

OVERVIEW

Gap Inc. has been a signatory to the United Nations Global Compact since 2003, and actively supports its principles. Gap Inc.'s commitment to the UN Global Compact is stated on our website and in our biennial Social and Environmental Responsibility Report. Our current Social Responsibility Report (2009-2010) includes a statement of support for the UN Global Compact's ten universal principles from our CEO, Mr. Glenn Murphy, available [here](#) (see "Links" at the end of the document).

Gap Inc. communicates its progress in achieving the ten principles of the UN Global Compact through its corporate website, biennial Social and Environmental Responsibility Report, formal stakeholder sessions, and ongoing stakeholder outreach, dialogue and partnerships. To better understand how Gap Inc. is working to uphold the UN Global Compact Principles, please see our United Nations Global Compact Principles chart [here](#).

This update builds upon the information that was provided in Gap Inc.'s 2009-2010 Social and Environmental Responsibility Report, and includes our efforts to: continually improve factory working conditions; diminish our environmental impact through developing sustainability objectives and practices; foster a positive and equitable work environment for our employees; work to ensure our employees and our business partners strictly adhere to anti-corruption practices as defined by the UN Global Compact and our own Code of Business Conduct; and, invest in our communities through Gap Foundation.

Progress on our efforts in 2011-2012 will be described in our upcoming Social and Environmental Responsibility Report, scheduled for release during the summer of 2013. For more information about Gap Inc. and its commitment to social and environmental responsibility, please visit our [website](#).

HUMAN RIGHTS

Gap Inc. operates a comprehensive monitoring and vendor development program that seeks to uphold workers' rights in all of the factories that manufacture Gap Inc. branded apparel, as articulated in our Code of Vendor Conduct. Our program is two-tiered in that it a) monitors and audits the vendors with whom we work to ensure they are in compliance with our Code of Vendor Conduct (COVC), which is based on national labor laws and the International Labor Organization's core conventions, and b) is focused on capacity building, helping factory management develop human resource management systems that address the root causes of many labor rights violations. Building the capacity of our supply chain partners is a crucial element of our objective to make social and environmental responsibility efforts sustainable.

In 2010, we developed a Human Rights Policy for Gap Inc. Our commitment applies globally within our wholly-owned operations, as well as within our apparel supply chain. Our policy highlights our commitment to respect fundamental human rights throughout these operations, as well as our intent to support the promotion of human rights within our sphere of influence (for example, we have greater influence in our work with factories where our garments are produced than we do in our work on more complex issues, such as the labor conditions where raw cotton is harvested).

To give life to the principles in this policy, we have identified both geographic regions and specific human rights issues where we see the greatest need for our involvement and the greatest potential for our company to effect change. Our immediate focus is on the four fundamental labor principles that protect workers' rights, which are defined in the ILO Declaration on Fundamental Principles and Rights at Work (often referred to as the "ILO Core Conventions"). These

fundamental labor principles include the prohibition of child labor, the prohibition of forced labor in all its forms, freedom of association and the right to collective bargaining, and protection from discrimination.

We have also looked to various international charters and declarations to provide context for our policy, including the Universal Declaration of Human Rights (UDHR); the UN Global Compact; the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

The below examples offer a partial snapshot of how Gap Inc. is working to improve working conditions throughout its supply chain:

- We have a team of approximately 75 full-time staff who are responsible for advancing Gap Inc.'s social and environmental responsibility efforts.
- We continue to conduct announced and unannounced audits in the factories producing branded apparel for our family of brands. In 2011, we monitored 98.7% of these factories in our supply base.
- We work closely with labor rights organizations, environmental groups, nonprofits, community-based organizations, trade unions, industry associations, investors, academics, factory owners and managers, workers and shareholders to assess our social and environmental responsibility efforts and ensure that they make a real impact and align with the company's business goals.
- We support freedom of association and collective bargaining as part of our commitment to support the fair and equitable treatment of factory workers. For more information, please click [here](#).
- We support the ILO's Better Work program, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC) that seeks to help governments, workers and companies achieve compliance with the ILO's core labor standards and national labor law.
- We launched an initiative to improve building and fire safety standards across our approved third-party garment manufacturing factories in Bangladesh. Underscoring the tangible steps taken in the country over the last two years—including humanitarian aid, fire safety training and education, and fire safety audits—our program is a critical step forward to address fire and building safety issues in Bangladesh's apparel industry. For more information on this initiative, please click [here](#).
- We continue to participate in the multi-stakeholder network seeking to end forced child labor in Uzbekistan's cotton sector, and have previously requested that our vendors' factories and fabric mills not knowingly purchase Uzbek cotton; attended meetings with the U.S. State Department and other government agencies to explore potential policy initiatives that would address the problem; hosted multiple meetings at Gap Inc. headquarters for the stakeholder network; and met with representatives of the Uzbek government to express our concern over the continued exploitation of children to harvest cotton.
- We support the California Transparency in Supply Chains Act, which requires companies to disclose what they are doing to address human trafficking in their supply chains. To read our statement on this law, please click [here](#).

ENVIRONMENT

For Gap Inc., environmental responsibility means far more than being “green” or selling green products. We view it as connected to every aspect of our business, from the manufacture of our clothes to how they are packaged and shipped to the design of our stores. As a global retailer, we have the potential to make a difference on critical environmental issues, such as saving energy and combating climate change. Being environmentally responsible also supports our success as a company. We believe that it allows us to innovate, create value for our business, and meet the expectations of our customers, employees and shareholders.

Over the past several years, we have worked to understand our environmental impact, design an effective strategy for driving improvements, and begin taking action across our operations. We started with a detailed analysis of the environmental challenges we face, as well as the areas over which we have the greatest control and the level of societal concern related to each. Digging even deeper, we embarked in 2008 on an environmental footprint assessment, a detailed accounting of the environmental impact of our operations. These insights have enabled us to set short- and long-term goals, direct our resources to operate more efficiently and better address climate and regulatory risks.

To have the greatest positive impact, we prioritized our efforts to focus first on the facilities that we own and operate, because we have more control over the energy they use and the waste we create and, therefore, more opportunity to create immediate change. We are now beginning to look farther into our supply chain, where we believe the majority of our impact lies. The [water and energy](#) used in manufacturing our products is a significant focus of our efforts moving forward.

Beyond examining our operations and supply chain, we are engaged in two other areas. First, we are working to identify and build on connections between our environmental and social responsibility. Our participation in the [Sustainable Apparel Coalition](#) is a case in point, as it seeks to establish standards in such areas as sustainable materials, as well as the working conditions inside factories. Second, we are supporting public policies that will help address climate change and support the development of cleaner energy sources. We are members of [Business for Innovative Climate and Energy Policy \(BICEP\)](#) and support policies that will help move us forward on large-scale, systemic issues.

Below are several examples of how we are improving our environmental practices throughout our operations:

- We require special treatment of the water used to launder denim made for our brands so that it doesn't harm local waterways when it leaves the denim laundry. For more information on our Water Quality Program, please click [here](#).
- Beginning in 2009 as part of the NRDC's Responsible Sourcing Initiative, we worked with key mills in China to develop 10 best practices for improving operational efficiencies in fabric mills, and are currently working to implement them. These best practices are aimed at significantly reducing water, energy and chemical use, and improving manufacturing efficiency. Initial case studies indicate that mills have an opportunity to save money and reduce their impact in a little over one month after incorporating some of these key process improvements.
- We have an Environmental Council of senior executives and mid-level managers across the company. Working as an internal think tank, the Council's mission is to improve how Gap Inc. uses resources to reduce our environmental impact with regard to our ECO focus. Members include representatives from each of our brands as well as company experts in the functional areas of Real Estate, Corporate Operations, Strategic Sourcing, Logistics, Public Affairs, Trade Compliance, Marketing, Fabric Research and Development, Design, Merchandising

and Global Responsibility. Executive Leadership Team sponsors of the Environmental Council to date have included one of our Brand Presidents and our CFO.

- We partnered with other companies and stakeholders to form the [Sustainable Apparel Coalition](#), whose mission is to implement and assess an industry-wide index to measure the social and environmental impacts of apparel and footwear. The index is intended to look at the full spectrum of players and processes involved in creating a piece of clothing, from cotton growers and fabric mills to shippers, packagers and retailers. It provides a score on everything from the dyeing and production of fabric to water and land use, energy efficiency, greenhouse gases and labor practices.
- We are continuing to partner across our company to find out where and how we can build more sustainably and efficiently. Working groups within the company are assessing our energy efficiency in stores and distribution centers to reduce overall consumption, partnering with our vendors to review and implement sustainable materials when possible, piloting unique strategies for recycling fixtures by donating them to organizations such as the [American Red Cross](#) and recycling construction waste when we renovate existing stores.

COMMUNITY INVESTMENT

We focus our investments on creating opportunities for underserved [youth](#) in the developed world and [women](#) in the developing world because, based on our company's assets, we see the greatest potential for impact in these areas. Our strategy is based on applying business innovation to social challenges.

Like most businesses, Gap Inc. has more to offer than cash to have a positive impact on the community – we also call on our stores, marketing expertise, globally recognized brands, vendor relationships and, most importantly, our talented employees. For example, by volunteering their time and sharing their experiences with young people, our employees across the globe help create greater and broader change in their communities. Leveraging corporate assets enables us to make a deeper impact than if we solely wrote a check to support a cause.

In addition to leveraging our assets, we aim to create a "virtuous cycle" in everything we do. When we invest in a community, we want to benefit all involved — our employees, customers, shareholders, vendors and communities. For instance, when we partner with vendors and organizations in the developing world to advance female factory workers, we find that every party benefits as the women become more skilled at their jobs and more powerful in their communities. When everybody moves forward, initiatives gain support and continue to flourish over the long term. By designing programs that benefit all, we have shifted our model from one based on charity to an approach focused on sustainable investment.

We have been practicing sustainable investment for almost seven years, and as we begin to see positive results from our strategy, we're encouraged to continue along this path. Such innovation requires thoughtful risk-taking, an appetite for learning from our mistakes and a host of supportive partners to make it happen.

- **Youth:** We recognize that young people from underserved communities often lack access to information about how to get and keep a job. Through community investments and volunteerism, our goal is to share our insights and experiences with underserved youth to keep them engaged in their education and help them better prepare for adulthood.

- **Women:** Through partnerships with vendors and organizations on the ground in the developing world, the Gap Inc. P.A.C.E. program provides female garment workers with work and life skills education and technical training that will help them move ahead in the workplace and in life. We focus on providing opportunity to women in the developing world because their advancement plays a key role in reducing poverty and helping families and communities build better futures. Through our company assets and relationships, we are working to facilitate this advancement and help women create change for themselves, the garment industry and beyond.
- **Funder to Partner:** We recognize that our company has assets beyond cash that can enable nonprofits to be more effective and maximize their impact on the communities they serve. We work with our nonprofit partners to assess which of our company assets – particularly the skills and talents of our employees – can help them achieve their goals and strengthen their organizations. In 2010, 100 percent of our youth-serving partners received support beyond a cash grant.
- **Service Leadership:** Our employees bring a wealth of skills and passion to volunteering. We aim to connect them with a broad range of opportunities, from hands-on volunteering to skills-based opportunities to board service. Our programs include: Money for Time provides a \$150 grant to nonprofits for every 15 hours of volunteering time by an individual; Take Five offers exempt corporate employees five hours of paid time off to volunteer each month, or 60 hours per year; Board Service Grants are given to support leaders of our company who sit on a nonprofit board by providing the nonprofit with an annual grant ranging from \$1,000 to \$10,000; Field Team Grants support employee team projects. When at least three store employees spend 25 hours volunteering with a nonprofit that supports underserved youth or women, Gap Inc. provides a \$250 grant to that organization.

EMPLOYEES

Gap Inc. is one of world's largest specialty retailers — with approximately 132,000 employees and about 3,000 company-owned stores across Canada, China, France, Ireland, Italy, Japan, the United Kingdom and the United States. We also have approximately 250 franchise stores from Australia to Moscow.

Our vision for how we work is built on four pillars:

- Think: customers first – we consider the needs and value the diversity of thought, experience and perspectives among our customers.
- Inspire: creativity – we open ourselves to new ideas, tapping into our diversity of perspectives.
- Do: what's right – we treat every customer, supplier and employee with respect.
- Deliver: results – we strive to create an inclusive environment where employees thrive and generate top performance.

These cultural cornerstones are the filter for our decisions and behaviors. And we sum it all up in three words: “Wear your passion.”

We are also committed to helping ensure that our employees act in a way that reflects our values. The Gap Inc. Code of Business Conduct (COBC) is our foundation for promoting a responsible and ethical work environment. The Global Integrity & Compliance team is responsible for overseeing the program that brings the COBC to life. Among other things, the COBC informs our employees on how to prevent conflicts of interest, ensure compliance with laws and protect the company's information and assets. The COBC encourages employees to speak up if they have questions about the COBC or see improper conduct or behaviors.

Within 30 days of their initial hire date, all employees worldwide are required to take a COBC overview course, and every two years, select personnel globally are required to participate in an online refresher course. Additionally, we provide compliance training to various targeted audiences on topics of non-discrimination and harassment, wage and hour compliance, workplace accommodations, anti-corruption and competition law compliance. We also provide a variety of online tools for compliance training, including Leader Tools (which guide leaders in how to have effective conversations with their teams), FAQs, policy links and contacts.

Each year, our Global Integrity & Compliance team conducts over a hundred interviews with employees and selected vendors to gauge how well our business units understand our COBC, remind our employees and vendors of their responsibility, and ensure that they know how to report code violations. The team also conducts in-person compliance training sessions, and senior level employees must certify their COBC compliance annually.

We also expect that our vendors (including non-merchandise vendors) and others with whom we do business share our values and comply with the law. We continue to find ways to examine our higher-risk relationships closely prior to entering into them, and set forth our expectations in our contracts and other communications with them.

We encourage employees to report all violations or suspected violations to their supervisor or a human resources representative, email our Global Integrity & Compliance department or call a confidential hotline which is available 24/7 to all employees worldwide, with interpreters available in multiple languages. All allegations are taken seriously, appropriately investigated, and resolved. Our anti-retaliation policy protects individuals who report suspected violations.

In addition to the Global Integrity & Compliance Team, we have a Corporate Compliance Committee, made up of senior leaders, that meets quarterly to provide program guidance, and a committee of the Board of Directors receives at least semi-annual updates on the compliance program.

RECOGNITION AND AWARDS

- **Ethisphere Magazine's World's Most Ethical Companies** (2012) For the sixth straight year, Gap Inc. was chosen as one of the World's Most Ethical Companies in recognition of our commitment to ethical leadership and corporate social responsibility.
- **Dow Jones Sustainability North American Index** (2012) For the sixth straight year, Gap Inc. has been named to the Dow Jones Sustainability North American Index (DJSI), based on an analysis of economic, environmental and social criteria.
- **CRO Magazine's "100 Best Corporate Citizens"** (2012) For the seventh straight year, Gap Inc. made Corporate Responsibility Magazine's "100 Best Corporate Citizens" list. The company's rankings included: human rights (tied for 1st overall, and 1st in retail/apparel); corporate governance (tied for 1st overall, and 1st in retail/apparel); philanthropy (1st in retail/apparel); and employee relations (2nd in retail and apparel, 4th overall).
- **Climate Leadership Awards** (2012) Gap Inc. received an Excellence in Greenhouse Gas Management Goal Setting Certificate from the U.S. Environmental Protection Agency, The Climate Registry, the Center for Climate and Energy Solutions and the Association of Climate Change Officers for publicly reporting and verifying GHG inventories and setting an aggressive absolute GHG emissions reduction goal.

- **State of California Business Volunteer Program of the Year (2012)** Gap Inc. was awarded the 2012 Business Volunteer Program of the Year by CaliforniaVolunteers, as part of the California Governor's Volunteering and Service Awards.
- **Maclean's/Sustainalytics Top 50 Socially Responsible Corporations in Canada (2012)** For the fourth straight year, Gap Inc. is noted as a top company and retailer in Maclean's "50 Most Socially Responsible Corporations" list.
- **Human Rights Campaign Corporate Equality Index (2011)** For the seventh year in a row, Gap Inc. achieved 100 percent on The Human Rights Campaign's Corporate Equality Index—a tool used to rate major corporations on their treatment of gay, lesbian, bisexual and transgender employees, consumers and investors.
- **Financial Times – JustMeans Social Innovation Awards (2010)** Gap Inc.'s P.A.C.E. program was awarded the 2010 award for "Most Strategic Philanthropy Program."
- **Forbes.com (2010)** Gap Inc.'s corporate governance scores ranked us among the 20 most responsible companies in the U.S.
- **Fortune/CNNMoney.com (2010)** For the fifth straight year, Gap Inc. made Fortune/CNNMoney.com's "100 Top MBA Employers" list. The ranking is based on a Universum survey asking MBA students at top U.S. business schools where they'd most like to work.
- **Hong Kong Council of Social Service (2010)** Gap Inc. was awarded the "Five Year Plus Caring Company Award" in Hong Kong, recognizing the company's demonstrated involvement, commitment and good corporate citizenship.
- **Fortune Magazine's "World's Most Admired Companies" (2009-2010)** In 2010, Gap Inc. ranked 7th among specialty retailers in the list of World's Most Admired Companies. See 2008 and prior listings for "America's Most Admired Companies."

LINKS

Please see our CEO message from Mr. Glenn Murphy:

<http://www.gapinc.com/content/csr/html/OurResponsibility/ceomessage.html>

For more information on Gap Inc.'s social responsibility policies, programs and initiatives please see the following links:

<http://www.gapinc.com/content/gapinc/html/csr.html>

<http://www.gapinc.com/content/csr/html.html>

<http://www.gapinc.com/content/gapinc/html.html>

http://www.gapinc.com/content/csr/html/topnavtoolbar/report_builder.html (for archived reports)

