

# CA TRANSPARENCY IN SUPPLY CHAINS ACT / UK MODERN SLAVERY ACT

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## DIRECTORS' INTRODUCTION

"Gap Inc. is committed to supporting and improving labor rights and working conditions globally across the retail and apparel industries. As a business, we owe a moral responsibility to protect and care for all those whose work goes into creating our products and bringing them to our customers.

**Our commitment in this regard applies to all of our brands: Gap, Banana Republic, Old Navy, Athleta, and Intermix** Styles, materials and prices may vary across the range of products we create and sell to our customers, but our core values do not change. Wherever we operate, and whoever we are operating with, we strive to do so in compliance with our overall [Human Rights Policy](#).

**This statement is made in compliance with the California Transparency in Supply Chains Act, as well as the UK Modern Slavery Act 2015. It is also made in accordance with the expectations that any reasonable consumer would place on a global retailer such as Gap Inc.**

**For more information on our commitment to ethical and sustainable sourcing of products please visit Gap's [Global Sustainability Webpage](#)."**

This statement has been approved by the boards of directors of Gap Inc., GPS (Great Britain) Limited, Gap (UK Holdings) Ltd and Gap Europe Limited and signed on behalf of those companies by Art Peck, CEO of Gap Inc. This confirms that the boards of the UK companies and Gap Inc. have considered and approved the statement for fiscal year 2017.



Art Peck  
CEO, Gap, Inc.

## INTRODUCTION TO OUR BUSINESS

Gap Inc. is a leading global apparel retail company, founded in California, USA in 1969, offering apparel, accessories, and personal care products for men, women and children under the Gap, Banana Republic, Old Navy, Athleta, and Intermix brands. Most of the products sold under our brand names are designed by Gap Inc. and manufactured by contracted vendors. We also sell products that are designed and manufactured by branded third parties, especially at our Intermix brand.

We purchase branded private label and non-private label merchandise from approximately 800 facilities in approximately 30 countries. The facilities that manufacture our branded apparel collectively employ over 1 million people worldwide, and we have a rigorous risk assessment framework, as well as locally implemented worker-related programs, to ensure forced labor and human trafficking risks are minimized within our supply chain. 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.

We believe that no person should be subject to a situation where basic needs and fundamental rights are denied, which is why we have regularly partnered with governments, NGOs, consultants and trade unions to forge innovative solutions to systemic issues in the apparel and textile supply chain.

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## POLICIES

Our efforts to address human trafficking in the apparel industry are guided by our [Human Rights Policy](#), which is founded on the principles outlined in the United Nations Universal Declaration of Human Rights ("UDHR") and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work (often referred to as the "ILO Core Conventions"). Our policy applies to both our wholly owned operations and our branded apparel supply chain. This policy establishes key principles that guide how we run our business, as well as the core issues that we work to address.

Gap Inc. has a Code of Vendor Conduct (COVC) that applies to all facilities that produce branded goods for Gap Inc. or any of its subsidiaries, divisions, affiliates or agents, which states that the company prohibits the use of "involuntary labor of any kind, including prison labor, debt bondage, slave labor or forced labor by governments."

Our Code of Business Conduct (COBC) requires our employees to act ethically and with integrity at all times. It also includes provisions on salient human rights issues. All employees are required to complete the Principles of Integrity: Code of Business Conduct Overview training course to ensure their understanding of our commitments.

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## OUR RETAIL BUSINESS

With a global workforce of approximately 135,000 employees, Gap Inc. has nearly 3,300 Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Hong Kong, Taiwan and Mexico. Franchise agreements also exist with unaffiliated franchisees to operate Gap, Banana Republic, and Old Navy stores throughout Asia, Europe, Latin America, the Middle East and Africa. Products are also available to customers online through Company-owned websites and through third-party websites.

Wherever we employ people directly, we do so in accordance with our Human Rights Policy, Code of Business Conduct and in compliance with local labor laws. Members of the store management team visit our retail stores on a regular basis to ensure that our policies are put into practice, and our loss prevention and audit teams carry out annual assessments of our stores. Similar internal audit processes are carried out in respect to practices within our Distribution Centers. We also have a hotline available for employees to report any breaches of policies, as well as an anti-retaliation policy that protects them when doing so. Our employees are bound to comply with our COBC and a breach of the ethical principles contained therein could lead to disciplinary action up to and including dismissal.

Gap Inc. also carries out due diligence on a periodic basis with respect to our franchisees and third-party distributors. Such due diligence encompasses a variety of issues including research into franchisee supply chains and working conditions. For non-merchandise vendors, we typically reserve rights of assessment in our contracts and exercise such rights when appropriate so as to verify vendor compliance with applicable laws and contractual terms.

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## SUPPLY CHAIN DUE DILIGENCE AND VERIFICATION

Prior to accepting any order for Gap Inc. branded product, our suppliers are required to sign our Vendor Compliance Agreement (VCA). Gap Inc. also has a vendor approval process that requires new suppliers for branded apparel product to undergo an assessment against our COVC prior to beginning production for Gap Inc. After the initial assessment of working conditions, the facility either earns approval or is placed in pending status while it addresses outstanding issues. The COVC that is used for the assessments contains provisions related to forced labor, child labor, foreign contract workers and identity document retention.

In signing Gap Inc.'s VCA, which incorporates our COVC, Gap Inc. suppliers agree to comply with the following:

*"All applicable laws, rules and regulations ... these laws include, but are not limited to, laws relating to the employment conditions of their respective employees such as: (1) wage and hour, labor, child labor, and forced labor requirements; (2) health and safety; (3) immigration; (4) discrimination; (5) labor or workers' rights in general; and (6) environmental laws and regulations."*

We recognize that policies and expectations alone are not a sufficient safeguard against forced labor within our supply chain. Our statements lay the foundation for a comprehensive approach to engaging and collaborating with our suppliers towards monitoring, remediating and continuous improvement. Gap Inc.'s Supplier Sustainability team within our Global Sustainability department is responsible for the implementation of our supply chain policies and standards relevant to human trafficking and forced labor, which are reflected within our COVC. Our Supplier Sustainability team members – who are locally hired in the countries from which we source, and speak local languages – assess and validate that suppliers are meeting the expectations outlined in our COVC. We assess risks to especially vulnerable groups, including migrant labor and women in the workplace; our COVC specifies our management approach towards ensuring free and voluntary labor for these groups.

Our COVC also has stringent requirements around foreign contract workers, who are at risk of exploitation by indentured servitude. We monitor how foreign contract labor is used at facilities producing Gap Inc. branded apparel to help ensure that people are free to work as they choose. For over a decade, we have had a "no fees" policy that applies to foreign contract workers, which requires that any fees and costs payable to host governments for the documentation of foreign contract workers be covered by the facility, and also have requirements that cover the entire employment cycle of foreign contract workers. These requirements span recruitment, employment, up to termination of employment, and provide the lens through which our assessors look at policies, practices and conditions in the facility to find indications of forced labor.

Our COVC further states that facilities must allow *"Gap Inc. and/or any of its representatives or agents unrestricted access to its facilities and to all relevant records at all times, whether or not notice is provided in advance."* Gap Inc. conducts both announced and unannounced audits in the facilities we monitor, that are primarily conducted by Gap Inc. staff. Initial assessments for new facilities are generally coordinated with the requested vendor or facility, and with subsequent full assessments we aim for more than 50% to be unannounced or semi-announced.

Gap Inc. monitors all first tier branded apparel supplier facilities (including sub-contractors and supporting units such as dyeing, embroidery, and wash units) for forced labor and human trafficking. In 2017, we defined and communicated social criteria to second tier vendors, including production facilities and subcontractors, which include provisions involving forced and child labor. In 2018, we will begin expanding our Assessment and Remediation program into our Tier 2 strategic textile mills, enabling us to directly evaluate working conditions at the mill level.

A number of facilities producing our branded apparel participate in the [Better Work](#) program, a collaborative facility monitoring and capability building initiative led by the International Labour Organization (ILO). Facilities participating in Better Work are assessed by specialists employed by the ILO. These assessments are 100% unannounced and assessed against national labor laws and ILO Conventions.

Gap Inc.'s Supplier Sustainability team is trained to recognize situations where a facility may be using forced or involuntary labor, and is also trained to assess compliance with our company's Foreign Contract Worker requirements. We publicly report aggregate findings of assessment results at the facilities that make our branded apparel on our company [website](#).

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## ACCOUNTABILITY

Three members of Gap Inc.'s Board of Directors sit on the Governance and Sustainability Committee, of which Robert J. Fisher, our founders' son, is chairman. The Global Sustainability department collaborates with key departments across the company including Supply Chain, Corporate Affairs, Human Resources, Legal and Gap Foundation.

Failure of vendors to abide by Gap Inc.'s COVC and/or VCA can result in corrective action up to and including the termination of all existing and future business.

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## TRAINING

Gap Inc. continually strives to become more effective at identifying and correcting issues in our supply chain, which can be hard to detect even for a well-trained and experienced eye. Gap Inc.'s Supplier Sustainability team works directly with facility management and workers in the facilities we monitor. New employees within Global Sourcing receive training on our COVC, as they are another important touchpoint for our relationships with our sourcing facilities.

In addition to providing ongoing training, our Supplier Sustainability team convenes regularly to discuss program effectiveness and improvements. In April 2015, based on a thorough risk assessment, we strengthened our foreign contract worker requirements and updated them by providing additional detailed guidance on recruitment, fees, employment contracts, and onsite policies and practices, including equal treatment and non-discrimination. Foreign Contract Worker ("FCW") requirements are a sub-section of our Assessment Manual and are subject to regular review and annual revision, whenever we feel enhancement and updates are needed. Additionally, we added a requirement for our vendors to conduct due diligence and regular assessments of employment agencies.

To supplement our own staff, Gap Inc. works to build the capabilities of our suppliers by conducting worker trainings, participating in multi-stakeholder initiatives and forging partnerships with expert stakeholders and suppliers to address specific human rights issues. Gap Inc. has helped suppliers improve their capabilities for more than a decade, and created field teams for social and labor capability building that are dedicated to helping suppliers manage and improve the sustainability of their own operations. As part of our Global Sustainability long-range strategic plan, we have committed to further invest in both internal and external labor standards trainings for our business partners, of which forced labor will be one component.

In 2016-18, we also continued to invest in trainings for our Supplier Sustainability team, largely focused on building their capacity to work with and train bi-partite committees in our strategic suppliers' facilities. We believe that by equipping bi-partite committees with the knowledge and expertise to identify and surface unacceptable labor practices in their places of work, we will see significant improvements in working conditions and labor standards.

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## EVALUATING RISKS

Gap Inc. works with governments, NGOs, and trade unions, and monitors resources – such as the U.S. Department of State's Trafficking in Persons Annual Report and the [Global Slavery Index](#) – to identify high risk areas in our supply chain. We adopt a comprehensive view of the industry and areas of risk and focus our efforts where we do business and where our programs can have the greatest impact. Further, in the last year, we participated in a program to improve our understanding of how our purchasing choices can lead to better outcomes for workers.

While subcontracting is a common practice in the apparel industry, engaged in by suppliers to manage production capacity and fulfill large orders, it can pose a risk. Unauthorized Subcontracting (UAS) is problematic because suppliers may outsource production to facilities that we have not approved and that do not uphold our requirements for safe, fair labor practices and working conditions. Smaller, unauthorized units may have labor practices that put workers at risk, and are beyond the view of our assessment and remediation team. Expanding the collaboration between our sustainability and sourcing teams can help us address UAS issues since incidents can be difficult to detect through the periodic facility assessments conducted by our sustainability field team. We take extra precautionary measures in countries with high risk of UAS, such as specialized training for suppliers and facility management.

Our Supplier Sustainability, Quality Assurance and Merchandising teams seek to prevent and detect UAS. If a UAS case is found, we may impose financial chargebacks, or, in severe or repeat cases, we will terminate our business with a supplier. In the event that chargebacks are imposed, those funds are reallocated either philanthropically or programmatically toward projects that are focused on improving working conditions within our supply chain or across the industry.

Unauthorized Subcontracting incidents are immediately escalated and the following steps are taken to:

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

Risk mapping has identified, in addition to UAS and foreign contract workers, the particular risks that refugee workers may face. For example, we know that certain countries from which we source are absorbing Syrian refugees into their formal economies. We are committed to partnering with a broad set of stakeholders to confirm that our vendors have the appropriate capabilities and infrastructure in place so that opportunities for employment and fair, decent working conditions are made available to them. In Jordan, we are partnering with The World Bank on a project emphasizing job readiness training and employment placement for Syrian refugees. Similarly, in Turkey, we are partnering with the Ethical Trading Initiative and other brands to address the challenges associated with the integration of refugee and migrant workers from Syria, trying to prevent them from being forced into precarious work given their vulnerability in the country. Our [statement](#) addresses our examination of risks and describes our work within Turkey.

To further address the risk of forced labor in our supply chain, Gap Inc. engaged Verité in 2015 to review our policy for ensuring that foreign contract workers working in facilities producing for Gap Inc. are not being exploited or discriminated against.

Beyond our Tier 1 and 2 facilities, we have also engaged stakeholders to address the risk of forced labor deeper in the supply chain. For example, Gap Inc. has played a significant role in collaborative efforts to identify and implement lasting solutions to address employment practices and working conditions, including forced labor, in the apparel industry in Tamil Nadu, India. Gap Inc. initiated a meeting for Brands Ethics Working Group (BEWG) members and the Tirupur Exporters Association (TEA) that resulted in the formation of the Tirupur Stakeholders Forum (TSF). The TSF has since agreed upon a set of guidelines for facilities to use to help eliminate unacceptable employment practices.

Gap Inc. also helped to develop the ETI Tamil Nadu Multi-Stakeholder Program (TNMS) with the Ethical Trading Initiative (ETI), alongside 15 other major Brands and Retailers, key local and international NGOs and trade unions, including Anti-Slavery International and IndustriALL, to address the Sumangali scheme and other exploitative labor practices in southern India, particularly forced labor. These efforts were undertaken even though there is no established link between Gap and the facilities where these practices were found. More information is available on our [website](#).

Within our raw materials, we recognize that forced and child labor is a risk, particularly within cotton cultivation. Beginning in 2016 and expanding in 2017, we have partnered with the Better Cotton Initiative (BCI) to source BCI cotton, which is grown with environmental, social and labor welfare in mind. Forced and child labor on cotton farms is considered an incidence of non-compliance and a violation of BCI's standard and is dealt with immediately. BCI's approach is centered upon decent work, and recognizes the difficulty of identifying and preventing forced labor in the largely decentralized and smallholder-based industry. Their efforts currently focus largely on raising awareness and training, and their report is available [online](#). BCI does not operate in countries where forced labor is orchestrated by the government.

Additionally, considering the evidence on forced labor in Uzbekistan's cotton industry, we have signed the Cotton Pledge led by the Responsible Sourcing Network and have worked to educate and influence our suppliers and facilities on this issue, making it clear that we will not accept any clothing manufactured with fabrics that were knowingly made from Uzbek cotton.

More information on our commitment to transparency through disclosures such as [Know The Chain](#) and the [Corporate Human Rights Benchmark](#) is available online.

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## ASSESSMENT OF EFFECTIVENESS

More than 20 years since we began our journey to improve working conditions, we are still learning – and facing new challenges.

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 more technical "non-compliance" violations. We decreased our share of red rated facilities from 16% in 2016 to 5% by the end of 2017. In that time frame, we succeeded in resolving 89% of critical issues and 91% of non-critical issues at all low-performing facilities.

We have set a goal to have all of our strategic suppliers be rated yellow or green by 2020. To help reach that goal, our Workforce Engagement Program, operated with partners such as Verité, Good World Solutions and MicroBenefits, allows us to assess facility performance based on the data we receive directly from workers through surveys and interviews. To date, we have conducted approximately 100 Workforce Engagement assessments in partnership with Verité, covering facilities in Bangladesh, China, Guatemala, India, and Vietnam.

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## FURTHER STEPS

For more information on how we are working to improve the lives of those who work in our facilities, and on specific programs we are undertaking across the supply chain, please visit [our online sustainability report](#).

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## ARCHIVE

To access previous reports, please click [here](#).

*#wearegapinc*

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Gap Inc. is an equal-opportunity employer and is committed to providing a workplace free from harassment and discrimination. We are committed to recruiting, hiring, training and promoting qualified people of all backgrounds, and make all employment decisions without regard to any protected status.

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