GLOBAL SUSTAINABILITY REPORT 2017
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OVERVIEW
LETTER FROM OUR CEO

NOVEMBER 2018

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

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

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

At the enterprise level, we made a new commitment to conserve 10 billion liters of water by the end of 2020 through improved manufacturing practices. Thanks to new ways we’re working with our partners and a revised goal, we’re also setting our sights on ultimately reaching many more than one million women through our decade-long life-skills P.A.C.E. program. Additionally, we’re requiring 100 percent of our apparel suppliers to transition from cash to digital payments by 2020, because we recognize the importance of financial inclusion for female garment workers.

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

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

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

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

— ART PECK, CEO, GAP INC.
## 2017 HIGHLIGHTS

<table>
<thead>
<tr>
<th>10 YEARS OF EMPOWERING WOMEN, GIRLS + YOUTH</th>
<th>THE MAJORITY OF OUR STRATEGIC SUPPLIERS’ MILL FACILITIES COMPLETED THE SUSTAINABLE APPAREL COALITION HIGG INDEX</th>
<th>10x MORE SUSTAINABLE COTTON SOURCED THROUGH THE BETTER COTTON INITIATIVE THAN IN 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>THROUGH OUR P.A.C.E. AND THIS WAY AHEAD PROGRAMS</td>
<td>TO MEASURE AND IMPROVE ENVIRONMENTAL IMPACTS OF APPAREL MANUFACTURING</td>
<td>SOURCED THROUGH THE BETTER COTTON INITIATIVE THAN IN 2016</td>
</tr>
<tr>
<td>LAUNCHED THE WOMEN+WATER ALLIANCE, IN PARTNERSHIP WITH USAID TO IMPROVE WATER, SANITATION AND HYGIENE ACCESS</td>
<td>94%</td>
<td>RECEIVED THE 2017 EPA SMARTWAY EXCELLENCE AWARD FOR LOGISTICS SUSTAINABILITY</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMMITTED TO SET A SCIENCE-BASED TARGET TO REDUCE GREENHOUSE GAS EMISSIONS IN OUR SUPPLY CHAIN</th>
<th>ESTABLISHED A WOOD- DERIVED FIBERS POLICY TO PROTECT ANCIENT AND ENDANGERED FORESTS</th>
<th>2x FACILITY ENROLLMENT IN OUR WORKPLACE COOPERATION PROGRAM TO IMPROVE COMMUNICATION BETWEEN WORKERS AND MANAGEMENT IN OUR SUPPLIERS’ FACILITIES</th>
</tr>
</thead>
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<tr>
<td>RANKING OF 6,000 GLOBAL COMPANIES</td>
<td>TO REDUCE GREENHOUSE GAS EMISSIONS IN OUR SUPPLY CHAIN</td>
<td>TO IMPROVE COMMUNICATION BETWEEN WORKERS AND MANAGEMENT IN OUR SUPPLIERS’ FACILITIES</td>
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**GLOBAL SUSTAINABILITY REPORT 2017**
# GOALS + PROGRESS

HOLDING OURSELVES ACCOUNTABLE IS FUNDAMENTAL TO OUR APPROACH TO SUSTAINABILITY.

Below are key goals, our progress to date and where we are heading in the future. All target years are fiscal year end. Data is through fiscal 2017 (Feb. 3, 2018) unless otherwise noted. Additional detail is available in the Appendix (p.59).

## SOCIAL OPERATIONS

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

## SUPPLY CHAIN

<table>
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<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 million women participate in P.A.C.E. by 2022</td>
<td>12%</td>
<td>122,500 women have participated in P.A.C.E.</td>
</tr>
<tr>
<td>10,000 women empowered through P.A.C.E. and Fair Trade by 2020</td>
<td>25%</td>
<td>2,503 women have been reached through P.A.C.E. and Fair Trade in Athleta sourcing facilities</td>
</tr>
<tr>
<td>100% of supplier facilities producing branded apparel are rated yellow or green by 2020</td>
<td>95%</td>
<td>95% of supplier facilities were rated yellow or green</td>
</tr>
<tr>
<td>100% of Tier 1 suppliers transition to digital wage payments by 2020</td>
<td>68%</td>
<td>68% of suppliers are using checks or bank transfers</td>
</tr>
<tr>
<td>200 supplier facilities participate in our Workplace Cooperation Program by 2020</td>
<td>35%</td>
<td>69 supplier facilities are participating</td>
</tr>
</tbody>
</table>

## PRODUCT

<table>
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<th>GOAL</th>
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<th>2017 PROGRESS</th>
</tr>
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<tr>
<td>Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020</td>
<td>Reporting in progress</td>
<td></td>
</tr>
<tr>
<td>100% of cotton sourced from more sustainable sources by 2021</td>
<td>Reporting in progress</td>
<td></td>
</tr>
<tr>
<td>80% of Athleta materials made with sustainable fibers by 2020</td>
<td>44%</td>
<td>35% of Spring 2018 product was made with sustainable fibers</td>
</tr>
<tr>
<td>25% of Athleta product made using techniques that save water by 2020</td>
<td>4%</td>
<td>1% of product was made using techniques that save water</td>
</tr>
</tbody>
</table>

## ENVIRONMENT OPERATIONS

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<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% reduction in GHG emissions in our owned and operated facilities globally by 2020, from a 2015 baseline</td>
<td>28%</td>
<td>14% reduction in emissions from a 2015 baseline</td>
</tr>
<tr>
<td>80% of waste diverted from landfill across our U.S. facilities by 2020</td>
<td>47%</td>
<td>47% of waste is estimated to be diverted from landfill across our U.S. facilities</td>
</tr>
<tr>
<td>80% of Athleta store waste diverted from landfill by 2020</td>
<td>70%</td>
<td>70% of packaging waste from Athleta stores is recycled</td>
</tr>
<tr>
<td>1 billion liters of water saved in manufacturing in 2017</td>
<td>240%</td>
<td>Gap Inc. suppliers saved 2.4 billion liters of water</td>
</tr>
<tr>
<td>10 billion liters of water saved in manufacturing by 2020, from a 2014 baseline</td>
<td>33%</td>
<td>Gap Inc. suppliers have saved over 3.3 billion liters of water since 2014</td>
</tr>
<tr>
<td>Work toward zero discharge of hazardous chemicals in our supply chain by 2020</td>
<td>Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing</td>
<td></td>
</tr>
</tbody>
</table>

1. **Gap brand goal**
2. **Athleta goal**

- **ON TRACK**
- **PROGRESSING**
- **NEEDS ATTENTION**

- New in 2017/2018
- Modified timeline
- Achieved
GLOBAL SUSTAINABILITY REPORT 2017

OVERVIEW

STRATEGY

SOCIAL

ENVIRONMENT

PRODUCT

APPENDIX

ABOUT THIS REPORT

This report covers Gap Inc.'s global operations for the fiscal year ending February 3, 2018.

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

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

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

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

Please direct questions to sustainability@gap.com.
STRATEGY

9  SUSTAINABILITY STRATEGY
10  VALUE CHAIN
11  MATERIALITY
12  CORE SUSTAINABILITY FOCUS AREAS
13  MANAGEMENT APPROACH
14  SUSTAINABLE DEVELOPMENT GOALS
15  CODE OF BUSINESS CONDUCT
16  GOVERNANCE
17  RISK MANAGEMENT
18  STAKEHOLDER ENGAGEMENT
WE ARE REIMAGINING HOW BUSINESS CAN CHANGE THE WORLD.

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

We have aligned our sustainability strategy with the United Nations (UN) Global Sustainable Development agenda. Guided by frameworks such as the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, we have identified the issues that are most material to our business and where we have the most influence. We apply our company’s core strengths, reach and skills development to maximize our impact throughout our value chain and across government, business and civil society.

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

- TERI LIST-STOLL, CHIEF FINANCIAL OFFICER, GAP INC.
VALUE CHAIN

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

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

OUR PROGRAMS
- Water Stewardship (p.41)
- Product Sustainability (p.52)

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 our address our larger environmental footprint.

OUR PROGRAMS
- Climate + Energy (p.48)
- Waste (p.50)

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
- Assessment + Remediation (p.29)
- Capability Building (p.38)
- P.A.C.E.: Empowering Women (p.37)
- Water Stewardship (p.41)
- Chemical Management (p.46)
- Product Sustainability (p.52)

TIER 2

TEXTILE MANUFACTURING

Fabric mills use large quantities of water, and the chemicals used to dye and finish fabrics may pose a risk to local waterways if not treated properly. Our Mill Sustainability Program establishes clear environmental standards, and we are integrating those standards into our sourcing decisions. We also aim to scale improvements across the industry by working with our peers to identify and share best practices for improving the use of water, chemicals and energy.

OUR PROGRAMS
- Assessment + Remediation (p.29)
- P.A.C.E.: Empowering Women (p.37)
- Water Stewardship (p.41)
- Chemical Management (p.46)

TIER 3

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.41)
- Chemical Management (p.46)
- Product Sustainability (p.52)

MANUFACTURING

As our production and sourcing teams bring this vision to life by placing orders with independent suppliers, they have significant influence over who makes our clothes. This affords Gap Inc. the ability to improve working conditions in facilities and our address our larger environmental footprint.

OUR PROGRAMS
- This Way Ahead: First Jobs (p.24)
- Climate + Energy (p.48)
- Waste (p.50)
- Product Sustainability (p.52)

CONSUMER USE + PRODUCT 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 industry-wide solutions to end of life impacts.

OUR PROGRAMS
- Circular Design: Product End of Life (p.57)
**Materiality**

We integrate sustainability deeply into our business to create greater impact across our value chain.

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

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

We periodically refresh our materiality assessment in order to:

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

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

### Material Issues

<table>
<thead>
<tr>
<th>Governance + Operating Context</th>
<th>Human Rights + Social Impact</th>
<th>Resource Use, Scarcity + Impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Corporate Governance</td>
<td>• Worker Rights + Well-being</td>
<td>• Water</td>
</tr>
<tr>
<td>• Radical Transparency</td>
<td>• Income, Wages + Inequality</td>
<td>• Chemicals + Toxic Management</td>
</tr>
<tr>
<td>• Technology + Product Innovation</td>
<td>• Human Capital + Development</td>
<td>• Energy + Climate Stewardship</td>
</tr>
<tr>
<td>• Resiliency</td>
<td>• Diversity + Inclusion</td>
<td>• Waste + End of Life</td>
</tr>
<tr>
<td>• Country/Regional Legal + Economic Conditions</td>
<td>• Reputation + Consumer Engagement</td>
<td>• Sustainable Materials Sourcing</td>
</tr>
</tbody>
</table>
WE RECOGNIZE THAT WE CANNOT LEAD ON EVERY ISSUE; GIVEN OUR BUSINESS OPERATIONS AND STRENGTHS, WE PRIORITIZE OUR GREATEST OPPORTUNITIES FOR LEADERSHIP TO MAXIMIZE IMPACT.

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

**SOCIAL**

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

**IMPROVING SUPPLY CHAIN WORKING CONDITIONS**
By partnering with our suppliers, we strive to provide safe, fair and healthy working conditions for the individuals who create our clothes.

**ENVIRONMENT**

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

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

**PRODUCT**

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

GIVEN OUR COMPANY’S SIZE, WE FEEL A GREAT RESPONSIBILITY TO THE PLANET AND TO THE PEOPLE WHO MAKE OUR CLOTHES.

Our global scale also provides an opportunity to make a real difference. We are doing this by supporting long-term business performance while creating greater equality and opportunity, developing social and environmental innovations that allow people to fulfill their potential, and scaling these innovations by integrating them into our business and products.

In addition to aligning our goals with the UN Global Sustainable Development agenda, we take an intentional approach for all of our social and environmental programs.

1. INTEGRATE SUSTAINABILITY INTO OUR BUSINESS
   We create broader accountability for our sustainability strategy by creating shared goals and targets across Gap Inc.

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

3. MAKE PROGRESS TOWARD OUR COMMITMENTS
   We contribute in a meaningful way to the people and places we rely on for our business – which also helps our company succeed.

4. FORM PARTNERSHIPS WITH CIVIL SOCIETY, GOVERNMENTS AND OTHER SECTORS TO INCREASE COLLECTIVE IMPACT
   By partnering with organizations from the local to the global level, we deliver impact on a bigger scale and create long-term, sustainable progress.

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

- DAVID HAYER, PRESIDENT, GAP FOUNDATION, AND SENIOR VICE PRESIDENT, GLOBAL SUSTAINABILITY, GAP INC.
SUSTAINABLE DEVELOPMENT GOALS

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

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

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

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

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING

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

OUR GOAL
10,000 youth participate in This Way Ahead by 2020

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

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

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

ENSURE ACCESS TO WATER AND SANITATION FOR ALL

OUR WORK
- Women + Water
- Mill Sustainability Program
- Chemical Management

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

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

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

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

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

OUR WORK
- Sustainability Reporting
- Waste
- Chemical Management
- Product Sustainability

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TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

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

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

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

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

ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING

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

OUR GOAL
10,000 youth participate in This Way Ahead by 2020

ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

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

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

ENSURE ACCESS TO WATER AND SANITATION FOR ALL

OUR WORK
- Women + Water
- Mill Sustainability Program
- Chemical Management

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

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

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

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

ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

OUR WORK
- Sustainability Reporting
- Waste
- Chemical Management
- Product Sustainability

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

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

OUR WORK
- Climate + Energy

OUR GOAL
50% reduction in GHG emissions in our owned and operated facilities by 2020, compared to a 2015 baseline
CODE OF BUSINESS CONDUCT, GOVERNANCE + RISK MANAGEMENT

CODE OF BUSINESS CONDUCT

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

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

Key aspects of how we implement our COBC:

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

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

GOVERNANCE

OUR ROBUST GOVERNANCE STRUCTURE ENSURES THAT OUR GLOBAL SUSTAINABILITY PROGRAM BOTH MEETS OUR COMPANY’S SOCIAL AND ENVIRONMENTAL GOALS AND SUPPORTS OUR BUSINESS.

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

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

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

RISK MANAGEMENT

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

Our Global Sustainability team works with business partners and experts to assess the importance of potential social and environmental risks and opportunities for our business and external stakeholders, including suppliers and the people who make our products. These include the risks that climate and environmental impacts could pose to our business. The team uses tools to help prioritize risks and opportunities, including a sustainability materiality assessment, an assessment of representative products and a stakeholder engagement process.

For these materiality and other risk assessments, we consider such factors as the magnitude, likelihood and time horizon of potential impacts on our business and stakeholders. We also develop country-specific strategies that take local context into consideration while developing our program and addressing key issues.

LEARN MORE: Our risk management process

LEARN MORE: Governance
STAKEHOLDER ENGAGEMENT

“**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.

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

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

**LEARN MORE:** Our stakeholder engagement approach

**See a full list of our initiatives and organizations we partner with**
SOCIAL

OPERATIONS
18 TALENT
19 DIVERSITY + INCLUSION
22 EMPLOYEE ENGAGEMENT
24 THIS WAY AHEAD: FIRST JOBS

SUPPLY CHAIN
26 SUPPLIER SUSTAINABILITY
29 ASSESSMENT + REMEDIATION
35 WORKPLACE COOPERATION PROGRAM
36 WORKFORCE ENGAGEMENT PROGRAM
37 P.A.C.E.: EMPOWERING WOMEN
TALENT

OUR BUSINESS SUCCESS DEPENDS ON OUR PEOPLE.

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

OUR APPROACH

OUR WORKPLACE CULTURE AND BENEFITS ARE DESIGNED TO MEET THE PROFESSIONAL AND PERSONAL NEEDS OF OUR EMPLOYEES AND THEIR FAMILIES.

For retail employees in particular, we improved wages and scheduling practices so that the people who work in our stores experience greater stability and flexibility.

We offer financial incentives, work-life integration and benefits aimed at helping our employees make the most of their professional and personal lives. This supports employees and increases their engagement at work, which contributes value to our business.

LEARN MORE: How we help our employees realize their potential

FIELD TO HQ

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

Our diverse field employees work with customers every day and understand what they need and want. Their connection to customers and understanding of how our stores work is invaluable at headquarters. We have always encouraged bringing store employees to headquarters and in 2017, we formalized a program where we actively market opportunities to store employees, support candidates through the recruiting process and provide a custom onboarding experience to ensure a successful transition. By 2020, our goal is to fill 20 percent of entry-level headquarters roles with field employees.
DIVERSITY + INCLUSION

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

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

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

Our Approach

In 2017, we expanded our approach to developing a workplace that supports our core values of equality and creating a sense of belonging.

Our Diversity and Inclusion strategy focuses on three areas:

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

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

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

Learn More: Our commitment to equality and opportunity
DIVERSITY + INCLUSION

OVERVIEW

GLOBAL SUSTAINABILITY REPORT 2017

GLOBAL SUSTAINABILITY REPORT 2017

OVERVIEW

SOCIAL

STRATEGY

ENVIRONMENT

PRODUCT

APPENDIX

OVERVIEW

SOCIAL

STRATEGY

ENVIRONMENT

PRODUCT

APPENDIX

DIVERSITY + INCLUSION

PUBLIC COMMITMENTS + AWARDS

UN HUMAN RIGHTS LGBTI CORPORATE STANDARDS OF CONDUCT FOR BUSINESS

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

CEO ACTION FOR DIVERSITY & INCLUSION

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

TRAINING + RESOURCES

INCLUSION TRAINING

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

BE ONE. GET ONE.

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

SUPPLIER INCLUSION PROGRAM

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

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DIVERSITY + INCLUSION

WORKPLACE DATA

We believe diversity increases creativity and innovation, promotes high-quality decisions and enhances economic growth.

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

<table>
<thead>
<tr>
<th>ETHNIC DIVERSITY</th>
<th>UNITED STATES*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>WHITE</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>51%</td>
</tr>
<tr>
<td>Management</td>
<td>74%</td>
</tr>
<tr>
<td>New Hires</td>
<td>49%</td>
</tr>
<tr>
<td>ASIAN</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>6%</td>
</tr>
<tr>
<td>Management</td>
<td>9%</td>
</tr>
<tr>
<td>New Hires</td>
<td>6%</td>
</tr>
<tr>
<td>BLACK</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>19%</td>
</tr>
<tr>
<td>Management</td>
<td>6%</td>
</tr>
<tr>
<td>New Hires</td>
<td>24%</td>
</tr>
<tr>
<td>HISPANIC</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>20%</td>
</tr>
<tr>
<td>Management</td>
<td>10%</td>
</tr>
<tr>
<td>New Hires</td>
<td>17%</td>
</tr>
<tr>
<td>OTHER MINORITY</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>4%</td>
</tr>
<tr>
<td>Management</td>
<td>1%</td>
</tr>
<tr>
<td>New Hires</td>
<td>5%</td>
</tr>
<tr>
<td>ALL MINORITIES</td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>49%</td>
</tr>
<tr>
<td>Management</td>
<td>26%</td>
</tr>
<tr>
<td>New Hires</td>
<td>51%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>GENDER REPRESENTATION</th>
<th>UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
</tr>
<tr>
<td>VP + ABOVE</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>46%</td>
</tr>
<tr>
<td>Men</td>
<td>54%</td>
</tr>
<tr>
<td>SR. / DIRECTOR</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>59%</td>
</tr>
<tr>
<td>Men</td>
<td>41%</td>
</tr>
<tr>
<td>SR. / MANAGER</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>60%</td>
</tr>
<tr>
<td>Men</td>
<td>40%</td>
</tr>
<tr>
<td>STORE MANAGEMENT</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>68%</td>
</tr>
<tr>
<td>Men</td>
<td>32%</td>
</tr>
<tr>
<td>NEW HIRES</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>72%</td>
</tr>
<tr>
<td>Men</td>
<td>28%</td>
</tr>
<tr>
<td>OVERALL</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>74%</td>
</tr>
<tr>
<td>Men</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROMOTION RATES</th>
<th>UNITED STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>VP + ABOVE</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>8%</td>
</tr>
<tr>
<td>Men</td>
<td>5%</td>
</tr>
<tr>
<td>SR. / DIRECTOR</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>9%</td>
</tr>
<tr>
<td>Men</td>
<td>11%</td>
</tr>
<tr>
<td>SR. / MANAGER</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>13%</td>
</tr>
<tr>
<td>Men</td>
<td>13%</td>
</tr>
<tr>
<td>STORE MANAGEMENT</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>7%</td>
</tr>
<tr>
<td>Men</td>
<td>8%</td>
</tr>
<tr>
<td>NEW HIRES</td>
<td></td>
</tr>
<tr>
<td>Women</td>
<td>7%</td>
</tr>
<tr>
<td>Men</td>
<td>8%</td>
</tr>
</tbody>
</table>

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

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

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

GOALS + PERFORMANCE

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support $15 million in employee-driven community investment per year</td>
<td>99%</td>
<td>$14.8 million in employee-driven community investment</td>
</tr>
<tr>
<td>25% of Gap Inc. employees volunteer</td>
<td>92%</td>
<td>23% of employees volunteered</td>
</tr>
<tr>
<td>430,000 volunteer hours logged by Gap Inc. employees in 2017</td>
<td>99%</td>
<td>Gap Inc. employees logged 420,811 volunteer hours</td>
</tr>
</tbody>
</table>

NEW IN 2017/2018

- ON TRACK
- PROGRESSING
- NEEDS ATTENTION

EMPLOYEE-DRIVEN COMMUNITY INVESTMENT

$1.7 MILLION IN EMPLOYEE FINANCIAL DONATIONS

$14.8 MILLION

$10.2 MILLION IN VOLUNTEER HOURS

the financial equivalent of 420,811 volunteer hours

$2.9 MILLION IN GAP INC. MATCHING for financial donations + employee volunteer hours

LEARN MORE: How we invest in others and ourselves
EMPLOYEE ENGAGEMENT

OUR APPROACH

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

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

VOLUNTEERISM IMPACTS

LOWER TURNOVER AMONG VOLUNTEERS

Turnover rates are lower among employees who volunteer.

LONGER TENURE AMONG VOLUNTEERS

Employees who volunteer stay at the company longer than non-volunteers.
THIS WAY AHEAD IS OPENING DOORS FOR THE NEXT GENERATION WITH FIRST JOBS, MENTORING AND THE CONFIDENCE TO MAKE DREAMS A REALITY.

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

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

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

GOALS + PERFORMANCE

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 youth participate in This Way Ahead by 2020</td>
<td>39%</td>
<td>3,900 youth completed the program</td>
</tr>
<tr>
<td>5% of annual new store hires are from This Way Ahead by 2025</td>
<td>13%</td>
<td>668 new store hires (0.66% of total new hires) were from This Way Ahead</td>
</tr>
</tbody>
</table>

LEARN MORE: How we doubled participation in 2017

2017 REACH:

- **12 CITIES**
- **274 STORES**
- **668 HIRES**
- **1,148 PARTICIPANTS**
- **3,900 PARTICIPANTS**

TOTAL AS OF FISCAL 2017

LEARN MORE: Our This Way Ahead program
THIS WAY AHEAD: FIRST JOBS

OUR APPROACH

In 2017, in collaboration with our brands and nonprofit partners, we expanded to two new cities — Vancouver and Miami — and stores in the broader San Francisco Bay Area.

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

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

2017 PROGRESS

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

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

APPLYING LESSONS

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

PARTICIPANT IMPACT

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Metric Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>71%</td>
<td>Received a job offer</td>
</tr>
<tr>
<td>74%</td>
<td>Improved soft skills like decision making + time management</td>
</tr>
<tr>
<td>70%</td>
<td>Increased confidence* + self-esteem</td>
</tr>
<tr>
<td>66%</td>
<td>Are a lot more willing to go beyond what is normally expected to help their team succeed</td>
</tr>
</tbody>
</table>

Leader Impact

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Metric Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>Reported growth in at least one key competency such as leadership, management, communications, and the ability to manage teams or work with people from diverse backgrounds</td>
</tr>
<tr>
<td>81%</td>
<td>Increased pride in working for Gap Inc.</td>
</tr>
<tr>
<td>91%</td>
<td>Would participate again</td>
</tr>
</tbody>
</table>

*particularly in their ability to get a job in the future
SUPPLIER SUSTAINABILITY

We partner with all of our branded-apparel suppliers and other key stakeholders to help provide safe, fair and healthy working conditions for the women and men who create our clothes.

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

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

GOALS + PERFORMANCE

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% of Tier 1 suppliers transition to digital wage payments by 2020</td>
<td>68%</td>
<td>68% of suppliers are already using checks or bank transfers</td>
</tr>
<tr>
<td>200 supplier facilities participate in our Workplace Cooperation Program by 2020</td>
<td>35%</td>
<td>69 supplier facilities are participating</td>
</tr>
<tr>
<td>100% of Gap Inc.’s supplier facilities in Bangladesh complete fire and building safety remediation as part of the Alliance for Bangladesh Worker Safety by 2018</td>
<td>84%</td>
<td>42 out of 50 facilities have received full remediation from the Alliance, with the remaining eight awaiting final inspection</td>
</tr>
</tbody>
</table>

New in 2017/2018

LEARN MORE: How we’re improving working conditions
SUPPLIER SUSTAINABILITY

OUR APPROACH

The foundation of our approach is grounded in four facility-focused programs:

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

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

3. **WORKFORCE ENGAGEMENT PROGRAM**
   - We launched this program in collaboration with Verité in 2015 to measure and improve the degree to which garment workers feel valued and engaged at work. This program gives workers an opportunity to provide anonymous feedback on key topics, such as supervisor relationships, grievance mechanisms, and training and development opportunities. Learn more (p.36)

4. **P.A.C.E. (PERSONAL ADVANCEMENT & CAREER ENHANCEMENT)**
   - Our P.A.C.E. (Personal Advancement & Career Enhancement) program gives women in Gap Inc.’s supply chain and sourcing countries the foundational life skills, technical training and support they need to advance in the workplace and in their personal lives. Learn more (p.37)

MILLS EXPANSION

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

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

PARTNERSHIPS

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

SOCIAL & LABOR CONVERGENCE PROJECT (SLCP)

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

INTERNATIONAL LABOUR ORGANIZATION (ILO) BETTER WORK

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

BETTER THAN CASH ALLIANCE

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

ALLIANCE FOR BANGLADESH WORKER SAFETY (ALLIANCE)

Gap Inc. is a founding member of the Alliance. We maintain our commitment to ensuring that the facilities we work with, as well as the national garment industry, continually improve working conditions. We have formed an expert team focused on improving fire and building safety at the facilities producing our branded apparel in Bangladesh. We also provide training to help drive worker and management behavior changes to improve work practices. As of fiscal 2017, all major remediation requiring significant investments to improve worker safety was completed in the facilities from which we source. The remaining issues, while important, are relatively minor. In the facilities that have already completed remediation, we are transitioning oversight of the fire and building safety programs to smaller safety monitoring organizations that will work closely with local partners in Bangladesh to carry on this important work. The Alliance provides detailed information on its progress and impact.

THE ARBITRATION COUNCIL FOUNDATION + ILO BETTER FACTORIES CAMBODIA

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

AMSTERDAM COALITION

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

MAXIMIZING WORKER ENGAGEMENT WORKING GROUP

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

REMEDATION IN BANGLADESH FACILITIES AS OF FISCAL 2017

42 FACILITIES RECEIVED FULL REMEDIATION from the Alliance

8 FACILITIES PENDING FULL REMEDIATION

They have completed the civil work required and are awaiting the final Alliance inspection process.

Digital Wage Payments p.32

Fire, Building + Electrical Safety p.33

Freedom of Association p.34
SUPPLIER SUSTAINABILITY

ASSESSMENT + REMEDIATION PROGRAM

We monitor our suppliers’ facilities’ adherence to our Code of Vendor Conduct (COVC) before initial approval and then annually, alongside our efforts to build innovative programs that create supportive, empowering workplaces.

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

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

We have created internal systems to develop a close partnership between our Supplier Sustainability, Global Supply Chain and Data Insights teams. Our Supplier Sustainability and Data Insights teams meet monthly to evaluate progress toward our goal and identify facilities that are lagging so that we can focus our resources on improvement. Since we track data by country and category (such as knits, wovens, accessories, etc.), we are also able to collaborate with category leaders on the Global Supply Chain team. Through training and education, we also work closely with key vendors to build their capacity for continuous improvement and help them implement proactive measures that will prevent COVC issues from arising in the first place.

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

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

LEARN MORE:
Assessment + Remediation Program
Including:
• Assessment practices, resolution data and our management approach
• Detailed management approach to human rights issues and policies
• How we partner with facilities
SUPPLIER SUSTAINABILITY

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

FACILITY TREND PERFORMANCE 2017

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

<table>
<thead>
<tr>
<th>2/1/2016</th>
<th>3 MONTHS</th>
<th>6 MONTHS</th>
<th>1 YEAR</th>
<th>2 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Issues</td>
<td>Open Issues</td>
<td>Resolved</td>
<td>Open Issues</td>
<td>Resolved</td>
</tr>
<tr>
<td>BANGLADESH</td>
<td>452</td>
<td>312</td>
<td>31%</td>
<td>113</td>
</tr>
<tr>
<td>CAMBODIA</td>
<td>158</td>
<td>88</td>
<td>44%</td>
<td>36</td>
</tr>
<tr>
<td>CHINA</td>
<td>873</td>
<td>481</td>
<td>45%</td>
<td>224</td>
</tr>
<tr>
<td>GUATEMALA</td>
<td>12</td>
<td>2</td>
<td>83%</td>
<td>2</td>
</tr>
<tr>
<td>INDIA</td>
<td>791</td>
<td>703</td>
<td>11%</td>
<td>565</td>
</tr>
<tr>
<td>INDONESIA</td>
<td>365</td>
<td>208</td>
<td>43%</td>
<td>178</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>100</td>
<td>100</td>
<td>0%</td>
<td>59</td>
</tr>
<tr>
<td>SRI LANKA</td>
<td>278</td>
<td>233</td>
<td>16%</td>
<td>199</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>0</td>
<td>0</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>VIETNAM</td>
<td>629</td>
<td>423</td>
<td>33%</td>
<td>243</td>
</tr>
<tr>
<td>OTHER</td>
<td>296</td>
<td>232</td>
<td>22%</td>
<td>170</td>
</tr>
</tbody>
</table>

TOTAL | 3,954 | 2,782 | 30% | 1,789 | 55% | 717 | 82% | 398 | 90% |

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

<table>
<thead>
<tr>
<th>2/1/2017</th>
<th>3 MONTHS</th>
<th>6 MONTHS</th>
<th>1 YEAR</th>
<th>2 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Issues</td>
<td>Open Issues</td>
<td>Resolved</td>
<td>Open Issues</td>
<td>Resolved</td>
</tr>
<tr>
<td>BANGLADESH</td>
<td>583</td>
<td>369</td>
<td>37%</td>
<td>196</td>
</tr>
<tr>
<td>CAMBODIA</td>
<td>271</td>
<td>118</td>
<td>56%</td>
<td>54</td>
</tr>
<tr>
<td>CHINA</td>
<td>1,102</td>
<td>553</td>
<td>50%</td>
<td>213</td>
</tr>
<tr>
<td>GUATEMALA</td>
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<td>2</td>
<td>83%</td>
<td>1</td>
</tr>
<tr>
<td>INDIA</td>
<td>733</td>
<td>541</td>
<td>26%</td>
<td>342</td>
</tr>
<tr>
<td>INDONESIA</td>
<td>443</td>
<td>358</td>
<td>19%</td>
<td>269</td>
</tr>
<tr>
<td>PAKISTAN</td>
<td>11</td>
<td>11</td>
<td>0%</td>
<td>11</td>
</tr>
<tr>
<td>SRI LANKA</td>
<td>285</td>
<td>230</td>
<td>19%</td>
<td>140</td>
</tr>
<tr>
<td>UNITED STATES</td>
<td>1</td>
<td>1</td>
<td>0%</td>
<td>0</td>
</tr>
<tr>
<td>VIETNAM</td>
<td>832</td>
<td>459</td>
<td>45%</td>
<td>250</td>
</tr>
<tr>
<td>OTHER</td>
<td>332</td>
<td>247</td>
<td>26%</td>
<td>138</td>
</tr>
</tbody>
</table>

TOTAL | 4,605 | 2,889 | 37% | 1,612 | 65% | 432 | 91% |
SUPPLIER SUSTAINABILITY

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

ASSESSMENTS IN ILO BETTER WORK MARKETS

<table>
<thead>
<tr>
<th>Country</th>
<th>ILO Better Work</th>
<th>Gap Inc.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>32 62%</td>
<td>20 38%</td>
<td>52</td>
</tr>
<tr>
<td>Cambodia</td>
<td>43 80%</td>
<td>11 20%</td>
<td>54</td>
</tr>
<tr>
<td>Haiti</td>
<td>5 100%</td>
<td>0 0%</td>
<td>5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>43 54%</td>
<td>37 46%</td>
<td>80</td>
</tr>
<tr>
<td>Jordan</td>
<td>3 30%</td>
<td>7 70%</td>
<td>10</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>5 63%</td>
<td>3 38%</td>
<td>8</td>
</tr>
<tr>
<td>Vietnam</td>
<td>79 54%</td>
<td>66 46%</td>
<td>145</td>
</tr>
<tr>
<td>TOTAL</td>
<td>210 59%</td>
<td>144 41%</td>
<td>354</td>
</tr>
</tbody>
</table>

MILL SUSTAINABILITY PROGRAM

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

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

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

In 2018, we set a NEW GOAL for all of our Tier 1 suppliers to transition from a cash-based wage-payment system to a digital wage-payment system by 2020.

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

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

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

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

KEY ISSUES

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

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

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

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

FIRE, BUILDING + ELECTRICAL SAFETY PROGRAM

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

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

In addition to assessing the facilities, our partner trained facility managers and Gap Inc. sourcing staff on how to develop and implement grievance mechanisms. Our goal is to deliver this program to 200 facilities by 2020.

GRIEVANCE MECHANISMS

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

- Our Workforce Engagement Program (p.36) – based on worker surveys, interviews and messaging applications – offers one approach in which individuals can confidentially report workplace related grievances to facility management. We are currently working in China and Vietnam to provide resources through a smartphone app and developing a scaling strategy to bring it to other sourcing markets.

- Our Workplace Cooperation Program (pg.35) provides training for workers and management on how to develop and implement grievance mechanisms. Our goal is to deliver this program to 200 facilities by 2020.

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

LEARN MORE: Grievance Mechanisms

LEARN MORE: Fire, Building and Electrical Safety
SUPPLIER SUSTAINABILITY

KEY ISSUES CONTINUED

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

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

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

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

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

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

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

As a first step, we conducted sensitization programs with all of our suppliers in India, and have provided them with guidance on the relevant legal requirements. We also have defined time-bound goals, such as commitments from our vendors to train 100 percent of their employees on this issue, and have identified expert organizations for them to partner with in implementing this work. As a result, regular training and awareness also provided to all their employees to enhance understanding of the issues, the various forms it can take, its root causes and their roles and responsibilities. Regular trainings are provided to Internal Complaints Committees to strengthen their understanding and capabilities to address sexual harassment cases. To review progress, Gap Inc. assessments include components on POSH and determine areas for improvement, if needed, within a remediation plan.

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

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

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

LEARN MORE: Freedom of Association

LEARN MORE: Working Hours

LEARN MORE: Discrimination

LEARN MORE: Child Labor and Young Workers
SUPPLIER SUSTAINABILITY

WORKPLACE COOPERATION PROGRAM

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

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

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

QUALITATIVE SURVEYS

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

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

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

ANALYZING BUSINESS IMPACT

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

SUPERVISING SKILLS TRAINING

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

2017 REACH:

| COUNTRIES | 9 |
| FACILITIES | 69 |
| WORKERS TRAINED | 125K+ |

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

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

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

WORKFORCE ENGAGEMENT PROGRAM

In 2015, Gap Inc. launched its Workforce Engagement Program to implement a worker-centered approach to improve sustainable supplier performance and measure impact.

By measuring how valued and engaged workers feel at work and the contributing factors, the program sought to set priorities and goals for facility improvement. Gap Inc. engaged Verité to develop and help implement this program. In August 2018, Verité released a white paper highlighting the program’s return on investment, lessons learned and case studies to drive broader industry awareness of supply chain worker engagement.

Using data from facilities that were re-assessed during the 2015-2017 implementation of our Workforce Engagement Program, Verité found that in facilities where significant management improvements were made — including supervisor training, communication and worker feedback, and training and career development — workers’ sense of value and engagement improved. This, in turn, drove positive business results.

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

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

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

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

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

LEARN MORE:
Our P.A.C.E. program

2017 ACTIVE COMMUNITY PARTNERS

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

P.A.C.E. IS ACTIVE IN
13 COUNTRIES

+172% PARTICIPATION FROM 2016 TO 2017

43K WOMEN PARTICIPATED IN 2017

122K+ WOMEN PARTICIPATED SINCE THE PROGRAM LAUNCHED IN 2007

GOALS + PERFORMANCE

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>▲ 1 million women participate in P.A.C.E. by 2022</td>
<td>12%</td>
<td>122,500 women have participated in P.A.C.E.</td>
</tr>
<tr>
<td>▲ 10,000 women empowered through P.A.C.E. and Fair Trade by 2020</td>
<td>25%</td>
<td>2,503 women have been reached through P.A.C.E. and Fair Trade</td>
</tr>
</tbody>
</table>

▲ Modified timeline  Athleta goal  ON TRACK  PROGRESSING  NEEDS ATTENTION
P.A.C.E.: EMPOWERING WOMEN

2017 PROGRESS

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

We seek to bring P.A.C.E. to as many women and girls as possible. By 2022, we aim to reach 1 million women with this life-changing program and anticipate that we will serve many more in the years after that. This is a shift from the goal we announced in 2015 to reach 1 million women by 2020. Based on learnings from our scaling efforts and our commitment to prioritize the program’s impact over meeting a deadline, this was the right change for Gap Inc. and P.A.C.E.

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

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

Lastly, we created a new approach to learning management so that our partners and strategic vendors can more easily implement P.A.C.E. in workplace settings and train their own trainers to deliver the program. For instance, we have licensed P.A.C.E. to two strategic vendors that can lead the program in any of their facilities, even those that do not produce products for Gap Inc. This increases our efficiency in implementing P.A.C.E., gives more women in facility environments access to P.A.C.E., and deepens our relationship with strategic vendors, which supports our business goals.

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

SUPPLY CHAIN
40 WATER STEWARDSHIP
46 CHEMICAL MANAGEMENT

OPERATIONS
48 CLIMATE + ENERGY
50 WASTE
WATER IS ESSENTIAL TO HUMAN HEALTH AND WELL-BEING, AND IT’S ALSO ESSENTIAL TO OUR BUSINESS.

Our water stewardship strategy is built on the principle that clean, safe water is both an environmental goal and a basic human right. We have a responsibility and an opportunity to address water issues because it is a critical natural resource for our business – used to cultivate raw materials like cotton, consumed in the mills and laundries that manufacture our products, and used by consumers when they wash their clothes.

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

LEARN MORE: How we create solutions for women + water

GOALS + PERFORMANCE

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

New in 2017/2018 ✓ Achieved

ON TRACK  PROGRESSING  NEEDS ATTENTION
WATER STEWARDSHIP

OUR APPROACH

OUR WOMEN + WATER STRATEGY IS FOCUSED ON THE INTERSECTION BETWEEN OUR INDUSTRY’S SIGNIFICANT USE OF WATER AND THE BASIC RIGHT PEOPLE HAVE TO CLEAN, SAFE WATER.

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

1. MANUFACTURING

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

Mill Sustainability Program p.43

2. WOMEN

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

Women+Water Alliance p.44

2.4B LITERS OF WATER SAVED AT DENIM LAUNDRIES + MILLS IN 2017

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

34K PEOPLE TRAINED ON WATER, SANITATION + HYGIENE PRACTICES

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

3. PRODUCT

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

Product Sustainability p.52

76.6M LITERS OF WATER SAVED WITH WASHWELL SINCE 2016

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

20% LESS WATER USED TO FINISH DENIM WITH WASHWELL
WATER STEWARDSHIP

2017 PROGRESS

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

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

PARTNERSHIPS

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

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

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

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

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

USAID + GAP INC. WOMEN+WATER ALLIANCE
In 2017, we launched this Global Development Alliance (GDA) with the United States Agency for International Development (USAID) to improve and sustain the health and well-being of women and communities touched by the apparel industry. Learn more (p.44)
WATER STEWARDSHIP

MILL SUSTAINABILITY PROGRAM

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

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

The program is centered around five key objectives:

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

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

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

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

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

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**WATER STEWARDSHIP**

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

In 2017, we launched the **Women+Water Alliance**, a global development alliance (GDA) with **USAID** (United States Agency for International Development), to improve and sustain the health and well-being of women and communities touched by the apparel industry.

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

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

---

**WOMEN**

The global apparel workforce is **80% FEMALE**

**WATER**

The apparel industry is responsible for **20% OF FRESHWATER POLLUTION**

**INDIA**

45M people work in India’s textile industry

54% of people in India face high water stress
### Women+Water Alliance 2017 Progress

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

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

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

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

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### Women+Water Alliance Partnerships

<table>
<thead>
<tr>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Care</strong></td>
</tr>
<tr>
<td><strong>Water.org</strong></td>
</tr>
<tr>
<td><strong>Institute for Sustainable Communities (ISC)</strong></td>
</tr>
<tr>
<td><strong>Institute for Development Impact (I4DI)</strong></td>
</tr>
<tr>
<td><strong>International Center for Research on Women (ICRW)</strong></td>
</tr>
</tbody>
</table>

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

- **Water.org**
  - Is expanding the WaterCredit microfinance model to help communities access sustainable WASH products and services

- **Institute for Sustainable Communities (ISC)**
  - Assesses best practices on water stewardship and management, and builds tools and guidelines for the apparel sector and communities to address water priorities

- **Institute for Development Impact (I4DI)**
  - Conducts independent, third-party baseline, midterm and final evaluations of the program

- **International Center for Research on Women (ICRW)**
  - Assesses how well P.A.C.E. fosters behavior change on water, sanitation and hygiene (WASH) practices in households and communities

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Gap Inc.
CHEMICAL MANAGEMENT

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

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

LEARN MORE: How we’re reducing the impact of chemicals

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work toward zero discharge of hazardous chemicals in our supply chain by 2020</td>
<td></td>
<td>Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing</td>
</tr>
</tbody>
</table>

Mill wastewater testing, Vietnam

ON TRACK  PROGRESSING  NEEDS ATTENTION
OUR APPROACH

OUR APPROACH TO CHEMICAL MANAGEMENT INCLUDES THREE KEY COMPONENTS:

• WORK WITH SUPPLIERS: We communicate chemical safety requirements to our suppliers through our Code of Vendor Conduct (COVC) and require them to acknowledge and comply with these requirements.

• COMPLIANCE AND MONITORING: We use third-party testing of products and components of products to ensure compliance with global chemical regulations and Gap Inc. chemical restrictions.

• INDUSTRY PARTNERSHIPS: We partner with industry groups, including Zero Discharge of Hazardous Chemicals (ZDHC), the Apparel and Footwear International RSL Management (AFIRM) Group, and the Sustainable Apparel Coalition (SAC), to implement a consistent set of tools and processes to support best practices, monitor supplier performance and encourage use of safer chemicals. In addition to helping us achieve our water and sustainability commitments, these partnerships help advance the industry as a whole.

Gap Inc. chemical restrictions are informed by global regulations as well as hazard- and risk-based considerations. They include our Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL). Since 2008, Gap Inc. suppliers have been expected to comply with our RSL. Since 2015, we have asked all our suppliers to comply with the ZDHC MRSL and we are aligned with the AFIRM Group RSL.

2017 PROGRESS

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

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

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

INDUSTRY INITIATIVES

SAC HIGG FEM (FACILITIES ENVIRONMENTAL MODULE)
• Covers many sustainability topics including chemicals, water and energy
• Baseline Gap Inc. supply chain on chemicals management

ZDHC MRSL (MANUFACTURING RESTRICTED SUBSTANCES LIST)
• Restricts hazardous chemical use from all wet-processing facilities

AFIRM RSL (RESTRICTED SUBSTANCES LIST)
• Restricts chemicals in finished product
• RSL Testing Program monitors chemical regulatory compliance

WASTEWATER GUIDELINES
• Gap Inc. Water Quality Program (WQP) for laundries
• ZDHC testing program to monitor MRSL compliance through wastewater and sludge testing (ZDHC Wastewater Guidelines)
CLIMATE + ENERGY

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

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

LEARN MORE: How we're doing our part on climate

GOALS + PERFORMANCE

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

ON TRACK  PROGRESSING  NEEDS ATTENTION
CLIMATE + ENERGY

OUR APPROACH

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

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

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

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

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

2017 PROGRESS

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

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

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

Gap Inc. recently signed on to two letters from BICEP members in support of two important pieces of legislation in our home state of California: Senate Bill 32, which extends California’s climate pollution reduction target to 80 percent below 1990 levels by 2050, and Senate Bill 350, which provides a roadmap to move us forward by implementing 50-50-50 benchmarks by 2030 (raising the renewable portfolio standard to 50 percent, reducing petroleum use by 50 percent and increasing energy efficiency in buildings by 50 percent). Through our engagement with Ceres and other multistakeholder organizations, we believe that we have a role to play in both decreasing our own environmental impact as it relates to climate change and advocating for policies, legislation and global agreements that will help us all transition to a low-carbon economy.

SCIENCE-BASED TARGET

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

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

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

CDP CLIMATE CHANGE

See our CDP Climate Change response for detailed information on our strategy and performance, which incorporates recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).
WE HAVE A RESPONSIBILITY TO HELP PREVENT GLOBAL WASTE IN OUR OPERATIONS, WHICH CAN NEGATIVELY IMPACT THE ENVIRONMENT AND ADD UNNECESSARY COST TO OUR BUSINESS.

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

LEARN MORE: How we’re diverting waste

GOALS + PERFORMANCE

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

OUR APPROACH

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

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

We will continue to engage our landlords and other retail tenants to develop a long-term solution. In the short term, we are working across our business to create new packaging solutions that reduce waste and improve the reuse and recycling of materials. We are also incorporating questions about waste and recycling into our regular store audits. Additionally, we are engaging our brands to improve recycling rates at our stores and working with our Transportation/Logistics team on how to use our transport system to ensure that we recycle as much material as possible.

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

52  PRODUCT SUSTAINABILITY
55  RAW MATERIALS
57  CIRCULAR DESIGN: PRODUCT END OF LIFE
WE AIM TO DESIGN GREAT PRODUCTS WITH SUSTAINABILITY IN MIND AND COLLABORATE ACROSS OUR BUSINESS TO DEVELOP STRATEGIES TO IMPROVE THE SUSTAINABILITY PERFORMANCE OF OUR BRANDS AND PRODUCTS.

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

LEARN MORE:
Our work on product sustainability

76.6M LIQUID OF WATER SAVED
WITH WASHWELL SINCE 2016

228 DENIM STYLES QUALIFIED
FOR WASHWELL IN SPRING 2018

850+ EMPLOYEES TRAINED
ON PRODUCT SUSTAINABILITY IN 2017
OVERVIEW

2017 PROGRESS

In 2017, we enhanced our systems and tools to more deeply engage our brands and internal business partners.

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

PREFERRED FIBER + MATERIALS TOOLKIT

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

TRAINING

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

CUSTOMER COMMUNICATION

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

BRAND GOALS

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

GAP BRAND

GAP FOR GOOD

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

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

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

GAP FOR GOOD POP-UP STORE

GAP FOR GOOD POP-UP STORE
PRODUCT SUSTAINABILITY

ATHLETA

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

2020 GOALS

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

- **PROTECT RESOURCES:** By 2020, 80 percent of Athleta materials will be made with sustainable fibers. Over the past two years, the brand has been working to use more recycled synthetics, organic cotton and more efficient fabric dyeing and finishing techniques. These materials, as demonstrated by life-cycle assessments, conserve water, use less energy, and emit less GHGs and hazardous chemicals than their conventional counterparts.

- **CONSERVE WATER:** By 2020, 25 percent of Athleta’s product will be made using manufacturing techniques that save water. The brand is investigating new technologies and expanding existing programs that use less water.

- **DIVERT WASTE:** By 2020, 80 percent of Athleta’s store waste will be diverted from landfill.

- **EMPOWER WOMEN:** By 2020, Athleta will impact 10,000 women and their communities through programs like P.A.C.E. and Fair Trade. Athleta certified the first of its facilities as Fair Trade in 2016 and debuted its first Fair Trade Certified products in 2017.

B CORP

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

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

We included employees at Gap Inc. and Athleta headquarters and all of Athleta’s nearly 150 retail stores in the announcement, teaching them about the certification through signage, team meetings and store ‘chat-ins’. In 2018, we are creating a B Corp Governance Committee to build momentum toward Athleta’s goals and improve our score in the coming years, as well as continue to educate and engage our employees.

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

CUSTOMER ENGAGEMENT

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

![Athleta recycled polyester top](image)

Gap Inc.
RAW MATERIALS

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

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

LEARN MORE: How we source more sustainable raw materials

<table>
<thead>
<tr>
<th>GOAL</th>
<th>% ACHIEVED</th>
<th>2017 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate the use of wood-derived fibers sourced from ancient and endangered forests by 2020</td>
<td></td>
<td>Reporting in progress</td>
</tr>
<tr>
<td>100% of cotton sourced from more sustainable sources by 2021</td>
<td></td>
<td>Reporting in progress</td>
</tr>
<tr>
<td>80% of Athleta materials made with sustainable fibers by 2020</td>
<td>44%</td>
<td>35% of Spring 2018 product was made with sustainable fibers</td>
</tr>
<tr>
<td>25% of Athleta product made using techniques that save water by 2020</td>
<td>4%</td>
<td>1% of product was made using techniques that save water</td>
</tr>
</tbody>
</table>

New in 2017/2018

Gap brand goal Athleta goal

Cotton gin workers, India (CREDIT: Better Cotton Initiative)
RAW MATERIALS

2017 PROGRESS

In 2017, we refined our raw materials strategy to focus on the four fibers that account for approximately 97 percent of our fiber consumption: cotton, polyester, nylon, and man-made cellulosics, such as rayon and modal.

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

2017 SUSTAINABLE FIBER SOURCING

<table>
<thead>
<tr>
<th>FIBER TYPE</th>
<th>% OF FIBER TYPE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Natural Fibers</strong></td>
<td></td>
</tr>
<tr>
<td>Organic cotton</td>
<td>0.1% of cotton</td>
</tr>
<tr>
<td>BCI cotton</td>
<td>20.8% of cotton</td>
</tr>
<tr>
<td>Recycled wool</td>
<td>3.9% of wool</td>
</tr>
<tr>
<td><strong>Synthetics</strong></td>
<td></td>
</tr>
<tr>
<td>Recycled nylon</td>
<td>1.1% of nylon</td>
</tr>
<tr>
<td>Recycled polyester</td>
<td>1.7% of polyester</td>
</tr>
<tr>
<td><strong>Man-Made Cellulosics</strong></td>
<td></td>
</tr>
<tr>
<td>Lenzing modal</td>
<td>2.5% of rayon</td>
</tr>
<tr>
<td>TENCEL</td>
<td>3.9% of rayon</td>
</tr>
</tbody>
</table>

COTTON

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

SYNTHETICS

We also use synthetic materials in our products, including polyester, spandex and nylon, which provide essential performance properties. However, synthetics are often derived from nonrenewable, petroleum-based sources. They also have fewer end-of-life solutions than natural fibers because they may never biodegrade. To address these challenges, we’re taking steps to ensure that we’re sourcing more sustainable synthetic fibers. In 2017, we began exploring more sustainable polyester options, including recycled polyester. After working with external groups, including the Textile Exchange Recycled Polyester Working Group and Biosynthetics Working Group in 2016, we have been gathering data for a life-cycle assessment and formed an internal working group to define the challenges and opportunities of recycled polyester and supplier mapping.

MAN-MADE CELLULOSICS

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

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

Gap Inc.
CIRCULAR DESIGN: PRODUCT END OF LIFE

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

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

LEARN MORE:
How we map the product life cycle

INDUSTRY COLLABORATION

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

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

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

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

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

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>GOAL</th>
<th>TARGET YEAR</th>
<th>STATUS</th>
<th>DETAILS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply Chain</td>
<td>Partner with Verité and strategic suppliers to measure workers’ sense of value and engagement at work, and launch projects aimed at improving 20,000 workers’ engagement. Publicly report on findings and impact, and share best practices with all Gap Inc. suppliers.</td>
<td>2018</td>
<td>Complete</td>
<td>We implemented our Workforce Engagement Program at 89 facilities representing 220,000 workers with Verité and Good World Solutions.</td>
</tr>
<tr>
<td></td>
<td>100% of strategic suppliers of branded apparel self-report their sustainability performance in Gap Inc.’s global sustainability data system</td>
<td>2018</td>
<td>Complete</td>
<td>As part of the Social and Labor Convergence Project (SLCP), we are helping to create a shared tool for footwear and apparel companies to assess facilities’ social and labor performance. This represents a more unified effort to self-report sustainability performance.</td>
</tr>
<tr>
<td></td>
<td>100% of supplier facilities producing branded apparel are rated yellow or green</td>
<td>2020</td>
<td>Tracking</td>
<td>95% of supplier facilities were rated yellow or green.</td>
</tr>
<tr>
<td></td>
<td>100% of Tier 1 suppliers transition to digital wage payments</td>
<td>2020</td>
<td>New - 2018</td>
<td>68% of suppliers are already using checks or bank transfers.</td>
</tr>
<tr>
<td></td>
<td>200 supplier facilities participate in our Workplace Cooperation Program</td>
<td>2020</td>
<td>New</td>
<td>69 supplier facilities are participating.</td>
</tr>
<tr>
<td>ENVIRONMENT</td>
<td>50% absolute reduction in Scope 1 and 2 GHG emissions in our owned and operated facilities globally, from a 2015 baseline</td>
<td>2020</td>
<td>Tracking</td>
<td>We achieved a 14% reduction in emissions from a 2015 baseline.</td>
</tr>
<tr>
<td></td>
<td>80% of waste diverted from landfill across our U.S. facilities</td>
<td>2020</td>
<td>Tracking</td>
<td>Pilots are underway; we are currently reassessing our approach to reducing waste production and improving diversion.</td>
</tr>
<tr>
<td></td>
<td>80% of Athleta waste diverted from landfill</td>
<td>2020</td>
<td>Tracking</td>
<td>Athleta is currently recycling 70% of packaging waste from its stores.</td>
</tr>
<tr>
<td></td>
<td>10 billion liters of water saved in manufacturing, from a 2014 baseline</td>
<td>2020</td>
<td>New - 2018</td>
<td>Gap Inc. suppliers have saved over 3.3 billion liters of water since 2014.</td>
</tr>
<tr>
<td></td>
<td>Work toward zero discharge of hazardous chemicals in our supply chain through membership in the ZDHC 2020 Roadmap</td>
<td>2020</td>
<td>Tracking</td>
<td>Strategic facilities must comply with the ZDHC Manufacturing Restricted Substances List and verify through wastewater testing.</td>
</tr>
<tr>
<td>PRODUCT</td>
<td>Eliminate the use of wood-derived fibers from ancient and endangered forests</td>
<td>2020</td>
<td>New - 2017</td>
<td>Our teams are partnering with mills to identify our raw-material suppliers in order to go through CanopyStyle’s audit and remediation plan, and to develop trials using innovative fabrics.</td>
</tr>
<tr>
<td></td>
<td>100% of cotton sourced from more sustainable sources</td>
<td>2021</td>
<td>New - 2017</td>
<td>Sourcing of more sustainable cotton increased over 10 times in 2017; we will report on percentage progress toward our goal in 2018.</td>
</tr>
<tr>
<td></td>
<td>80% of Athleta materials made with sustainable fibers</td>
<td>2020</td>
<td>New - 2017</td>
<td>35% of Spring 2018 product was made with sustainable fibers.</td>
</tr>
<tr>
<td></td>
<td>25% of Athleta product made using techniques that save water</td>
<td>2020</td>
<td>Tracking</td>
<td>1% of product was made using techniques that save water in 2017.</td>
</tr>
</tbody>
</table>
The Sustainability Accounting Standards Board (SASB) is an independent, private sector standards-setting organization dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. This table references the Standard for the Apparel, Accessories & Footwear industry as defined by SASB’s Sustainable Industry Classification System (SICS) with the location of that information in Gap Inc.’s 2017 Global Sustainability Report (GSR) and gapincsustainability.com.
## APPENDIX: SASB REFERENCE TABLE

### TOPIC

**Labor Conditions in the Supply Chain** (continued)

<table>
<thead>
<tr>
<th>Activity Metric</th>
<th>Category</th>
<th>Unit of Measure</th>
<th>Code</th>
<th>Data</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority non-conformance rate and associated corrective action rate for suppliers’ labor code of conduct audits</td>
<td>Quantitative</td>
<td>Rate</td>
<td>CG-AA-430b.2</td>
<td>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 Code of Vendor Conduct</td>
<td>Gap Inc. Code of Vendor Conduct (COVC)</td>
</tr>
<tr>
<td>Discussion of greatest (1) labor and (2) environmental, health, and safety risks in the supply chain</td>
<td>Discussion and Analysis</td>
<td>N/A</td>
<td>CG-AA-430b.3</td>
<td>As of fiscal year 2017, 5% of facilities received red ratings during assessments against our Code of Vendor Conduct. For issues open as of 2/1/2017, 91% of corrective action plans were resolved by 2/3/2018.</td>
<td>Measuring Our Progress: Working Conditions</td>
</tr>
<tr>
<td>Raw Material Sourcing</td>
<td>Discussion and Analysis</td>
<td>N/A</td>
<td>CG-AA-440a.1</td>
<td></td>
<td>Environment: Raw Materials</td>
</tr>
<tr>
<td>Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard</td>
<td>Quantitative</td>
<td>Percentage (%) by weight</td>
<td>CG-AA-440a.2</td>
<td>FIBER TYPE</td>
<td>% OF FIBER TYPE</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Natural Fibers</td>
<td>Environment: Raw Materials</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Organic cotton</td>
<td>GSR: Raw Materials (p.55)</td>
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<td></td>
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<td></td>
<td></td>
<td>BCI cotton</td>
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<td></td>
<td>Recycled wool</td>
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<td>Synthetics</td>
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<td>Recycled nylon</td>
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<td>Recycled polyester</td>
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<td>Man-Made Cellulosics</td>
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<td>Lenzing modal</td>
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<td>TENCEL</td>
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</tr>
</tbody>
</table>

**FIBER TYPE** | % OF FIBER TYPE

- **Natural Fibers**
  - Organic cotton: 0.1% of cotton
  - BCI cotton: 20.8% of cotton
  - Recycled wool: 3.9% of wool
- **Synthetics**
  - Recycled nylon: 11% of nylon
  - Recycled polyester: 1.7% of polyester
- **Man-Made Cellulosics**
  - Lenzing modal: 2.5% of rayon
  - TENCEL: 3.9% of rayon