

Responsible Sourcing in Myanmar

Gap Inc.

**Update Report for the Period
June 1, 2015 – May 31, 2016**

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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 during the period June 1, 2015 through May 31, 2016. It includes references to our [Original Report](#), filed on August 25, 2014, and our 2015 Update Report filed July 1, 2015. Our prior reports should be consulted for additional information about our due diligence, stakeholder engagement and other aspects of our activities in Myanmar.¹

We continued to source from the same two factories in Myanmar during the reporting period, Yangon Pan-Pacific International Co. Ltd. and Myanmar Ha Hae Co. Ltd., which account for a very limited share of our global sourcing. Our suppliers indicate Gap Inc.'s sourcing in Myanmar has created almost 1,000 new jobs, and supported the employment of more than 4,300 workers.

While we are encouraged by the progress we have seen in Myanmar, we are also realistic about its challenges, and continue to monitor the political and commercial environment in the country. Please refer to our Original Report for more information about the challenges of doing business in Myanmar.

We have elected to voluntarily 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"). 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.

Gap Inc. Responsible Sourcing in Myanmar

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

We have collaborated with a range of stakeholders to monitor and address socio-political developments in Myanmar as well as advocate for regulatory actions that are important for developing a sustainable apparel industry in Myanmar. Through

¹ http://photos.state.gov/libraries/burma/895/pdf/Gap_Inc_Myanmar_Public_Report-8_25_14FINAL.pdf

collaboration with other brands and the Ethical Trading Initiative, we called on Myanmar's government to set a uniform minimum wage level across all industries that is appropriate for workers' living costs. We also recognized the important role that Freedom of Association and social dialogue between employers and worker representatives play in negotiating wage levels and resolving issues.

As an active member of BSR's Myanmar Responsible Sourcing Working Group (BSR Working Group), we have worked to strengthen the MGMA Code of Conduct and support actions to build a more sustainable garment industry, including efforts to ensure the prevention of child labor and protect land rights.

At the two facilities we source from in Myanmar, we have continued to partner closely with factory management, workers and experts, including the ILO, to improve labor practices and working conditions. 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.

The ILO conducted additional trainings at both facilities in June and October 2015 in order to assess and continue to help improve the effectiveness of the Workplace Coordination Committees (WCCs). Worker surveys that were developed and analyzed by Gap Inc.'s capability team and administered by the factories indicate that the WCCs have been instrumental in resolving disputes and improving social dialogue between workers and management. They also identified opportunities to expand participation in the WCCs and link them more directly to day-to-day responsibilities and product manufacturing activities.

In addition to the progress on implementing the WCCs, each factory made a number of other significant improvements since our Original Report and 2015 Update Report. Examples of improvements made by one or both factories include:

- Compliance with local laws
 - Revised employment contracts to include terms and conditions required by Myanmar's government. Workers we interviewed understood the terms and conditions of their contracts.
- Working hours
 - Took steps to limit work weeks to 60 hours or less in response to a few cases of workers logging 61-66 hours in a week.
- Disciplinary practices
 - Provided training to factory managers on the zero-tolerance policy for harassment. Revised procedures to ensure employees have clear

communication channels to report any concerns and provide for independent investigations if needed. Took steps to ensure all policies and procedures are properly documented and clearly communicated to all employees.

- Health and safety
 - Improved accident investigation protocols by incorporating root cause analysis and the development of preventive action plans.
 - Took various measures to improve worker safety in certain production areas, including: installed new first aid kits; provided more appropriate personal protection equipment (PPE) for certain tasks; installed safety shields on equipment and safety plugs on steam ports of unused irons; and provided ergonomic mats to workers.

Gap Inc.'s environmental capability building team also provided additional training to suppliers on using the Sustainable Apparel Coalition's (SAC) Higg Index tool to implement and report on environmental good practices. Examples of environmental improvements implemented by one or both factories include:

- Monitor key environmental inputs and outputs (e.g., electricity, gasoline, water, chemicals) on a monthly basis.
- Established a team to manage environmental programs and performance.
- Installed energy-efficient LED lighting.
- Replaced diesel fuel boiler with an electric boiler.
- Installed meters to measure water consumption.
- Maintain a restricted substance list (RSL) for chemicals.
- Segregated and began to measure waste streams.

Myanmar's Ministry of Labor, Employment & Social Security presented Myanmar Ha Hae Co. Ltd. with a Certificate of Honor for earning the first prize in the ministry's unannounced site inspections for environment, health and safety. This facility was also recognized as the first recipient of the "2015 SMART Award" for its achievements in improving social compliance by a partnership including Systain Academy and the Myanmar Garment Manufacturers Association.

Gap Inc. presented our own CSR Award to Yangon Pan-Pacific International Co. Ltd. in July 2015 in recognition of the facility's work to establish higher standards for workers' rights in Myanmar and progress in improving working conditions and the livelihoods of workers at the facility.

Overall, we have seen a strong positive trend in improvements in labor practices and working conditions at both facilities. At the same time, we understand that new issues

continue to arise as factories work to consistently implement new policies and procedures as well as respond to various external factors, from government regulations to infrastructure challenges. We recognize the need to help ensure these changes are sustained over time and factories continue to improve.

Supplemental Information

To help foster inclusive, sustainable development and support our business, we continue to pursue collaborative initiatives that expand opportunities for women in Myanmar through cooperation with a number of partners, including CARE International, USAID and Indiana University. Please see Appendix A for more information on these programs.

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

Daniel Fibiger
Director, Global Partnerships and Supplier Sustainability
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, Yangon Pan-Pacific International Co. Ltd. and Myanmar Ha Hae Co. Ltd., 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 continue to source from the same two third-party factories that are referenced in our Original Report and 2015 Update 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

Please refer to our [Original Report](#)² 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.

We conduct 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.

VII. Community and Stakeholder Engagement Policies, Procedures and Actions

Since our 2015 Update Report, we have continued to engage in ongoing dialogue with the ILO, 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 ongoing implementation and improvement of Workplace Coordination Committees at both facilities that we source from in Myanmar.
- Gap Inc. participated in the first Stakeholder Forum of the U.S.-government led Initiative to Promote Fundamental Labor Rights and Practices in Myanmar in May, 2015. The forum included over 200 participants representing labor, business and civil society interests, as well as governments and international organizations. Participants engaged in constructive dialogue on labor law reform, child labor, minimum wage, capacity building and other issues for Myanmar's labor sector.
- We joined with H&M and N Brown Group in June, 2015 in requesting Myanmar's government to clarify its position and intention to implement the minimum wage law that it enacted two years earlier. We also called on the government to set a uniform minimum wage level across all industries that is appropriate for workers' living costs. In July 2015, we joined with other members of the Ethical Trading Initiative (ETI) to

² http://photos.state.gov/libraries/burma/895/pdf/Gap_Inc_Myanmar_Public_Report-8_25_14FINAL.pdf

further advocate for establishing a uniform minimum wage level in line with ILO Convention 131 and respecting ILO Conventions 87 and 98. As noted in both of these communications, we believe a uniform minimum wage that does not allow exceptions for the garment industry is important for protecting the rights and well-being of garment workers as well as promoting the sustainable economic development of the garment industry and the country. We noted that the minimum wage should be reconsidered through an annual review mechanism that is inclusive of key stakeholders and lays the foundation for constructive tripartite industrial relations and a wage-level negotiations process based on transparency, inclusiveness and peaceful negotiation. We also recognized the important role that Freedom of Association and social dialogue between employers and worker representatives play in negotiating wage levels and resolving issues.

- We have also played a leadership role in BSR's Myanmar Responsible Sourcing Working Group (BSR Working Group). In October 2015, the BSR Working Group met with key stakeholders in Myanmar to engage in dialogue on industry- and country-level issues. Participating stakeholders included Pyoe Pin, MGMA, ILO and UNICEF. The group also held workshops to review its work and progress in Myanmar over the past two years and develop a plan for engaging stakeholders on key issues in 2016. In December 2015, we contributed to the BSR Working Group's second round of feedback on the MGMA Code of Conduct. Among other recommendations, this feedback included making more explicit reference to preventing child labor and potential forms of discrimination. Other recommended additions to the MGMA Code of Conduct included: preparedness for fires and other emergencies; human rights clauses to contracts with subcontractors; and more robust procedures for grievance mechanisms, including worker training and standard resolution processes and timelines.

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 and the values embodied in our policies, including our Code of Business Conduct and Code of Vendor Conduct. Please refer to our Original report for more information.

Factory Assessments, Remediation and Capability Building

We engaged Verité, 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. Due to the substantial improvement in COVC compliance and conditions at each factory, we moved to a semi-annual assessment schedule in 2015.

We transitioned our factory assessments in Myanmar from Verité to our own team of Assessment & Remediation Specialists in May 2016 to align with the approach we take in other countries. We were able to make this transition due in part to the experience our team has gained in Myanmar working with Verité and the ILO. We continue to work with Verité in other sourcing countries to evaluate and enhance our programs for factory assessments, remediation and capability building.

Since engaging suppliers in Myanmar, we have focused our remediation efforts on building each factory's capabilities to address issues and risks and creating a feedback cycle for continuous improvement. Our capability building team has provided technical advice to the factories on improving policies and management practices. We have facilitated training by third-party experts and led our own training programs to equip factory management and workers with the knowledge and skills they need to comply with our requirements and international standards. We have also 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.

ILO Collaboration and Workplace Coordination Committees

We continued to build on our collaboration with the ILO during this reporting cycle to help both factories improve worker-management relations, dialogue and issue resolution. Prior to this update, both factories had received training on mediation techniques and worker-management communications as well as set up Workplace Coordination Committees (WCCs) to protect workers' rights. As a result, workers have been able to raise concerns and obtain responses from management through monthly committee meetings that have been held since October 2014.

The ILO conducted additional training at both factories in June 2015, which focused on sharing lessons learned from implementing the WCCs. In October 2015, the ILO met with management and worker representatives separately to discuss both factories' progress with implementing the WCCs and identify areas for further improvements.

The meeting identified a number of strengths and positive outcomes of the WCCs, several implementation challenges and recommendations for enhancing the effectiveness of WCCs, including the examples provided below.

- Strengths and positive outcomes of WCCs:
 - Most issues raised in WCC meetings are resolved within a week.
 - Monthly meeting schedule has been maintained and additional meetings are called if needed to address any urgent issues.

- WCCs promote regular interaction and dialogue between workers and management.
- Implementation challenges for WCCs:
 - Workers' understanding of WCCs and their functions could be improved.
 - Workers don't always receive responses to suggestions made to WCCs.
 - Roles of WCC members could be more clearly defined.
 - More effort should be made to protect the anonymity of workers who raise issues for the WCCs.
- Recommendations for making WCCs more effective:
 - More clearly delineate roles and responsibilities of WCC members through written ground rules or terms of reference.
 - Improve prioritization and presentation of issues submitted by workers to WCC.
 - Expand channels for communicating decisions and actions taken to workers e.g., newsletter, notice board.

Worker Surveys

In December 2015, both factories administered worker surveys on the effectiveness of the WCCs as a follow-up to the baseline surveys that Gap Inc.'s capability building team developed and helped to initially implement in February 2015. Gap Inc.'s field team analyzed and compared the results of the December and February 2015 surveys to assess progress and opportunities for improvement.

Nearly all of the workers surveyed at both factories responded that the WCCs were effective at reducing disputes in the workplace and improving communication between workers and management. Workers at both factories observed that the WCCs led to improvements in labor practices and working conditions, with an increase in effectiveness from February to December responses.

Workers responding to the surveys saw an opportunity to link the WCCs more directly to day-to-day responsibilities and impacts on production and product quality. Other opportunities for improvement from workers' survey responses include:

- Ensure WCCs are communicated to the entire workforce;
- Explore other avenues for worker-management communication beyond WCCs;
- Develop mediation and negotiation skills; and
- Simplify WCC trainings so they are easier to understand.

Several testimonials from workers and management on the effectiveness of WCCs are provided below for additional context.

Worker Reactions:

“WCCs enable us to raise issues directly with management in monthly meetings and get quick feedback and responses. Many of the issues we raise are solved much quicker than before.”

“In my experience, WCCs help us to openly discuss our common concerns and negotiate with management to meet our requirements.”

Management Reactions:

“It’s good to have WCCs at the company. As a manager, WCCs let me listen and talk to workers more. After joining the WCC, we were able to share and solve more issues that workers faced before they became bigger problems. Workers are also more comfortable talking to me about their concerns. It’s made me busier, but I am really happy this way.”

“WCCs offer workers a good chance to learn more about labor laws and receive quick updates on law changes. It’s a good opportunity for them.”

While workers in one factory reported immediate benefits from WCCs in the February survey, workers at the other factory responded more favorably in the December survey. As these patterns suggest, our experience shows the time and resources it takes for new programs to be implemented and take effect can vary significantly from one factory setting to the next.

Gap Inc.’s capability building team provided Occupational Health & Safety (OHS) training at both factories in June, 2015, which built on previous training provided by Verité and other experts as well as our own team. OHS topics covered by the training included: legal compliance; general safety; personal protective equipment (“PPE”) and machine safety; fire, electrical and structural safety; and medical care and first aid. To focus the training on the most relevant issues, the team analyzed the frequency and recurrence of health and safety issues at each facility. The training instructed employees at both facilities on the use of management systems that are designed to facilitate the early detection and prevention of potential health and safety issues. Leveraging their experience in both facilities, the team worked to make the training materials as visual as possible so the content would be easier for workers to understand and retain on the job.

Corrective Actions and Improvements

As a result of the combined efforts of management and workers, the ILO, Verité and the Gap Inc. team, each factory has continued to make significant improvements since our 2015 Update Report. Examples of corrective actions and improvements that one or both factories implemented during this reporting cycle include:

- Compliance with local laws
 - Revised employment contracts to include terms and conditions required by Myanmar's government. Workers we interviewed understood the terms and conditions of their contracts.
- Environment management system
 - Trained cleaners on proper procedures for collecting, storing and sealing food waste and other garbage.
- Wages and benefits
 - Agreed to take several measures to improve compliance with legal requirements for wages and benefits, including: correct calculations for payment of unused annual leave; implement 15-day paternity leave; and revise social security contributions.
- Working hours
 - Took steps to limit work weeks to 60 hours or less in response to a few cases of workers logging 61-66 hours in a week.
- Disciplinary practices
 - Provided training to factory managers on the zero-tolerance policy for harassment. Revised procedures to ensure employees have clear communication channels to report any concerns and provide for independent investigations if needed. Took steps to ensure all policies and procedures are properly documented and clearly communicated to all employees.
 - Manager met with 25 line supervisors to reinforce policy against not imposing punitive fines against workers.
- Health and safety
 - Installed new first aid kits to replace old ones that did not open properly in some cases.
 - Improved accident investigation protocols by incorporating root cause analysis and the development of remediation preventive action plans.
 - Took various measures to improve the safety and health of workers in certain production areas, including: provided more appropriate personal protection equipment (PPE) for certain tasks; installed safety shields and secured movable equipment to prevent it from sliding and provided ergonomic mats.
 - Implemented improvements to building, electrical and fire safety, including: installed safety plugs on steam ports of unused irons and guards on floor openings in certain production areas; replaced covers for electrical connections;

- and improved drainage.
- Agreed to install engineering controls to reduce noise levels and improve ventilation in certain production areas.

Many of the examples above involved addressing isolated cases of non-compliance with our COVC rather than widespread issues. Table 1 below summarizes the COVC issues identified during each full evaluation at both facilities. 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	June 2015	Dec. 2015	May 2016	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 net 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 these results are sustained over time and factories continue to improve. As issues are fixed, some new issues have also been identified. The need to address recurring and new issues on an ongoing basis is a natural outcome of implementing new policies and procedures and pursuing a process of continuous improvement.

Both factories' efforts to improve working conditions and comply with our COVC have been affected by a number of factors, some of which have been beyond the control of factory managers and workers. For example, due to frequent power outages, one factory needed to install an additional generator and run all of its generators continuously to maintain production. This led to high noise levels in work areas located near the generators and a need to install controls to limit noise to more comfortable levels.

In terms of wages, factory managers referred to inconsistent advice on wage rates from the Myanmar government's labor office as a factor in needing to revise employment contracts multiple times. In another example, one factory had been unable to renew its wastewater certificate since the assigned government agency had been closed and wasn't scheduled to reopen until summer of 2016.

In other cases, factories have had to take steps to remain in compliance with new government laws. For example, Myanmar's social security agency implemented a more detailed rule book that led to issues of non-compliance with local laws until factories have a chance to bring their policies and practices in line with the new regulations.

Worker education and awareness has been one of the more challenging issues to improve and sustain, despite concerted efforts at both factories. The WCCs have helped to address the issue by providing an effective channel for worker representatives to learn more about labor standards and practices and share their learnings with other workers. We have advised managers at both factories to consider innovative approaches to make employment and labor practices easier for workers to understand.

We also 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.

IX. Grievance Policies and Procedures

Both factories continued to make progress on improving workers' abilities to address any grievances. The WCCs play a key role both in providing a mechanism both for expressing grievances and improving grievance policies and procedures. Our worker surveys indicate that the WCCs are improving workers' ability to raise and address issues with management. In addition, as noted above, both facilities have taken additional measures to ensure workers are able to report and seek remedy for any potential cases of harassment or other issues that could affect their rights or well-being. These included ensuring employees have clear communication channels to report any concerns and providing for independent investigations if needed.

While this progress is encouraging, we expect effective and fully functional grievance mechanisms and workplace cooperation to take some time to achieve. We believe that a phased approach emphasizing continuous improvement is critical to achieve effective grievance mechanisms that ensure the protection of workers' rights and well-being.

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 have tended to be low due to the country's limited environmental regulations. Our capability building team provided additional training to management at both suppliers on using the Sustainable Apparel Coalition's (SAC) Higg Index tool during the reporting period. Based on this training, a management representative from each supplier conducted separate verifications to help assess and support each facility's efforts to implement and report on environmental good practices included in the SAC's Higg Index.

As part of their improvement plans for 2015 – 2017, one facility established a target for lower energy consumption and another plans to implement a regular process for measuring progress on reducing energy consumption.

Examples of improvements that one or both factories have already implemented based on the SAC's Higg Index include:

- Monitor key environmental inputs and outputs (e.g., electricity, gasoline, water, chemicals) on a monthly basis.
- Established a team to manage environmental programs and performance.
- Installed energy-efficient LED lighting.
- Replaced diesel fuel boiler with an electric boiler.

- Installed meters to measure water consumption.
- Maintain a restricted substance list (RSL) for chemicals.
- Segregated and began to measure waste streams.

XI. Property Acquisition

Since filing our Original Report and 2015 Update Report, we have continued to play a leadership role in BSR's 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. 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.

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

For more details on our Anti-Corruption Policy and 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. Our 2015 Update Report documents Verité's assessments of both factories' use of security personnel and 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.

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 [Global Sustainability website](#) and most recent Global Sustainability Report, 2013 – 2014, which can be downloaded from the website, 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 implement the P.A.C.E. factory program in both facilities in Myanmar. A total of 160 women completed the first year of programming at one facility by December 2015. A new batch of 260 women is scheduled to begin the program in the summer of 2016. At the other facility, 94 participants have completed all core modules of the P.A.C.E. curriculum and the module on Execution Excellence. They are currently working on the W.A.S.H. module on good practices for water, sanitation and hygiene.

Many participants in Myanmar have commented on the benefits they have received through the program. We expect to learn the results of an independent evaluation conducted by the International Center for Research on Women ("ICRW") by fall 2016.

The P.A.C.E. Community program in Myanmar, which is run by CARE Myanmar, was launched with 260 women in late 2014. The program was initially located in a migrant community in the greater Yangon area. The very fluid movement of migrant workers presented a number of challenges with effectively implementing the program in a way

that would enable workers to receive the intended benefits. Due to the higher-than-expected attrition of migrant workers, 165 women completed the program.

Considering these developments, we decided to implement the second year of the program in rural communities with a more stable population. Relocating the program led to the need to hire and train new P.A.C.E. teachers as well as translate training documents and materials. The program is scheduled to launch in July, 2016 in the Shan State of Myanmar.

We have also partnered with USAID and Indiana University to develop a public-private partnership that further expands the P.A.C.E. Program in other community settings in Myanmar. Five partner organizations have been trained on implementing the P.A.C.E. curriculum, and we expect two additional partners to complete training this summer. With the support of our partners, we are on-track to exceed our target of 500 participants for the first year of the program. Classes are currently in progress in 12 villages or cities across the country. Over 375 participants are currently enrolled in the program, and close to 200 more people are expected to participate through eight new classes that are scheduled to begin in summer 2016.