sumangali scheme and the exploitative labor practices in southern India, particularly forced labor. In addition to other examples Gap discloses, it has played a leadership role in the Business for Social Responsibility's (BSR) Myanmar Responsible Sourcing Working Group, which focuses on key challenges in the Myanmar garment sector including forced and child labor. Through this initiative, the company also helped to develop BSR's Principles for Responsible Sourcing for Myanmar's Garment Sector, which address ILO Conventions.

** Verité, a partner of KnowTheChain, is a global, independent, non-profit organization that provides consulting, training, research, and assessment services with a mission to ensure that people worldwide work under safe, fair, and legal working conditions. Verité was not involved in ranking, researching, or evaluating company disclosures for the benchmark.*

OPPORTUNITIES FOR IMPROVEMENT

Traceability and Risk Assessment

While, since the research was undertaken, Gap has disclosed the names and locations of its first tier suppliers, the company is encouraged to provide at least some information on its sourcing and supply chain suppliers beyond the first tier (e.g., supplier names/locations, sourcing countries).

Worker Voice

The company is encouraged to provide evidence of how it engages with suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing. Further the company may consider to provide evidence of how its programs to engage supply chain workers outside of the workplace help workers assert their voices. Gap may further consider expanding those existing programs to all regions where its suppliers are operating.

Remedy

While Gap discloses a corrective action plan, including potential actions taken in case of non-compliance and a means to verify implementation of corrective actions, the company is encouraged to disclose potential consequences if corrective actions are not taken.



The company is further encouraged to disclose a process for responding to the complaints and/or reported violations of policies and standards (including details such as timeframes, responsible parties, approval procedures, etc.). The company may also consider disclosing remedial action that would be provided in the case the company discovers forced labor in its supply chain, and more broadly in case the company discovers violations of its code below the first tier of its supply chain.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes.](#)

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