

# Responsible Sourcing in Myanmar

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Gap Inc.

**Update Report for the Period  
August 26, 2014 – May 31, 2015**

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## **I. Executive Summary**

### **Overview and Purpose**

Gap Inc. began sourcing garments from two independently owned and operated factories in Myanmar in June 2014, making us the first American retailer to source from the country since sanctions were lifted. This update report provides information about our sourcing activities and programs since filing our [Original Report](#) in August, 2014.<sup>1</sup>

We significantly increased the volume of products that we source from the same two factories during the reporting period, though the overall contribution to our business remains small. Our suppliers indicate Gap Inc.'s sourcing in Myanmar has created almost 700 new jobs, and supported the employment of more than 4,000 workers.

While we are optimistic about the possibility of a viable garment industry in Myanmar, we are also realistic about its challenges, and continue to monitor the uncertain political and commercial environment as we make further investments in the country. Please refer to our Original Report for more information about the challenges of doing business in Myanmar.

We understand the need to protect workers' rights and well-being, evaluate and address risks in our supply chain and help develop responsible sourcing practices in Myanmar's garment industry. We have elected to report in accordance with the U.S. State Department's "Responsible Investment Reporting Requirements" (the "Guidelines"), which draw on the United Nations Guiding Principles on Business and Human Rights (the "Guiding Principles").

We have chosen to report on a voluntary basis understanding that the nature of our business in Myanmar, which consists of sourcing garments from third-party factories, does not require mandatory reporting under the Guidelines. To more accurately present the full range of our activities in Myanmar, we have also provided certain "Supplemental Information," primarily in Appendix A, on our work to advance women in Myanmar. We plan to report on a fiscal year basis going forward but wanted to provide a full account of our activities since the Original Report in this update.

### **Gap Inc. Responsible Sourcing in Myanmar**

Since we began sourcing product in Myanmar, Gap Inc. has led efforts to establish higher standards of worker rights in the country's garment industry and significantly improved labor practices and working conditions at the two factories we source from.

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<sup>1</sup> [http://photos.state.gov/libraries/burma/895/pdf/Gap\\_Inc\\_Myanmar\\_Public\\_Report-8\\_25\\_14FINAL.pdf](http://photos.state.gov/libraries/burma/895/pdf/Gap_Inc_Myanmar_Public_Report-8_25_14FINAL.pdf)

Our due diligence, risk assessment and mitigation efforts in Myanmar have been informed by the Guiding Principles and the core principles that guide our business, which are described in such documents as our [Human Rights Policy](#)<sup>2</sup>, [Code of Business Conduct](#)<sup>3</sup>, Anti-Corruption Policy and [Code of Vendor Conduct](#)<sup>4</sup> (COVC). These policies are grounded in internationally recognized standards, including the Universal Declaration of Human Rights, the International Labor Organization's (ILO) Core Conventions and the OECD Guidelines for Multinational Enterprises.

Consistent with these standards and the Guiding Principles, our approach in Myanmar has involved ensuring appropriate policies are in place, assessing risks to workers and our business and taking action to mitigate and prevent risks.

We have continued to work with factory management, workers and experts, including the ILO, to monitor socio-political developments in Myanmar and improve compliance and working conditions at each facility. These efforts have included: full factory assessments by a third-party expert; development of corrective action plans; and training for management and workers to improve management practices and address risks to workers' well-being or our business.

We partnered with the ILO to help both factories set up and develop Workplace Coordination Committees (WCC). These forums help to protect workers' rights and improve labor practices by empowering workers to raise concerns and engage in constructive dialogue with management.

Both factories conducted independently verified self-assessments using the Sustainable Apparel Coalition's Higg Index and developed plans to continuously improve their environmental performance.

Each factory continued to make significant progress on improving its policies and practices, building on the improvements described in our Original Report. Examples include:

- Health and safety:
  - Purchased safe containers for transporting and storing flammable liquids
  - Upgraded eye wash stations to prevent health risks from handling chemicals

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<sup>2</sup> [http://www.gapinc.com/content/attachments/sersite/HumanRightsPolicy\\_FINAL.pdf](http://www.gapinc.com/content/attachments/sersite/HumanRightsPolicy_FINAL.pdf)

<sup>3</sup> [http://www.gapinc.com/content/dam/gapincsite/documents/COBC/COBC\\_english.pdf](http://www.gapinc.com/content/dam/gapincsite/documents/COBC/COBC_english.pdf)

<sup>4</sup> [http://www.gapinc.com/content/dam/csr/documents/COVC\\_070909.pdf](http://www.gapinc.com/content/dam/csr/documents/COVC_070909.pdf)

## Gap Inc. Update Report on Responsible Sourcing in Myanmar

- Improved the visibility of safety signage and communications
- Installed sensors and color-coded operating buttons on washing equipment
- Conduct on-going spot checks on machine safety and the use of personal protection equipment (PPE)
- Inspected electrical systems and safeguarded power generating equipment
- Improved accident reporting and the management of corrective actions
- Age verification and requirements
  - Revised, standardized and developed new written procedures and guidelines for recruiting workers to strengthen age verification and mitigate child labor risks
- Worker employment and policy education
  - Conduct on-boarding of new hires and ongoing worker policy education
- Wages and benefits
  - Provided leave and holidays in compliance with local laws and Gap Inc.'s COVC
  - Provided understandable wage statements
- Working hours
  - Avoided excessive overtime and provided at least 1 day off in 7
- Disciplinary practices
  - One factory took measures to prevent cases of improper verbal or psychological treatment of workers that were still present during the June, 2014 evaluation
- Building and fire safety
  - Upgraded fire-fighting equipment and fire alarm systems
  - Conducting regular fire drills every six months
  - Implemented a regular schedule of inspections for electrical wiring

Gap Inc. has also worked to address issues, including child labor and land rights, and improve conditions in Myanmar's garment industry beyond the factories we source from by playing a leadership role in BSR's Myanmar Responsible Sourcing Working Group. Together with several other brands, we committed to the Principles of Responsible Sourcing for Myanmar's garment sector and have engaged the ILO, Action Labour Rights, Myanmar Center for Responsible Business, the Myanmar Garment Manufacturing Association and others to better understand the complexities of doing business in Myanmar, voice our concerns and look for solutions.

### **Supplemental Information**

To help foster inclusive, sustainable development and support our business, we are pursuing collaborative initiatives that expand opportunities for women in Myanmar through cooperation with partners like CARE International and USAID. We are implementing the Gap Inc. P.A.C.E. Program (Personal Advancement & Career Enhancement) at the two factories that we source from and launching the P.A.C.E. community program in Myanmar. We are also partnering with USAID and Indiana University to develop a public-private partnership to further expand the P.A.C.E.

Program in community settings in Myanmar. P.A.C.E. uses cultural sensitization and contextualized, participatory learning modules to develop life skills and learnings that enable women to advance through work, at home and in their communities. More information about P.A.C.E. is provided in Appendix A.

## **II. Submitter**

Gap Inc.

## **III. Acknowledgement**

By signing this Public Report, Gap Inc. acknowledges that it will be made public. No information included in items 1 through 8 of the Government Report is exempt from public disclosure under Freedom of Information Act (FOIA) Exemption 4. As such, no redactions have been made to items 1 through 8.

## **IV. Point of Contact**

Wilma Wallace  
Vice President, Global Sustainability, Business & Human Rights  
Gap Inc.

## **V. Overview of Operations in Myanmar**

We have chosen to issue this report on a voluntary basis. At the time of publishing this report, Gap Inc. does not own, lease or operate any offices or facilities in Myanmar. We have not stationed any personnel permanently in the country, nor paid any salaries of factory management or workers. Our activities in the country are limited to sourcing (or contracting production for) finished outerwear from two third-party factories in Yangon for our Old Navy and Banana Republic Factory brands. As we understand, Gap Inc.'s presence in Myanmar does not constitute a "New Investment" under the U.S. Office of Foreign Assets Control (OFAC) General License No. 17, meaning we are not subject to the mandatory reporting requirements.

We have significantly increased the volume of products that we source from the same two third-party factories that are referenced in our Original Report. We have not yet expanded our sourcing in Myanmar to other factories or suppliers, considering the current transition in the political, social and business environment as well as the competitive disadvantage from current GSP policies, particularly in contrast to our European competitors.

## VI. Due Diligence Policies, Procedures and Actions

Before deciding to source garments from factories in Myanmar, we formed a cross-departmental Steering Committee of senior executives in the first quarter of 2013 and conducted due diligence on human rights issues and local business conditions. The Steering Committee includes senior leaders from Gap Inc.'s Global Supply Chain, Legal, Global Sustainability (formerly Social & Environmental Responsibility) and Government and Public Affairs departments. Members of the Steering Committee have shared responsibility for the approach to conducting business in the country. The Steering Committee continued to monitor and oversee our sourcing activities in Myanmar during the reporting period.

We have implemented an annual risk assessment process to help identify, evaluate and address risks at the country and industry levels in Myanmar on an ongoing basis. This process uses a combination of data, risk indices and expert analysis to assess and respond to changes in the country's social, political and regulatory environments. The yearly frequency is based on the scope of our activities and the pace of change in key risk factors, which we also monitor regularly through stakeholder engagement efforts.

Please refer to our [Original Report](#)<sup>5</sup> to learn more about our due diligence efforts, the challenges and risk of doing business in Myanmar and the specific policies that have guided our work in country and our business around the world. These policies include our: [Human Rights Policy](#)<sup>6</sup>, [Code of Business Conduct](#)<sup>7</sup>, Anti-Corruption Policy and [Code of Vendor Conduct](#)<sup>8</sup> (COVC).

## VII. Community and Stakeholder Engagement Policies, Procedures and Actions

We have engaged in ongoing dialogue with the ILO and USAID, industry associations, civil society and worker organizations related to identifying and taking measures to address key human and labor rights issues in Myanmar's garment industry.

- We have partnered with the ILO on improving labor practices and worker representation through the development of Workplace Coordination Committees, which now exist in both of our approved factories.
- We have played a leadership role in BSR's Myanmar Responsible Sourcing Working Group (BSR Working Group). Along with other members, we committed to the Principles of Responsible Sourcing for Myanmar's garment sector. We held consultations with a number of organizations (including UNICEF, ILO, Myanmar

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<sup>5</sup> [http://photos.state.gov/libraries/burma/895/pdf/Gap\\_Inc\\_Myanmar\\_Public\\_Report-8\\_25\\_14FINAL.pdf](http://photos.state.gov/libraries/burma/895/pdf/Gap_Inc_Myanmar_Public_Report-8_25_14FINAL.pdf)

<sup>6</sup> [http://www.gapinc.com/content/attachments/sersite/HumanRightsPolicy\\_FINAL.pdf](http://www.gapinc.com/content/attachments/sersite/HumanRightsPolicy_FINAL.pdf)

<sup>7</sup> [http://www.gapinc.com/content/dam/gapincsite/documents/COBC/COBC\\_english.pdf](http://www.gapinc.com/content/dam/gapincsite/documents/COBC/COBC_english.pdf)

<sup>8</sup> [http://www.gapinc.com/content/dam/csr/documents/COVC\\_070909.pdf](http://www.gapinc.com/content/dam/csr/documents/COVC_070909.pdf)

Center for Responsible Business) during March 17-20, 2015 in order to develop and advance a more sustainable garment industry. Our work with BSR has included efforts to improve the prevention and remediation of child labor and address potential land rights issues in factories and surrounding communities.

- As a member of the BSR Working Group, we advised and provided input into the Myanmar Garment Manufacturing Association's ("MGMA") Code of Conduct and participated in a series of meetings with MGMA on their 10-year strategy, including the recent Pyoe Pin/BIF workshop.
- Gap Inc. has participated in a labor-capacity initiative organized by the ILO along with the governments of Myanmar, U.S., Japan and Denmark and the European Union focused on jointly implementing the Initiative on Labour Law Reform and Institutional Capacity Building to improve labor rights and practices in Myanmar.

### **VIII. Human and Workplace Rights Due Diligence, Risk Prevention and Mitigation**

Our human rights due diligence in Myanmar has been guided by the country's transition back into the global community as well as our company promise to "Do more than sell clothes" and the values embodied in our policies, including our Code of Business Conduct and Code of Vendor Conduct. We also relied on the U.N. Guiding Principles on Business and Human Rights to help identify human rights issues and address adverse impacts of our sourcing activities in Myanmar.

#### **Factory Monitoring, Remediation and Capability Building**

As explained in our Original Report, we have engaged Verite, a consultancy specializing in labor rights and working conditions, to conduct recurring audits at each factory to assess labor, health and safety issues covered by our COVC. Verite's team conducted five full assessments at each factory on a quarterly basis from November, 2013 through December, 2014. Due to the substantial improvement in COVC compliance and conditions at each factory, we have moved to a semi-annual assessment schedule. The results for the June and December, 2015 evaluations will appear in our next update report.

Building on our established practices, our Supplier Sustainability (formerly Vendor Engagement & Monitoring) team trained factory management on our COVC, Code of Business Conduct and unauthorized subcontracting policy. The team helped each factory to develop and implement corrective action plans for the COVC issues identified by Verite's assessments. We established regular training programs and weekly follow-up meetings with management at each vendor's headquarters to track progress and address outstanding issues.

We have focused our remediation efforts on building each factory's ability to address issues and risks and creating a feedback cycle for continuous improvement. Our field team has provided technical advice to the factories on improving policies and management practices. We have facilitated training by third-party experts to equip factory management and workers with the knowledge and skills to achieve compliance with our requirements and international standards.

We also have worked directly with senior management at the two vendors' headquarters in Korea to gain buy-in on the commitment to issue remediation and help drive systematic change at each factory. As a result, both vendors increased investments in social compliance at each factory, which has included hiring and deploying corporate officers to each facility to set up systems and oversee social and EHS improvements and remediation.

We initiated a joint project with the ILO and U.S. Federal Mediation and Conciliation Service on Freedom of Association and Social Dialogue to help both factories improve worker-management relations, dialogue and issue resolution. Both factories received training on mediation techniques and implementing worker-management communications within the framework of international conventions and local laws. Following this training, both factories set up Workplace Coordination Committees (WCC), which are intended to protect workers' rights and are comprised of members of management and worker representatives who are chosen by other workers. Workers have been able to raise concerns and obtain responses from management through monthly committee meetings that have been held since October 2014.

Gap Inc.'s field team had workers at each factory complete surveys to establish their baseline understanding of the WCCs and shared the results with the ILO early in 2015. The results were used to customize additional ILO training in March that provided recommendations on strengthening the WCCs, which included balancing management and worker representation and standardizing the selection of worker representatives. We continue to work with the ILO and factories on providing knowledge- and skills-based training to fully implement the WCCs and build the factories' capabilities to improve and sustain performance.

As a result of the combined efforts of management and workers, the ILO, Verite and the Gap Inc. team, each factory has continued to make significant improvements since our Original Report was filed in August 2014. Examples of corrective actions and improvements that factories have implemented include:

- Health and safety
  - Purchase and use safe containers for transporting and storing flammable liquids
  - Upgraded eye wash stations to meet requirements for chemical safety
  - Installed lock sensors and color-coded buttons for on washing equipment
  - Upgraded safety-related signage and communications, including: use of personal protection equipment (PPE), exit directions and emergency phone numbers
  - Conduct on-going spot checks on machine safety and use of PPE
  - Improved safeguarding of power substation and generator room
  - Hired a contractor to inspect electrical systems and recommend improvements
  - Improved accident reporting to include investigation details and information on the management of corrective actions
- Age verification and requirements
  - Revised, standardized and developed new written procedures and guidelines for recruiting workers to strengthen age verification and address risk of applicants using documentation that does not belong to them or is falsified
  - Additional requirements include at least two proof-of-age documents with photo, i.e., National Registration Card cross-checked with other supporting documents
- Worker employment and policy education
  - Conduct on-boarding of new hires and ongoing worker policy education
- Wages and benefits
  - Provided leave and holidays in a manner that complies with local laws and the international standards of our COVC requirements
  - Provided understandable wage statements, though Myanmar's wage scheme is still complex and often difficult for workers to understand
    - Wage calculations were updated in July 2014 following Myanmar's new labor regulations related to compensation for working on Sunday
- Working hours
  - Avoided excessive overtime and provided workers with at least 1 day off in 7
- Disciplinary practices
  - One factory took measures to prevent cases of supervisors engaging in improper verbal or psychological treatment of workers that were still present during the June, 2014 evaluation covered in our Original Report

Table 1 below summarizes the COVC issues identified during Verite's full evaluations at each factory. The color gradations indicate whether new issues were found at both facilities (dark blue), one facility (medium blue) or neither facility (white). The upward arrows identify areas where either one or both factories have improved compliance with our COVC since the initial evaluation.

# Gap Inc. Update Report on Responsible Sourcing in Myanmar

Table 1 - Code of Vendor Conduct (COVC) New Issues by Full Evaluation									
Compliance Principle	Principle Subsection	Select Compliance Details	New Evaluation Nov. 2013	April 2014	June 2014	Sept. 2014	Dec. 2014	Change Since Nov. 2013 Evaluation	
Management system	Legal & customer requirements	Does not allow unrestricted access						↑	
		Does not operate in compliance with local laws						↓	
Environmental (Health & Safety)	Hazardous substances	Does not store and dispose of hazardous materials appropriately						↑	
	EMS	Does not have an EMS						↔	
Labor	Child labor (Age verification & requirements)	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations						↑	
		Does not maintain official documentation of age						↑	
		Employs worker below the legal min. age or 15, whichever is higher						↑	
	Contract labor regulations	Employment contract terms						↑	
	Discrimination	Discriminatory distribution of wages & benefits						↑	
	Humane treatment	Does not prohibit psychological abuse or coercion						↑	
	Wages & benefits	Does not pay minimum wage or industry standard							↑
		Does not pay overtime & incentives as required							↑
		Does not provide leave and holidays as required							↑
		Does not provide understandable wage statement							↑
	Working hours	Does not allow workers to refuse overtime							↑
		Does not avoid excessive overtime							↑
Does not provide 1 day off in 7								↑	
Working conditions	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis						↔	
	Occupational safety	Does not comply with health & safety laws							↑
		Does not conduct annual evacuation drills (including fire emergency instructions and documenting drills)							↑
		Does not maintain appropriate fire extinguishers							↑
		Does not maintain clear aisles, exits, stairwells, control panels and fire-fighting equipment access							↑
		Does not maintain fire alarms and emergency lights							↑
		Does not maintain sanitary toilet facilities							↑
		Does not maintain sufficient, clearly marked exits & routes							↑
		Does not provide a first aid kit on each floor							↑
		Does not provide appropriate PPE							↑
		Does not provide potable water							↑
		Does not provide sufficient ventilation							↑
Key:									
	No new COVC violation found		↑	Improvement in COVC compliance since 11/13					
	COVC violation found in one factory		↔	No change in COVC compliance since 11/13					
	COVC violation found in both factories		↓	Decline in COVC compliance since 11/13					

Overall, the table demonstrates a strong positive trend in improved compliance and working conditions, though we recognize the need to help ensure that compliance is sustained over time and factories continue to improve. As issues are fixed, some new issues have also been identified. This is a common, ongoing challenge and natural by-product of the process of continuous improvement.

The issues identified in the most recent full evaluation of December 2014 had been addressed by the time the Gap Inc. team conducted the most recent follow-up evaluations in March 2015. The issues related to the COVC detail “Does not operate in compliance with local laws” consisted of two newly hired workers not yet receiving copies of their employment contracts at one factory and some workers at the other factory not having a high awareness of employment practices and grievance procedures. Awareness issues were most likely to be found among newly hired workers.

Worker education and awareness has been one of the more challenging issues to improve and sustain, despite concerted efforts at both factories. The large volume of information that is presented to workers can be difficult for them to absorb and retain quickly. To improve their social compliance and working conditions, both factories have provided information about legal requirements, employment practices, occupational health and safety, labor practices and other topics to workers through handbooks, training and posters. We have advised managers at both factories to consider innovative approaches to make employment and labor practices easier for workers to understand.

We anticipate some issues will continue to arise due to the growing workforce and expectation that the retention of new information will be low among new hires. This leads to the need to frequently train new employees on proper policies and practices, and it takes time for workers’ to internalize this new knowledge and make it part of their everyday behavior and routines.

### **Building and Fire Safety**

Both factories have continued to make improvements to building and fire safety. Examples include:

- Upgraded fire-fighting equipment and fire alarm systems
  - Installed fire pump and reel hoses
  - Installed centralized fire alarm system and louder alarm bells
- Implemented fire safety policy and procedures for reporting fires
- Designated emergency evacuation assembly areas that have been approved by the local Township Fire Brigadier

- Conducting regular fire drills every six months
- Implemented a regular schedule of internal inspections for electrical wiring

## **IX. Grievance Policies and Procedures**

Both factories have improved their processes and capabilities for reporting, documenting and handling grievances. They have made concerted efforts to open communication channels between workers and management through suggestion boxes, informal shop-floor surveys and Workplace Coordination Committees. Third-party assessments indicate that grievance procedures have improved and workers have begun to use them to raise concerns to management. For example, one factory has started provided cold purified drinking water services as an outcome of the WCC dialogue.

While this progress is encouraging, we recognize that relations between workers and supervisors still tend to be hierarchical, and workers will need time and support to become more comfortable engaging their superiors and expressing concerns. We expect effective and fully functional workplace cooperation to take some time to achieve and believe that a phased approach is critical to build up communication and problem-solving skills over time.

Please refer to our Original Report to learn more about other improvements that each factory made to their grievance policies and procedures.

## **X. Environmental Policies and Procedures, Risk Prevention and Mitigation**

Environmental standards and performance in Myanmar tend to be low due to the country's absence of environmental laws. We have supported both factories in assessing their environmental performance using the Sustainable Apparel Coalition's Higg Index tool. We provided training to both factories on using the Higg Index in September 2014. We conducted on-site verifications of both facilities' assessments, and factories developed corrective action plans in December 2014. We are tracking both factories' progress on implementing corrective actions on a quarterly basis and encouraging them to complete these actions by the third quarter of 2015.

## **XI. Property Acquisition**

We consulted with stakeholders abroad and in-country to learn about risks and good practices related to land rights and property acquisition and conducted due diligence with each factory's management. Each factory has legal documentation for the land it occupies, and we have not encountered any records or indication that land disputes occurred during the period that the factories have been in operation.

Since filing our Original Report, we have continued to play a leadership role in the Myanmar Responsible Sourcing Working Group and engage other stakeholders to understand how we can better contribute to preventing people with customary land rights from being unfairly forced off their land.

## **XII. Anti-Corruption Policies and Procedures, Risk Prevention and Mitigation**

As described in our Original Report, Gap Inc. has developed a company-wide compliance framework for monitoring, enforcing and addressing any issues against our policies that prohibit and prevent corruption. Our Anti-Corruption Policy prohibits bribery by an employee or agent of Gap Inc. and combines elements from our Code of Business Conduct with anti-bribery requirements under the U.S. Foreign Corrupt Practices Act (FCPA).

For more details on our anti-corruption programs, please refer to the Original Report.

## **XIII. Other Topics**

### **A. Arrangements with Security Providers**

Gap Inc. has not directly engaged the services of any security providers in Myanmar.

Verite's assessments covered both factories' use of security personnel and identified risks related to restricting workers' movements at each facility. These issues were addressed by conducting orientation with security service providers, revising service agreements and clarifying roles. Factories have also included security guards in their training program on employment policies, including anti-harassment and abuse and discrimination. Workers did not report any cases of intimidation by security personnel.

### **B. Transparency**

Gap Inc. has not made any payments to government entities or any subnational or administrative entity in Myanmar other than those that may be required in the normal course of business such as customs duties or taxes. We have not made any payments that we believe are in violation of the law, or our anti-corruption policies and practices...

### **C. Military Communications**

We have not engaged in any communications with members of Myanmar's military.

## **SUPPLEMENTAL INFORMATION**

Please refer to our most recent [2011-12 Social & Environmental Responsibility Report](#) for more information about Gap Inc.'s policies, programs and practices.

Appendix A provides Supplemental Information, which is not specifically required or requested by the U.S. State Department Guidelines, about Gap Inc.'s social investment and efforts to expand opportunities for women in Myanmar.

### **Appendix A – Gap Inc. P.A.C.E. Programs for Women's Advancement**

To support inclusive development and expand opportunities for women, Gap Inc. is implementing three variants of its P.A.C.E. (Personal Advancement & Career Enhancement) programs for advancing women in Myanmar. These programs include:

- P.A.C.E. Program for women in garment factories
- P.A.C.E. Community Program
- P.A.C.E. Leadership Program for women's entrepreneurship (in development)

P.A.C.E. uses cultural sensitization and contextualized, participatory learning modules to develop life skills and learnings that enable women to advance through work, at home and in their communities.

We have worked with our global implementation partner, CARE International, to launch the P.A.C.E. factory program in Myanmar. We initiated the program in the first facility in October 2014, where there are currently more than 200 workers participating, and are scheduled to launch at the second facility in August 2015. The initial class of participants has completed three learning modules on communication and problem solving, decision-making and time and stress management. The fourth module on Water, Sanitation and Hygiene (W.A.S.H.) is currently in progress. The class is scheduled to graduate in the fourth quarter of 2015.

The initial, anecdotal feedback we have heard from P.A.C.E. participants has been very positive. The following are actual quotes from women garment workers participating in the program in Myanmar.

*“Before learning the communication module, I was afraid to enter the factory office room and communicate with office staff. Now I am confident in communicating with office staff. I share my knowledge with my sister and use the skill with my family members.”*

*“Thanks to the communication skills I have learned, now I have positive thinking and interact positively with people from work, so I feel happier.”*

*“Before the P.A.C.E training, I was silent and weak about communicating and always concerned about solving problems. It was my weak point. Now I changed and can solve some small problems, stop running away from problems and be brave about solving problems. I changed my weak point into a strength.”*

We will provide more information on their progress and the results of an independent evaluation that will be conducted by the International Center for Research on Women (“ICRW”) in our next update report.

We also implemented the P.A.C.E. Community Program in community settings near manufacturing facilities in Yangon. We have experienced higher-than-expected attrition among the large share of migrant workers in the program and are making plans to adjust for this factor with our next class of participants.

We are also partnering with USAID and Indiana University (IU) to develop a public-private partnership with the goal to further expand the P.A.C.E. Program in community settings in Myanmar that may be located more remotely and away from any garment manufacturing factories. As part of the Memorandum of Understanding (MOU) signed with USAID, Gap Inc. will continue to explore the development of a P.A.C.E. Leadership program to further improve the lives of women by promoting economic empowerment, leadership and conflict resolution. We expect P.A.C.E. training for IU staff to begin during the summer of 2015.