

“Respecting Human Rights in Gap Inc.’s Global Supply Chain”

The UN Guiding Principles on Business and Human Rights provide companies with a blueprint for how to know and show that they respect human rights throughout their operations - in their own activities and business relationships. Shift is a non-profit organization whose team helped shape and write the Guiding Principles; we now work with governments, business and other stakeholders to put them into practice. We were asked by Gap Inc. to offer reflections on the implications of the Guiding Principles for Gap Inc.'s efforts to respect human rights in its global supply chain, as described in this section of their Social & Environmental Responsibility (S&ER) report. Our comments were informed by reviewing documents and interviewing key staff; they are not an assessment of the effectiveness of Gap Inc.'s policies and processes on the ground.

Gap Inc. has a Human Rights Policy that applies to its wholly-owned operations and apparel supply chain, as well as a long-standing Code of Vendor Conduct that sets clear expectations for factories that produce goods for Gap Inc. The Policy importantly identifies impacts on workers' human rights as the company's leading human rights risks.

The Guiding Principles focus attention on impact as the basis for a company's responsibility to respect human rights, rather than influence (or leverage). Influence is critical in preventing and addressing identified human rights impacts, but is not a filter on a company's responsibility – regardless of where those impacts occur in the supply chain. Gap Inc.'s human rights commitments should apply equally to its non-apparel and non-merchandising supply chain, even if Gap Inc.'s leverage in these business relationships may be less – or less obvious – than its leverage with first tier apparel vendors. This will be important as Gap Inc. expands its franchise business.

The S&ER and Sourcing teams work closely to embed Gap Inc.'s policy commitments in its relationships with vendors – and to help those vendors meet their own human rights commitments. The S&ER team provides input into key risk assessment processes, including sourcing decisions and vendor relationships, and seeks to support category leaders in identifying and mitigating human rights risks in core business operations. This cross-functional engagement will be central to achieving Gap Inc.'s goal of jointly advancing human rights and strategic business objectives.

The Guiding Principles focus companies' human rights risk management processes on risk to affected stakeholders, rather than risk to the business. Risks of severe human rights impacts are the first priority. Gap Inc. implicitly recognizes this in key programs (i.e., addressing Uzbek cotton) and in its responses to specific incidents (such as instances of child labor), and seeks to use its leverage to address them. However, we recommend Gap Inc. review whether this “severity” lens is consistently

applied across its activities and business relationships: for example, in its approach to vendor capacity-building, and assessments of non-apparel suppliers.

To fully assess the severity of potential impacts, a company needs to understand the perspectives of affected stakeholders. Gap Inc. seeks to integrate worker perspectives into its robust vendor monitoring and capacity-building program, and relies on local staff who are attuned to language, cultural and other sensitivities to do so. The value that Gap Inc. places on broader stakeholder engagement is evident in multiple places in the report. However, we recommend that Gap Inc. review how and in what ways the results of such engagement are formally incorporated into existing systems for risk assessment, mitigation and remediation.

Notably, root cause analysis is an integral part of Gap Inc.'s processes. This helps Gap Inc. understand the underlying causes of failures to respect workers' human rights and helps Gap Inc. see where its own actions might contribute to negative human rights impacts. Gap Inc.'s transparency in recognizing the relevance of purchasing practices for its vendors' ability to respect human rights is commendable, and provides a powerful example to other companies.

We were not asked to review supply chain metrics or performance data included in the report. With regard to the processes for gathering such information, Gap Inc. has several initiatives underway to improve internal data collection and sharing. Importantly, factory audit results are increasingly incorporated into Gap Inc.'s standard operating procedures and reports, as well as into vendor capacity evaluations. Gap Inc. also plans to develop outcome-oriented performance indicators to integrate human rights information into business decisions. We welcome Gap Inc.'s acknowledgement that these efforts are essential to more meaningfully track its performance.

The Guiding Principles expect companies that may be involved with severe human rights impacts to report formally on their efforts to address them. Gap Inc.'s description of the challenges of stemming forced labor by female garment workers under the Sumangali scheme in Southern India is one of several compelling examples of this. We are also pleased to see Gap Inc. explain its approach to materiality in reporting on its human rights performance. From a Guiding Principles perspective, materiality assessments regarding human rights risks need to fully reflect the severity of impacts on affected stakeholders; it will be important to review this aspect as Gap Inc.'s approach evolves.

Operational-level grievance mechanisms are a formalized means for affected stakeholders to raise concerns about company impacts in order to seek remedy. Where workers are represented by trade unions, industrial relations processes are themselves an important grievance mechanism. Gap Inc.'s efforts to support workers' freedom of association (for example, in Cambodia) are important in this regard. Gap Inc. can also build on lessons it has learned from engaging credible third parties to help establish and operate effective grievance mechanisms.

The Guiding Principles recognize that there are many ways in which companies can seek to build leverage to address endemic human rights challenges, including through collaborative efforts. Systemic

weaknesses in building and fire safety in Bangladesh represent a particular priority in this regard. Collaboration – with other brands, retailers, trade unions, civil society, suppliers, and the Bangladeshi Government – is essential to tackle this acute challenge. We regret that many North American brands, including Gap Inc., felt it was necessary to form a separate Alliance for Worker Safety, rather than join the European-driven Accord, which has broad stakeholder and institutional support. It is imperative to avoid duplication, inconsistency or confusion between the two initiatives. Observers of both initiatives will ultimately look for what results are delivered for workers. Experience from Gap Inc.’s own fire and building safety program, with its emphasis on worker empowerment, safety, and Freedom of Association, should contribute towards advancing tangible improvements on the ground. Gap Inc. also has an important role to play in driving transparency and accountability to demonstrate the achievement of collective commitments and sustainable, tangible improvements for workers.

Experience shows that companies that are willing to acknowledge challenges and seek shared solutions in meeting their responsibility to respect human rights are best placed to build stakeholder understanding and trust. Gap Inc. has come a long way from its first S&ER report in 2003, and we encourage Gap Inc. to continue to be transparent and receptive to stakeholder concerns. We recognize Gap Inc.’s commitment to further aligning its approach with the Guiding Principles, and hope these comments can support its ongoing efforts to put respect for rights into practice.