

Gap Inc.
2009/2010 Social
& Environmental
Responsibility Report
Full Report

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Embracing our Responsibility

Full Section

EMBRACING OUR RESPONSIBILITY | [Overview](#)

What does it mean to be a socially and environmentally responsible company?

We believe it means going beyond the basics of ethical business practices to embrace a broader, deeper responsibility to people and the planet.

Acting responsibly is a compass by which we run our business. It informs our decisions and focuses the daily efforts of thousands of people within Gap Inc. and beyond. We know from experience that it also brings sustained, collective value to our employees, customers, shareholders, suppliers and society by helping to ensure the long-term health and viability of our business and the communities in which we operate. Our work to promote social and environmental progress inspires our employees and supports retention and recruiting efforts. It promotes innovation and creativity, as we find new ways to use resources more wisely. And it motivates our customers in today's socially and environmentally conscious marketplace.

In the two years since our last report, many of our plans for creating change have come to fruition. In 2009, we completed the first phase of our environmental footprint assessment, which analyzed opportunities to improve our energy, water, and waste consumption in regions and in facilities where we control operations.

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. Gap Inc. will also continue to look for ways to support the advancement of human rights within our sphere of influence.

And we continue to deepen our community investment. More than 5,000 women in the developing world have now participated in Gap Inc.'s signature program, Personal Advancement Career Enhancement (P.A.C.E.), which helps female garment workers advance in the workplace. In 2010, Gap Inc.'s P.A.C.E. program won the Financial Times/Just means Social Innovation Award.

These developments, along with other progress detailed in this report, reflect the degree to which social and environmental responsibility continues to be integrated throughout the company. As our understanding of issues and opportunities evolves, so does our work, as we continue to seek new and better ways to care for people and our natural resources.

EMBRACING OUR RESPONSIBILITY | CEO message

Our company co-founder, Don Fisher, inspired generations of Gap Inc. employees with a simple aspiration: “Let’s do more than just sell clothes.”

That legacy continues to guide how we work today, decades after our Social and Environmental Responsibility programs were established and since Don passed away in 2009.

I’m proud of this report and the progress we’ve made during the past two years.

With our 134,000 employees and 3,200 company-owned stores around the world, we recognize the responsibility we have to our customers and our shareholders to ensure that the one million workers producing our branded products in more than 1,200 factories across nearly 50 countries are treated fairly and that our products are made in a way that is consistent with our values. Our commitment to operate our global business in support of these values is unwavering, even as the industry continues to navigate challenges within the economy.

Like so much within our industry, Gap Inc. can’t solve these challenges alone. Multi-stakeholder collaborations with advocacy groups and industry partnerships are instrumental in addressing social and environmental challenges in a transparent and meaningful way. We remain committed to greater accountability across all industries through our on-going support for the United Nations Global Compact and its ten guiding principles.

Reducing the impact we have on the environment continues to be one of our top priorities. One hundred percent of our branded denim is made in compliance with our Water Quality Program so that we can be confident that the wastewater from denim laundries is properly treated before being discharged. We’re also committed to reducing the absolute greenhouse gas emissions from our operations in the United States by 20 percent by 2015, compared to 2008 levels.

Training for factory management and education of garment workers are two distinct ways our company can support positive, lasting benefits for workers and their communities. In this report, you’ll learn more about how our team works directly with factory management and other stakeholders to implement better workplace systems and resolve outstanding issues.

More than 5,000 female factory workers from six countries have participated in the proprietary program that we created in 2006 called P.A.C.E. (Personal Advancement and Career Enhancement Program). Participants are given life and work skills education – in areas such as communications, decision making, time and stress management, and health and nutrition – that benefit them both at home and at work.

Our vendor partners have found this innovative program to be so beneficial that many are working with us to expand the program. One of our largest vendors in India has pledged to provide P.A.C.E. training to all 60,000 workers in its 34 factories by the end of 2020. Later this year, we will roll out the program to a seventh country, Bangladesh.

In 2010, we expanded our retail operations around the world, opening our first stores in China and Italy, and increasing to nearly 200 franchise stores in regions from Australia to Moscow. In addition, we expanded the online availability of our products from 1 to 90 countries since our last report to you.

We’re excited about this global expansion and opportunity to share American style around the world, and we remain steadfast in ensuring the programs, commitments and values that are part of the foundation of this company continue to flourish. And we’ll continue to engage in a collaborative, transparent dialogue about the issues that need to be addressed throughout the industry.

I look forward to updating you further in future reports.

Sincerely,

Glenn Murphy

EMBRACING OUR RESPONSIBILITY | Who we are

We established our company in 1969 with a brand called Gap and a promise to make it easy to buy a great pair of jeans. Since then, our family of brands has grown to include Banana Republic, Old Navy, Piperlime, and Athleta.

Today, we're one of the world's largest specialty retailers — with approximately 134,000 employees and 3,200 company-owned stores across Canada, China, France, Ireland, Italy, Japan, the United Kingdom and the United States. We also have approximately 200 franchise stores from Australia to Moscow and have expanded the online availability of our products from 1 to 90 countries. As we've expanded, so have our goals for the impact we want to make as a responsible company.

Social and environmental responsibility continues to be integral to our company's success. It helps to improve the company's employee engagement, operational efficiency, productivity, and ultimately, our profitability. In addition, we encourage the brands in our corporate family to go above and beyond these fundamentals in ways that best serve their customers and communities. Our brands each have unique opportunities to implement their own ideas, from exploring ways to make their clothes more sustainable to fostering a culture that supports responsible business practices.

EMBRACING OUR RESPONSIBILITY | Our focus

After decades of work, our understanding of social and environmental stewardship is still evolving. We continually challenge ourselves to define what being a responsible company means to us, and work to translate our definition into behavior and improvements on the ground.

It's also important to highlight that this work extends from an understanding of the inherent shared value between being responsible and being a successful, thriving company. We seek to align our social and environmental efforts with our business goals and continue to develop both qualitative and quantitative metrics to assess our progress. Our four areas of focus center on where Gap Inc.'s operations have the greatest potential impact.

Supply Chain

Our program seeks to ensure that people working at various points along our supply chain – the path that our products follow from the concept stage through manufacturing and to our stores – are treated with fairness, dignity and respect.

Environment

Throughout the world, we're finding innovative ways to reduce waste, save energy and water, and incorporate sustainable design into the way we do business.

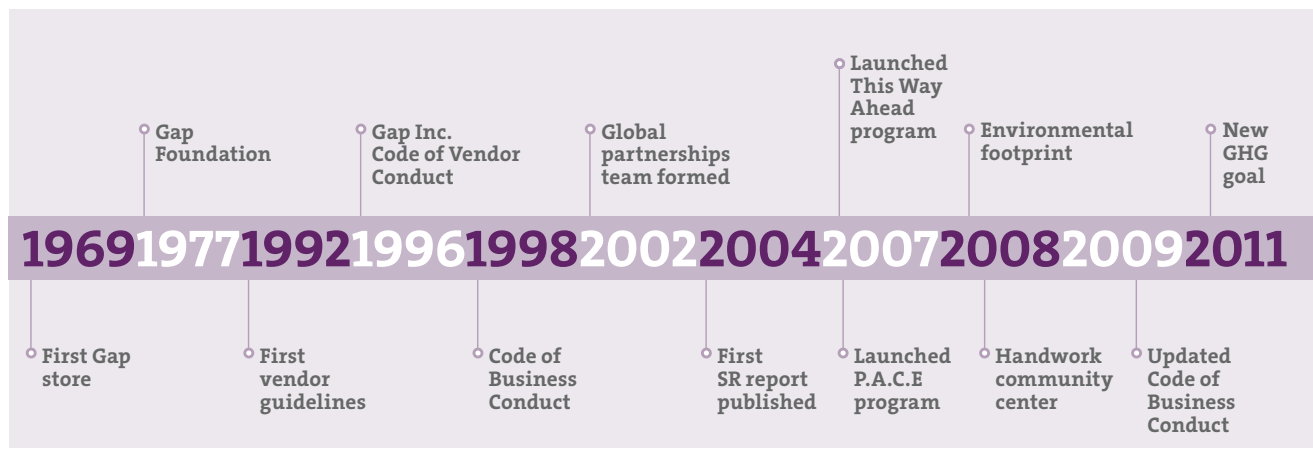
Employees

Helping the people of Gap Inc. thrive, both personally and professionally, is core to our success as a company. In addition, our [Code of Business Conduct](#) sets forth the company's expectation that our employees do what's right and act with integrity in all that they do.

Community Investment

Our vision is simple: to create opportunities for people to own their future and fulfill their personal promise. We aim to change the course of lives for underserved youth in the developed world and women in the developing world by leveraging company assets and the skills, talent, and knowledge of our 134,000 employees to create a deeper impact.

Gap Inc. Historical Timeline



EMBRACING OUR RESPONSIBILITY | Stakeholders

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.

One of our most significant journeys as a company has involved how we interact with stakeholders outside Gap Inc. We've long understood that we cannot reach our social and environmental goals on our own, and that our relationships with a wide range of people and organizations have helped shape our path and keep us accountable.

Some stakeholders have been our most vocal critics, becoming allies over time; others have pushed us to change faster, recognizing both our successes and areas to improve. Regardless, they have been a key resource as we have worked to examine our business practices, make changes, assess our progress and communicate our approach.

It's also worth highlighting that the nature of our stakeholder relationships varies greatly. We are formal members of multi-stakeholder initiatives such as the Ethical Trading Initiative and Social Accountability International, but we also work with many other entities as issues and opportunities are brought to our attention.

We partner with stakeholders in a variety of ways. For instance:

- They lend their expertise in areas where we lack a depth of experience.
- They partner with us in communities around the world where our monitoring, auditing, and capacity building efforts may not give us sufficient visibility into complex issues.
- They provide perspective on our strategies and goals — and how the definition of social and environmental responsibility is evolving.
- They are our partners in addressing systemic issues that involve influences beyond Gap Inc., such as governmental policies or cultural practices.
- They assist in the implementation of specific programs and initiatives.
- They track our efforts, ask tough questions, and help us develop metrics to gauge our progress.

Our stakeholders help us navigate a variety of issues and contribute to actions that support long-term change. Time after time, we have seen how listening to a diversity of voices has brought us closer to our goals — for our company and the workers who make our branded products.

We believe that progress has been made, but we also recognize that there is more to do. We are dedicated to working with others who can provide us with constructive input and dialogue, and encourage you to contact us at social_responsibility@gap.com to share your thoughts.

EMBRACING OUR RESPONSIBILITY | Governance

We believe that strong corporate governance goes hand in hand with good management. In turn, a better managed company delivers better business results, and ultimately, greater shareholder value. For us, good governance begins with a strong and dedicated board of directors with an independent perspective on the business and oversight of company management.

As of December 2010, our board had ten directors, nine of whom are independent, including one lead independent director. At each board meeting, time is set aside for independent directors to meet in executive session. In addition, only independent directors sit on board committees. To read more about our board composition and how we define independence please [click here](#).

The board's Governance and Nominating Committee oversees the company's corporate governance practices.

We invite anyone to communicate governance concerns directly to the board by emailing: board@gap.com. All emails are reviewed by our board chair, the board's lead independent director and our corporate secretary's office.

Read more about our governance practices at
<http://gapinc.com/content/gapinc/html/investors/governance.html>

Gap Inc. has increasingly sought to build connections between social and environmental responsibility and to integrate this work throughout the company. Our organizational structure supports these efforts, enabling us to translate our vision into action.

In February 2011, Bobbi Silten was promoted to Senior Vice President of Global Responsibility and President of Gap Foundation, replacing Dan Henkle in overseeing the Social and Environmental Responsibility team. Recognized as a leader with significant global experience, Dan has moved into the role of Senior Vice President of Human Resources to support the company's global growth agenda.

In her new role, Bobbi will continue to run Gap Foundation, which she has been leading as Chief Foundation Officer since 2005. Bobbi's new role bridges key areas in which we are working throughout the world. Bobbi reports to Eva Sage-Gavin, Executive Vice President, Global Human Resources and Corporate Affairs, who reports to Gap Inc. CEO Glenn Murphy.

Kindley Walsh-Lawlor, Vice President of Social and Environmental Responsibility, now reports to Bobbi, heading a team of four directors who manage approximately 70 people in the field and at headquarters. Kindley has been with Gap Inc. for 15 years, 10 of which were with the Gap and Banana Republic brands in production, where she gained unique insights into how social and environmental stewardship can support business operations.

But acting responsibly is not limited to one team or even one department at Gap Inc. It is a business strategy and a cultural pillar of our company that extends broadly to our leadership, the running of our day-to-day operations, and initiatives that involve employees at every level.

Our Environmental Council, for example, includes business leaders from across the company who are working to improve our environmental practices. Dan Henkle further links our social and environmental work to the rest of the company, helping to instill responsible practices into Gap Inc. operations, such as bringing social and environmental responsibility training into Gap Inc.'s Retail Academy (an in-depth introduction to all aspects of our business for new Gap Inc. employees).

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.

Our co-founder Don Fisher once said, “The thing I’m the most proud of is the integrity of the company.” The COBC sets forth the company’s expectation that our employees do what’s right and act with integrity in all that they do. 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. In 2011 we intend to launch a course on privacy. 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 2010, in honor of Doris and Don Fisher, we awarded our first annual Fisher Award for Integrity to an employee who embodied our integrity value and doing what’s right.

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.

Learn more about our [Code of Business Conduct](#).

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).

While we issued our first Code of Vendor Conduct in 1996, and our first Code of Business Conduct in 1998, we wanted to go further with a comprehensive, integrated Human Rights Policy that applies to our entire company. Taking this step is both symbolic and concrete. It signals that social and environmental responsibility is not limited to one domain at Gap Inc., but is the work of everyone at our company. And it commits us to continually examine our operations and explore how we can fulfill human rights principles through our policies, our interactions with stakeholders and membership in multi-stakeholder initiatives, our social and environmental programs, and our community investment.

Drafting a policy is a critical step, but we recognize that continued implementation and execution will require ongoing work. Despite the progress that's been made, there is still a need to actively safeguard human rights in the apparel industry. We know we have more work to do, and we wrote our Human Rights Policy, in part, to underscore our ongoing commitment.

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 development of our policy was also informed by direct and indirect stakeholder consultation. We asked for feedback on our policy from human rights NGOs, such as the Institute for Human Rights and Business (IHRB) and Social Accountability International (SAI). We also incorporated information from our day-to-day interactions with stakeholders, attendance at events focused on developing awareness about business and human rights and extensive consultation of the websites of human rights NGOs.

Our Human Rights Policy is a living document that will help to guide us in forming our response if and when human rights issues emerge in our company and across our supply chain.

As part of our commitment to social and environmental responsibility, we engage in political and public policy matters that are important to our business and consistent with our principles and values. This allows us to grow our business in keeping with our legal obligations and our codes of Business Conduct and Vendor Conduct. For example, our Government and Public Affairs team advocates on issues such as trade, health care and climate change.

In addition to our political participation and advocacy, Gap Inc. maintains a Political Action Committee (PAC). The Gap Inc. PAC (GPAC) supports candidates whose positions are aligned with the company's values and business goals. In the 2009-2010 U.S. election cycle, the GPAC contributed approximately \$48,000 to federal candidates from both the Republican and Democratic parties.

We also made \$10,600 in corporate contributions in 2010. All corporate political contributions are made at the state and local level in compliance with our corporate governance practices and applicable laws.

We recognize the importance of being transparent in our political activities and therefore we update this information annually on our corporate website at

http://www.gapinc.com/content/gapinc/html/investors/corporate_compliance.html

Our Code of Vendor Conduct (COVC) seeks to safeguard workers' rights in the factories where Gap Inc. branded products are made. Since writing our first COVC in 1996, we have made progress in working to ensure that these factories abide by a strict set of social and environmental criteria.

Because our Code's effectiveness depends on its enforcement, we have a dedicated team of Social Responsibility Specialists who work with the factories we monitor to ensure they meet our COVC requirements. This work entails far more than checking items off a list. It involves gaining the trust of workers, looking beyond the obvious to truly understand how a factory operates, working effectively with management to make improvements, and following up on an array of complicated details.

In 2010, we conducted more than 2,500 audits on over 1,200 facilities that make our branded products, and we are constantly exploring new ways in which our COVC can be more effectively enforced to ensure it is having a positive impact.

Product safety

Product safety is a top priority for Gap Inc. We strive to design and sell clothing that does not pose any safety threat to our customers. Our corporate Product Safety team and our global Product Integrity teams work to ensure that our branded products are made to strict safety standards. Products are tested for a variety of potential safety issues, including: flammability; physical/mechanical hazards (ensuring garment construction or trims can withstand certain levels of force and do not become hazards); and toxicity.

We take customer safety very seriously, and these testing procedures will remain a critical part of our business.

Regulatory/chemicals

From fabric dyeing to creating unique garment finishes, chemicals are used throughout the production cycle of most garments. Knowing that certain chemicals can prove harmful to consumers, we have developed a Restricted Substance List (RSL) that dictates which chemicals must not be used when producing our clothing. We have based this list both on existing and developing legislation as well as toxicity risk assessments.

Goals and Progress

Supply Chain Full Section

A supply chain is not merely a mechanical process designed to create and ship products. It is a complex network of workers doing different jobs in many parts of the world. In the case of a T-shirt, for example, the supply chain includes everything from people working at farms where cotton is grown to the cut-and-sew factories where the garments are put together.

Decisions made at Gap Inc. headquarters can affect people in other parts of our supply chain. The supply chain is a system, not a linear collection of discrete events, and decisions that are made at one end of it can have consequences, positive or negative, elsewhere in the system.

Gap Inc. seeks to ensure that the people working at various points along the supply chain are treated with fairness, dignity and respect – an aspiration that is born out of the belief that each life is of equal value, whether the person is sitting behind a sewing machine at a factory that produces clothes for Gap Inc., working at one of our stores, or wearing a pair of our jeans.

We know that our efforts to improve the lives of people who work on behalf of our company help us to run a more successful business. People who work a reasonable number of hours in a safe and healthy environment not only have a better quality of life, but they also tend to be more productive and deliver higher quality product than those who work in poor conditions.

To achieve this aspiration, our Social and Environmental Responsibility department has a full-time staff of approximately 70 people dedicated to these issues, partnering with hundreds of factory owners and managers, NGOs, and industry associations worldwide that are experts in social and environmental issues.

We began our efforts to improve factory working conditions in the early '90s, and since then much has changed – including the expectations of our customers, the ability of disparate parties to come together and collaborate, and our understanding of the complex issues underlying this work. Today we have a clearer perspective on what works in the present and what is needed for the long term.

The cornerstone of our Monitoring and Vendor and Development program continues to be monitoring factory compliance with our Code of Vendor Conduct (COVC). Our internal team of Social Responsibility Specialists monitors working conditions in factories producing Gap Inc. branded apparel (clothes) and branded non-apparel (shoes, purses and other accessories).

Instead of a “one size fits all” approach to monitoring, we have evolved to tailor our efforts to better address specific risks and adopt new, more effective monitoring approaches that will best protect the rights of workers and meet the needs of our business.

For example, we developed and implemented our company’s non-apparel monitoring policy in 2006. Complementing our efforts to monitor all factories producing Gap Inc. branded apparel, the non-apparel policy requires all suppliers of Gap Inc. branded product to sign a compliance agreement stating their commitment to abide by our COVC. To focus our resources where we can have the greatest impact, we begin monitoring non-apparel suppliers once their volume reaches an agreed-upon threshold. You can read more about this policy in our 2005 – 2006 report.

Below is a summary of how our monitoring program has evolved in two key ways since our last report:

Partnering with Better Work. We are a founding member of the International Labor Organization and International Finance Corporation’s Better Work program, which will be operational in seven countries by the end of 2011. Gap Inc. suppliers participating in Better Work are not monitored by our internal team, and are instead monitored via the Better Work program. In turn, we rate those factories based on Better Work’s assessment reports, which allows our internal team to focus our efforts on capacity building and remediation issues. For more information on Better Work, [click here](#).

Adapting to new business models. Piperlime, Gap Inc.’s online specialty store, launched three private label apparel lines in 2010. The factories producing Piperlime’s smaller volume, private label apparel face different challenges than factories producing larger volumes for other Gap Inc. brands. Our Monitoring and Vendor Development team is working closely with Piperlime to incorporate the factories producing their private label apparel into our monitoring program in a way that is in full accordance with our company policies, while also supporting Piperlime’s unique business strategy.

To build on our monitoring efforts, we have added a focus on determining how to prevent problems from taking root in the first place. To this end, a key part of our strategy moving forward will be to build vendor capacity to develop human resource management systems. Read more about our [capacity building efforts](#).

As we evolve how we work with factories, we are also improving our partnerships. We recognize that our work can have greater reach and impact by continuing to engage a broad range of partners, including labor rights groups, trade unions, factory owners and management, governments, non-governmental organizations and other companies.

Note:

Throughout this report you will see us reference “branded apparel”, “branded non-apparel”, and “branded product.” Branded apparel refers to Gap Inc. branded clothes - for example, a Banana Republic blouse, a pair of Gap jeans, or an Old Navy plaid shirt. Branded non-apparel refers to Gap Inc. branded items such as shoes, purses and other accessories. When we refer to branded product, we are referencing both branded apparel and non-apparel.

Poor factory working conditions are unacceptable, yet the complex reality behind them defies easy solutions.

Over the years, we’ve increased our understanding of the issues facing factories in the apparel industry. What we’ve learned informs the many Gap Inc. practices and programs that address poor working conditions and, increasingly, aims to prevent them in the first place.

We don’t always have the ability to solve these multi-faceted problems alone. Like most brands and retailers, we do not own or manage the factories that make our branded product. In most cases, long-term solutions call for collaboration. We partner with stakeholders such as labor rights groups, trade unions, factory owners and management, governments, non-governmental organizations and other companies to make progress.

Factors contributing to poor working conditions in garment factories

Working conditions				
Brand or retailer	Garment manufacturers	Industry conditions	Country conditions	International conditions
<ul style="list-style-type: none"> • Lack of understanding of factory conditions and how purchasing decisions can impact them • Inefficient buying practices • Insufficient emphasis on labor standards in sourcing decisions • Unreasonable expectations regarding cost and speed 	<ul style="list-style-type: none"> • Inefficient processes and operating practices • Poor supervisory and management skills • Acceptance of production orders without full assessment of capacity and capabilities • Lack of modern technology and equipment • Lack of regard for the rights of workers • Insufficient understanding of labor laws and standards 	<ul style="list-style-type: none"> • Fragmented nature of garment industry • Intense competition and focus on reducing costs • Conflicting standards, lack of uniform code of conduct, and lack of industry coordination • Chronic price deflation 	<ul style="list-style-type: none"> • Inadequate or outdated labor laws • Insufficient enforcement by local government • Lack of understanding of rights among workers • Poor economic, financial and civic infrastructure 	<ul style="list-style-type: none"> • Global trading requirements, including complex bi and multilateral restrictions • Tariffs • Geographic shifts in production following expiration of quotas • Increasing expectations of consumers regarding cost and selection
Significant influence	Some influence	Some influence	Some influence	Less influence
Gap Inc. level of influence				

Our Social Responsibility Specialists play an indispensable role working directly with factories around the world. Many grew up in the regions where they work, so they understand the culture, have good working relationships with the local factories, and are passionate about improving working conditions in their communities.

Our specialists work with factory managers to ensure that the factories we monitor are able to meet the standards outlined in our Code of Vendor Conduct. Should issues arise, we partner with factory management and workers to resolve them through our remediation efforts. We are also beginning to improve factory-level human resource management systems in partnership with factory management to address the root cause of issues through our capacity building efforts.

Overview of our work with factories producing Gap Inc. branded apparel

Approval	We require factories that produce Gap Inc. branded apparel to first pass a Gap Inc. audit before we work with them
Monitoring	After approving a factory, we monitor it to ensure that it continues to meet the legal, social, and environmental standards outlined in our Code of Vendor Conduct
Rating	We rate the social performance of the factories we work with so that we can make decisions and tailor our involvement based on factory-specific needs
Remediation	When we find problems, we work with our factories to develop a plan to resolve them and follow up to make sure they do, in fact, get resolved. In select instances, we have terminated factory relationships if they have a significant issue or persistent problems and the factory lacks the intent or ability to resolve them
Capacity building	We are working on improving factory-level human resource management systems to empower factories to proactively improve their work environments

We work with factories producing Gap Inc. branded product that are willing and able to meet our business standards, including those standards outlined in our Code of Vendor Conduct (COVC). To screen out those factories that don't meet our COVC requirements, we've developed an approval process.

Before any factory can manufacture apparel branded by Gap Inc., it must undergo an initial audit assessing its working conditions. This also applies to garment factories that are subcontractors of our primary vendors. Based on this first audit, the factory either earns approval or is placed in a pending status while it addresses outstanding issues. In select cases, a factory that has resolved all identified major issues may be granted a one-time, conditional approval, even though it may still have a few minor issues to resolve. Such conditional approval is not permanent, and the factory is required to resolve all issues to obtain full approval status. Some factories never meet our standards and aren't able to earn approval.

Helping factories address outstanding issues can be challenging. Though a factory may achieve a high level of compliance with our standards, working conditions are never static and may slip from time to time. As a result, monitoring factories to improve compliance is an ongoing effort.

We know from experience that what gets monitored gets managed — which is why monitoring continues to be a core component of our strategy to improve factory working conditions.

Our Monitoring and Vendor Development team, comprised of approximately 50 Social Responsibility Specialists and field operations support team members, is the crucial link between written standards and real change. Members of our Monitoring and Vendor Development team live in approximately 20 countries and speak the local languages where our suppliers are based. This allows them to engage in dialogue with workers and factory owners to more readily identify compliance issues whenever they arise.

Working with factories that we monitor is an ongoing effort. Our specialists make regular announced and unannounced visits to conduct audits that assess factory performance against the standards outlined in our Code of Vendor Conduct (COVC). When we find problems, we work with factory management to resolve them as quickly as possible. We'll continue working with a factory as long as we believe it's committed to making improvements. If a factory has serious or repeated violations of our Code and lacks the intent or ability to resolve them, we will terminate the relationship. We do not make such decisions lightly, due to the impact it can have on a factory's workers.

The art of monitoring: Our SRSs must look beyond visible evidence in a factory and piece together information from a variety of sources, including time cards, production records, pay slips, one-on-one and group interviews with workers, information provided by labor rights groups or trade unions that have close ties to worker communities, and of course, information provided by factory management. The more experienced the SRS, the more information — and violations — he or she may be able to uncover.

In 2008, we began tailoring the frequency of visits to factories that we monitor based on their unique needs. For example, a factory that's not performing well may require more visits than a high-performing factory. In addition, we have begun to build vendor capacity to address the causes of poor working conditions by working with them to develop human resource management systems and a culture of accountability. Read more about our [capacity building efforts](#).

We work with factory management to ensure that they meet our expectations for quality, cost and speed, and we rate the factories that we monitor on their ability to comply with our Code of Vendor Conduct (COVC).

Over the past few years, we have made improvements to our monitoring database that have enabled us to make our factory ratings methodology more comprehensive. In addition, we have made changes to further improve the ease by which factory ratings can be used by key decision-makers in the company. One important change is that we have shifted from a numerical rating system to one based on four major color tiers: Green = Excellent, Light green = Good, Yellow = Fair, Red = Action required.

These tiered colors align with other Gap Inc. business standards, such as quality ratings. The change has enabled our Gap Inc. sourcing group to better understand the performance of our suppliers against our COVC and partner with Gap Inc.'s Monitoring and Vendor Development team to seek improvements when needed. Green, or "excellent," indicates that we've found either no or few minor code violations. Red, or "action required," means that we've found many violations. An "action required" factory is in danger of losing our business if management does not show improvement in code compliance.

Rating factories is a challenging process, requiring careful decisions about the weight of various issues. For example, we define "key" violations, such as excessive overtime, as having a greater negative impact on a factory's rating than "non-key" violations, such as first-aid kits not being fully stocked. Factories are also able to improve their performance through bonus points earned for employing best practices in their operations.

We regularly review our list of key issues to ensure that it's consistent with the conditions our Social Responsibility Specialists are seeing in factories. We also consult our stakeholders for their insight and guidance.

For any given issue that we find in a factory, there isn't a one-size-fits-all response. We also know that a Code of Vendor Conduct is only as good as the enforcement that stands behind it, and we put significant resources into ensuring that issues are remediated effectively and fairly. When we identify problems, we work closely with factory management to develop a plan for improvement based on the number and severity of issues.

Some solutions may be as simple as posting information in a public place or stacking boxes in a different way. In other cases, the issue may be more complex, such as factory management keeping insufficient records, calling for a better understanding of what's causing the problem so that it can be effectively addressed.

We always prefer to work with management to find a resolution. However, we will stop working with a factory if we see significant recurring violations of the standards outlined in our Code of Vendor Conduct and the factory lacks the intent or ability to resolve them.

As we continue in this work, our understanding of the underlying causes of factory problems has evolved. For example:

Factory management may lack the internal infrastructure or skills to be effective due to poor human resource management systems and/or lack of training. We are currently building our Vendor Development Program to address this issue by helping vendors and their factories develop human resource management systems and a culture of accountability. Read more about our [Vendor Development Program](#).

Several factors in the supply chain, including our own business practices, can impact factory working conditions. Factories must take ownership of what happens in their factories and companies must balance consumer demand for more affordable, faster products with ensuring safe and fair factory working conditions. In addition to seeking to improve factory human resource management systems and skills at factories producing Gap Inc. branded apparel, we're working to ensure that our purchasing practices are aligned with our social responsibility performance goals. That includes providing Gap Inc. sourcing and brand partners with the information they need to make decisions that support improving factory compliance with our Code of Vendor Conduct standards. Read more about our [purchasing practices work](#).

Our Social Responsibility Specialists have always been at the heart of our work with factories. They conduct regular announced and unannounced audits in the factories we monitor to confirm that the standards outlined in our Code of Vendor Conduct (COVC) are being met.

In addition, we are seeking ways to achieve lasting improvements in working conditions that build on our monitoring program. In 2010, we ran a pilot to help select vendors producing Gap Inc. branded apparel develop and improve their human resource management systems as they apply to social and environmental issues. The findings of this pilot have led us to evolve our Vendor Development Program into three stages. Stage 1 involves helping vendor and factory management to build the structure and capacity to detect and remediate specific social and environmental issues. Stage 2 is focused on helping vendors and factory management implement human resource management systems that can help them prevent issues from arising in the first place, by identifying and addressing their root cause. Stage 3 is based on a theme of full empowerment, which aims to support vendor and factory management in building their capacity to engage stakeholders, invest in their communities and establish social and environmental goals, with the expectation that they will ultimately publicly report on the progress of their efforts.

Two key elements of the Vendor Development Program include:

Increasing the use of social and environmental responsibility certification programs

- We're encouraging vendors producing Gap Inc. branded apparel, across a number of regions, to use Social Accountability International's Social Fingerprint Training Center. SAI's Social Fingerprint platform (you can read more at www.socialfingerprint.org) is an online and in-person training tool, based on self-assessments and outside evaluations, that seeks to help our vendors measure and then improve on meeting their customers' social and environmental standards. This tool complements our ongoing efforts to encourage our suppliers to adopt SAI's SA8000 certification, which is a universal standard for auditing and certifying labor practices in suppliers' facilities.
- We're also one of the founding members of the Sustainable Apparel Coalition, a new coalition of companies and NGOs seeking to measure and evaluate sustainability performance, which will help us identify priorities for action and opportunities for technological innovation around environmental stewardship.
- Some of our suppliers are working with Verite – an independent organization monitoring labor rights in global markets – to help them assess and build socially responsible human resource management systems, which aligns with our own Vendor Development Program strategy.

Collaborating with other brands in the apparel industry to make better use of resources, avoid duplication of efforts and collectively create and share best practices

- We work with other brands through formal multi-stakeholder initiatives such as the Ethical Trading Initiative and Social Accountability International, and sometimes informally, in ad-hoc cases where brand coordination is integral to resolving an urgent issue.

Current supply chain goals

Partner with factory management, internal and external stakeholders to improve working conditions.	Estimated completion date
Implement and evolve our Vendor Development Program with 20 of our key vendors globally.	2011
Assess our vendor Social Responsibility rating tool in terms of distribution, utilization and effectiveness.	2011
Enhance sustained working conditions by driving industry collaboration initiatives in our top 10 sourcing countries.	2011

Completed supply chain goals

Partner with factory management to improve working conditions	Completed date
Ensure that 10% (approximately 130) of the garment factories that we work with have verified human resources management systems in place.	2010
Coordinate training for 75% of our key vendors on topics related to improving working conditions .	2010
Pilot a supply chain traceability system .	2009

Note:

In our 2007-08 report we stated a goal of having 80% of our factories achieve a level three rating or higher by 2010. To facilitate the integration of our social responsibility efforts into our business, we have changed our ratings categories to align them with other Gap Inc. business standards such as quality. Instead of our previous numeric scale of 1-5 (which was in place at the time we set our 80% goal), we're now using a color scale with four major groupings: Green = Excellent, Light green = Good, Yellow = Fair, Red = Action required. To determine whether we achieved the 80% goal we had set for 2010, we conducted an analysis – using our previous numeric rating system – and are happy to report that at the end of 2010 81% of the factories we monitored achieved a level three rating or higher. While proud of having achieved this goal, we are no longer managing our program against the numeric rating system, and will be using our more sophisticated ratings methodology and color scale to manage and track progress of the factories that we monitor moving forward.

Multi-stakeholder initiatives

Location: Worldwide

Summary: Working with a wide range of stakeholders is fundamental to bringing about positive change in workers' lives. We highlight two multi-stakeholders as examples of positive stakeholder engagement.

As we have worked to improve factory working conditions over the past couple decades, one of our most important insights has been that we cannot act alone. Progress hinges on our ability to come together with others who bring diverse perspectives and work across sectors. A global supply chain brings global challenges that touch on everything from cultural practices and endemic poverty to infrastructure problems and weak government oversight.

Multi-stakeholder initiatives hold some of the greatest promise to bring about systemic change. Two organizations in particular have enabled us to join such efforts: Social Accountability International (SAI) and the Ethical Trading Initiative (ETI). Both focus on the lives of workers: how to advance worker rights, provide people with opportunities to help themselves, and support improvements in factory conditions that make a positive difference in people's lives.

In the past decade, we have worked with SAI and a broad range of stakeholders in Central America to achieve something once thought near-impossible: getting trade union leaders and factory managers to sit in a room together and work through issues. You can read more about the "Continuous Improvement in the Central American Workplace" (CIMCAW) project in our 2005 – 2006 report which can be downloaded from our Social and Environmental website at www.gapinc.com/socialresponsibility. We are collaborating with SAI and others to pilot its Social Fingerprint® program, which will make it more efficient for factories to self-assess and implement improvements. Our director of Global Partnerships and Public Policy, Darryl Knudsen, sits on SAI's Advisory Board.

ETI, meanwhile, has helped us gain critical insight into our company's purchasing practices and how the design and production of a garment could affect the lives of workers thousands of miles away. Among other issues, ETI has also helped us address the complex challenge of ensuring safe and fair treatment of women who do handwork, which often is produced outside the formal supply chain.

In addition to our work with multi-stakeholder initiatives, we work with stakeholders in other ways to help advance our social and environmental responsibility goals.

Human trafficking

Location: Egypt and other countries worldwide

Summary: Combating human trafficking will take the efforts of people working across business, government and other sectors of society. We seek to recognize how human trafficking can surface in our supply chain and take steps to stop it.

The United Nations estimates that at least 2.5 million people around the world are currently victims of human trafficking. And yet, it is a problem with no easy solution. As we have delved deeper into what it takes to improve working conditions, we have sought to understand the problem, how it could turn up in our business and what we can do to help stop it.

Human trafficking can occur in a wide range of contexts and countries, and can affect people of vastly different cultural and economic backgrounds. Trafficking is generally defined as the sale, transport, and profit from human beings who are forced to work for others.

Gap Inc.'s Code of Vendor Conduct (COVC) explicitly states that factories producing Gap Inc. branded product must "not use involuntary labor of any kind," of which human trafficking is one kind. Our COVC also has stringent requirements around "contract labor," which can be exploited to create instances of indentured servitude for workers. Gap Inc.'s Social Responsibility Specialists are trained in how to identify the use of involuntary labor. Gap Inc.'s Human Rights Policy also seeks to ensure that human trafficking does not enter our supply chain through our commitment to the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations' Universal Declaration of Human Rights. We also collaborate with both local and international NGOs that are experts in this field, and multilateral institutions, to help align our efforts to address human trafficking with broader efforts to end this unacceptable practice.

The complex reality behind human trafficking was explored in depth at an international conference held in Egypt in 2010. In attendance were Dan Henkle, Gap Inc.'s Senior Vice President of Human Resources, who for years oversaw our Social Responsibility efforts; Bob Fisher, who sits on our Board of Directors; and Loay Tolba, Social Responsibility Specialist at Gap Inc. who is based in Egypt and monitors factories that produce our branded clothes in Middle Eastern countries. The conference addressed the elusiveness of the problem, enforcement of laws and other actions needed to address it, and how business can help.

Contract labor is not always negative. "You cannot say, 'There won't be any migrant workers,'" says Loay. "If someone is working in Egypt and gets \$20 dollars and can go to Qatar and make \$300, that's an opportunity."

But Loay stresses the need to ensure that such workers are treated fairly. "They come from Bangladesh and India, hoping for better working conditions," he says. "Agents tell them, 'You'll be paid a lot and food is for free.' But they come and find that the situation is not what they were told."

In many countries, a common practice is for employers to take workers' passports upon arrival for "safekeeping." When the workers want to leave the job or country, they can have difficulty getting their passport back and are forced to stay and work against their will.

We closely track how foreign contract labor is used at factories that we monitor to ensure that people are free to work as they choose. Loay and our other Social Responsibility Specialists have a deep knowledge of the issue from interviewing workers, gaining their trust, and learning over time about which agents and factories have good or bad

reputations. Workers often fear opening up about the problem, a key factor in why it often remains out of sight.

“Imagine that you don’t know about the country where you’re going and your source of support is the factory. If anything goes wrong in this relationship, you feel you could lose everything,” Loay says. He has worked over time to connect personally with workers. “When you make it about the worker, he becomes more open to speak to you.”

More broadly, part of combating trafficking is talking openly about it and coming together with others. Loay says the sessions at the conference in Egypt challenged his own thinking, as he learned about a wide range of scenarios in which people could be working against their will. “The idea with trafficking is looking at it from the point of view of the victim,” he says. “Being at a conference like this is a way to show our support and help increase awareness.”

A major theme to emerge from the conference is that trafficking is not a problem for any one sector, company, or even country to act on alone. As Loay puts it, “human trafficking is a global issue. It’s about everyone. The question is how can we all play a role in fighting this?”

We will continue to explore this question by having the right policies in place and enforcing our COVC by empowering people like Loay to monitor the treatment of workers.

Freedom of association and collective bargaining

Location: Worldwide

Summary: We support freedom of association and collective bargaining as part of our commitment to support the fair and equitable treatment of factory workers.

As stated in our Human Rights Policy, Gap Inc. supports the United Nation's Universal Declaration of Human Rights, which includes freedom of association and collective bargaining. Our Code of Vendor Conduct explicitly states that: "Workers are free to join associations of their own choosing. Factories shall not interfere with workers who wish to lawfully and peacefully associate, organize or bargain collectively. The decision whether or not to do so should be made solely by the workers."

The right to organize and bargain collectively allows those workers who so choose to find a common voice and provides a framework through which they can engage with management on their right to receive fair wages, sufficient benefits, and the ability to conduct their work in fair and decent conditions.

The extent to which these rights are upheld and respected varies from country to country. In many regions, social protections, civil society, and governmental institutions remain underdeveloped, and these systemic inequities can lead to exploitative labor practices. What's more, those who press for improvements can face daunting challenges and even personal risk, as they make a case for change and play a public role in negotiations.

Because workers around the world face such diverse challenges, depending on their location and circumstances, we use a wide range of approaches to ensure their rights are respected. One way in which we do this is to support open and productive dialogue between factory workers and managers, two groups that have a history of mistrust and poor communication in many developing countries. We seek to help bridge this divide while ensuring that freedom of association is respected both in principle and in practice.

Another way that we demonstrate support for these rights is by partnering with workers' rights groups and trade unions. For example, we work with the Global Union Federation for the garment sector and the International Textile, Garment & Leather Workers' Federation (ITGLWF) to bring about positive communication between factory workers, labor organizations and factory management. We believe that collaborative dialogue among factory management, labor groups and workers is critical to addressing issues when challenges arise. It also leads to improvements in other aspects of factory conditions. In addition, we work closely with other workers' rights groups to protect freedom of association rights.

While our approach may sound simple on paper, it is often challenging to initiate a constructive dialogue among groups with sharply divergent points of view. Sometimes, it is a significant achievement just to get people together in the same room.

Below are two examples of our efforts in support of freedom of association in different regions of the world.

El Salvador

In June 2010, the Social and Environmental Responsibility team at Gap Inc. received a letter from Confederacion de Asociaciones o Sindicatos Independientes de El Salvador (FEASIES), a union confederation that represents workers in the textile sector in El Salvador. The letter included several Freedom of Association (FOA) violation complaints that were allegedly occurring in a factory which made Old Navy products.

GOALS AND PROGRESS | Supply chain | Our program in action | **Freedom of association and collective bargaining**

We immediately flew a team to El Salvador to conduct an on-the-ground investigation. Several meetings took place with workers, unions, factory management, and government authorities. Following our investigation, we concluded that many of the allegations had merit, and that the factory's management had indeed dismissed several workers for their attempts to organize a union. Following discussions with workers and with factory management, Gap Inc. was able to encourage management to hire a third-party auditing firm to analyze the factory work environment and identify areas for improvement and remediation. Factory workers simultaneously requested that their FOA efforts would be recognized, without any retaliatory or discriminatory actions against the workers who had led the organizing efforts, and for the dismissed workers to be rehired.

Members of our Social and Environmental Responsibility team were involved in this process throughout, helping foster and maintain an open, productive dialogue between the two parties. As a result of this process, the factory management agreed to reinstate the dismissed workers, and with the help of the third-party auditing firm, adopted FOA policies and procedures, as well as training for management about the FOA rights of workers and their rights to collective bargaining. Presently, the factory has three different unions representing workers at this facility.

Indonesia

In 2009, our Social and Environmental Responsibility team actively engaged with the International Textile, Garment & Leather Workers Federation (ITGLWF) and local Indonesian trade unions to discuss issues around FOA, contract workers, and collective bargaining agreements (CBA) in the areas surrounding Jakarta.

Following this initial meeting, we organized a Human Resource Management System training for our key suppliers in the region to ensure they were fully educated about workers' FOA and collective bargaining rights. We also sought to train management on how they can effectively and positively communicate with union representatives. We continued to hold regular meetings with local unions throughout 2009, and in 2010, we began working with newly formed unions in Sukabumi, a booming garment production region.

In May 2010, we conducted a second Human Resource Management System training for our approved facilities, which featured keynote speaker Teten Masduki, a human rights lawyer, labor activist, and the head of Transparency International's Indonesia office. This event built off of our recent discussions with union representatives around their legal FOA and collective bargaining rights, and provided additional resources for factory management in how to build cooperative and constructive relationships with unionized workers.

As the two above examples demonstrate, Gap Inc.'s Monitoring and Vendor Development team will continue seeking to ensure that the rights to freely associate and collectively bargain are respected at facilities producing branded product for Gap Inc.

Handwork protections

Location: India

Summary: A craft steeped in tradition, combined with modern pressures, creates a challenge for our company: how to ensure the fair treatment of people who do handwork.

The handwork that appears embroidered or beaded on a piece of clothing is intricately stitched, beautifully designed, and steeped in Indian tradition. That tradition includes the fact that the women who do a large portion of handwork often work outside the factory setting, in part because it's culturally frowned upon in some places for women to work alongside men. For many women in India, the ability to work at home or in other informal settings provides a critical source of income as well as a sense of autonomy. Yet it means that they have fewer protections when compared with workers in factory environments.

A top priority of our approach to handwork is combating child labor and human trafficking. It is unacceptable for child, forced, or trafficked labor to be used to produce any Gap Inc.-branded product. One major issue with handwork is the common practice of extensive "subcontracting." Often, a factory will subcontract handwork out to an embroidery company, which subcontracts it again, only to have this process repeated. The result is that it becomes difficult to track and monitor the exact places where handwork is being done. To confront the challenges presented by handwork, Gap Inc. has taken a few key steps, including:

- Limiting the number of times subcontracting is permitted, and making vendors responsible for providing details of their handwork supply chain.
- Developing a system for tracking our suppliers and subcontractors producing Gap Inc. branded apparel, including regular monitoring visits to subcontractor sites and also to randomly selected homes where the actual work takes place.
- Working with NGOs and others to help establish handwork centers that are monitored for appropriate working conditions.

The monitoring and enforcement of the standards outlined in our Code of Vendor Conduct buttress these efforts, as do our partnerships at the local and international level to drive change. We are actively working with coalitions on this issue, among them, the United Nations' Global Initiative to Fight Trafficking (UN G.I.F.T) and the Global March Against Child Labor.

We also continue to explore innovative ideas for improving working conditions. Through a partnership bridging the public and private sectors in North India, we've helped establish a handwork community center for local women. Located in Mewat, a rural area of Haryana, about 90 km south of Delhi, the center functions as a training and distribution location from which workers can directly collect work, submit completed work, and perform their jobs on-site if they prefer. It provides women with a chance to hone their skills and earn critical income for their families. "There's much more transparency and control when we are working through a center," says Reema Agrawal, a senior Social Responsibility Specialist for Gap Inc. in New Delhi. (It's important to note that men also do handwork and benefit from greater visibility into the handwork supply chain and limitations on the use of subcontracting.)

Housed in a temple, the brightly colored center – which opened in 2010 – features a sewing circle of women who otherwise would have few options outside of the informal economy to survive financially. Approximately 350 women are currently undergoing skill training or working on actual products for the international market. By directly linking exporters with the community, we've removed the multiple tiers of subcontracting in the traditional handwork supply chain. The arrangement is more efficient for suppliers because work is organized in one location. Most

important, it makes working conditions more transparent. “It’s a win-win situation,” Reema says. “It gives flexibility to the factories and to the women.”

Gap inc. organized an unusual collaboration to create this program, including representatives from government, NGOs, other buying houses and suppliers who normally don’t work together. The project is managed by the Society for the Promotion of Youth and Masses (SPYM). As part of the collaboration, The Pearl Academy of Fashion provided women with additional training to deepen their skills. Under the program’s structure, women can earn greater pay as they increase their skill level.

The Mewat Center is a small, unique program that brings multiple benefits – increased empowerment, skill improvement, transparency and efficiency. It enables women to continue doing work that is vital to their financial survival. Our goal is to respect the best of this tradition and the opportunities it provides to women, while addressing the issues that such work can entail. The Mewat Center is a reminder that no embroidery or beading can be thought of apart from the person who created it.

Addressing child labor

Location: India

Summary: Child labor is endemic in parts of the world where poverty and a lack of opportunity remain systemic problems. In addition to having policies against child labor in place, we are also working to create long-term solutions in the industry through collaboration and a commitment to driving change.

An estimated 215 million children worldwide currently work, many full time, lacking access to educational opportunities or the experiences of childhood that others take for granted. We have taken a firm stand – not just against child labor, but also to identify solutions. We have a zero-tolerance policy when it comes to child labor anywhere in our supply chain as it violates our Code of Vendor Conduct and our Human Rights Policy. In addition to our monitoring program that seeks to enforce our COVC, we also strive to proactively prevent child labor.

“Parents who can feed and house their families are the strongest barrier against child trafficking and child labor,” says Dorianne Beyer Esq., an expert on the issue who has consulted with governments and corporations and is a founding member of the Advisory Board of Social Accountability International. “The objective then becomes transforming known areas of child labor from chronic poverty zones to ‘economic empowerment zones’ that facilitate sustainable employment for adults.”

To help address the complex economic and social issues that underlie child labor, we support organizations such as the Self Employed Women’s Association (SEWA), a trade union for women in India. With many of its members working in the informal sector, SEWA has established local centers for adults working in the handwork trades. Such centers eliminate the multiple tiers of subcontractors that make it more difficult to detect and prevent abuses.

To take this model even further, we brought together an unusual group of stakeholders from government, non-governmental organizations and suppliers to create a new community center. Housed in Mewat, several hours east of Delhi, the center both trains and employs women who do embroidery and beading, providing a safe environment in which the women can do their work.

To raise awareness about child labor in local communities at risk for this practice, we have provided grants to a child labor NGO based in India — Bachpan Bachao Andolan (BBA) — to serve as public educators in the “embroidery belt” area of Eastern India, educating parents about the grim lives of trafficked children. A mobile van (the “Freedom Bus”) travels to area villages, and former child laborers spread their message about the degradation of a working childhood.

In addition, we continue to take part in ongoing discussions and collaborations to increase our understanding of child labor and help craft new strategies and solutions. For the past several years, we have been part of a steering committee that has organized the Garment Stakeholders Forum — comprised of brands and retailers, along with government officials, factory owners, trade unions and NGOs — to create holistic solutions to child labor. This effort to organize industry-wide approaches may begin to erode such barriers as intra-sector competition and confidentiality. To date, ideas explored by the group include mapping areas where child labor is a greater threat, and improving auditing techniques that retailers can employ to detect potential problems before they become an issue.

As with our other policies and programs, those we have in place against child labor and our efforts to support potential solutions are part of our broader commitment to drive sustainable improvements in working conditions.

Uzbek cotton

Location: Uzbekistan

Summary: In Uzbekistan, one of the world's largest exporters of cotton, the national government forces over one million children to labor in cotton fields. We are working with stakeholders in an effort to end this significant human rights violation.

As we have sought to define what social and environmental responsibility means to Gap Inc., much of our focus has centered on the factories where Gap Inc. branded apparel is made. But as our efforts have evolved, we have also come to see the need to look beyond factory walls to other realms where human rights are not always respected. One of the most prominent examples: the cotton fields of Uzbekistan.

Each autumn, over one million children are forced to work in Uzbekistan's cotton fields. One of the most troubling aspects of the crisis is that the use of forced child labor is directly orchestrated by the national government.

According to a recent report from the School of Oriental and African Studies at the University of London:

"In Uzbekistan, children have to conduct labor over long hours (at least nine hours a day with one break for lunch) with no days off over the two-month period and in difficult and dangerous conditions with a lack of adequate food and drinking water."

This assertion has been supported by news reports by the BBC, and has been widely documented by NGOs such as International Crisis Group, Environmental Justice Foundation, and the International Labor Rights Forum.

The use of child labor is unacceptable and violates Gap Inc.'s Code of Vendor Conduct and our Human Rights Policy. Since we became aware of this issue in 2007, we have been actively working to bring about a solution in partnership with an organized network of concerned stakeholders that include human rights experts, NGOs, trade unions, industry associations, socially responsible investors, and other global apparel brands and retailers, seeking to end this practice.

In addition to participating in the stakeholder network, we have: 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; met with representatives of the Uzbek government to express our concern over the continued exploitation of children to harvest cotton; deployed a supply chain "traceability" pilot project that sought to identify the country of origin for the cotton we use in a select line of our garments; and supported two complaints that have been filed with the International Labor Organization, citing the Uzbek government's continued violation of international labor norms.

While we have dedicated time and resources to these efforts, we are concerned that as of the fall of 2010, children were once again mobilized to work in Uzbekistan's cotton fields. We remain committed to helping to forge immediate and long-term solutions to this issue, and will continue working with the stakeholder network to seek an end to the use of forced child labor in the harvesting of Uzbek cotton.

Purchasing practices

Location: Worldwide

Summary: Social responsibility comes to life through the people who integrate it into Gap Inc.'s business operations.

Gap Inc.'s work in social and environmental responsibility is not limited to one department. For us to achieve our goals, our efforts need to be integrated into our overall business. Our employees hold the key to this integration.

Below we highlight three employees who work for our company in different roles and locations and whose tenure at Gap Inc. ranges from a year to nearly two decades. They reflect Gap Inc.'s efforts to look closely at the relationship between our operations and their impact on working conditions thousands of miles away.

In 2010, three working groups began looking even more closely at these issues. Composed of employees from across functions and brands at Gap Inc., they are focused on three areas relevant to social responsibility: vendor performance, product lifecycle and "chase" or rush orders. Vendor performance, for example, includes a factory's record of meeting the requirements outlined in our Code of Vendor Conduct, something we take into account when we decide where to source production of a Gap Inc. branded garment.

"I travel to a lot of factories we work with in countries around the world," says Chris Youn, a production manager for Old Navy, who is part of one of the working groups. "I've seen a thousand or two thousand people sew nothing but my garments. Knowing that decisions here can affect a lot of people, it's really important that we make them with a lot of seriousness."

In 2009, Gap Inc. hosted two open sessions looking at the link between purchasing practices and social responsibility with Maggie Burns, a labor rights expert with whom we have partnered numerous times. Afterward, a number of employees reached out to the Social Responsibility team saying they wanted to get involved in addressing these issues.

For the past year, the working groups have focused on better understanding the complex interconnections between decisions at headquarter offices – often made quickly, in response to a host of business needs and pressures – and their potential impacts on factory operations and working conditions where Gap Inc. branded apparel is made.

The product lifecycle team, for example, has examined the implications of industry issues such as inaccurate forecasting, missed deadlines, and large sample orders. Changing production volume at the last minute could put pressure on a factory and have implications for its own decision-making. The working group looking at rush orders has looked at whether such an order could lead factories producing Gap Inc. branded apparel to require overtime or seek out unauthorized subcontractors who may not have gone through Gap Inc.'s [factory approval process](#). Meanwhile, the vendor performance team has focused on making the social responsibility history of factories producing Gap Inc. branded apparel more easily accessible to those who oversee sourcing decisions.

The working groups plan to bring their insights to others at Gap Inc., and are considering everything from training sessions to online videos to an email address where employees could send questions about specific situations. One idea is for an easy-to-read summary of common scenarios for particular jobs, with suggestions on how to handle them in ways that best support social responsibility.

Ultimately, the goal we're working toward is for social responsibility to continue to be integrated into Gap Inc. sourcing decisions, along with cost, quality and other business considerations. "It doesn't matter if you're in finance or logistics or design – in a sense social responsibility is part of your job," says Deanna Robinson, Gap Inc.'s head of

Monitoring and Vendor Development.

Here are stories of three employees who embody this way of thinking – whether through involvement in one of the working groups or simply because they bring a commitment to acting responsibly to their work.

Claire Butler: Seeing the business payoff to social responsibility

As an economics major in college, Claire Butler was always drawn to issues related to international trade. She spent a summer in Peru during college, working for a non-governmental organization that was helping cotton farmers. “I knew that I might want to go into production,” she says. “It touches the whole international supply chain.”

Butler joined Gap Inc. in early 2010 and is now an assistant production manager for Old Navy, working out of our headquarters in San Francisco. She jumped at the chance to join the working group focused on product lifecycle, which has been exploring every step of the months-long process of producing a garment, from a designer’s initial idea to its arrival in stores. “We’re looking at all those steps at key decision-making points,” she says. “We’re asking what kinds of things we do at headquarters and how our decisions could impact social responsibility.”

One example she offers is providing good projections to a factory. If these are off, a factory could wind up facing more or fewer orders than it anticipated. Either scenario could apply pressure on a factory’s operations, as management may consider requiring overtime or find itself coping with production lines that are under-utilized.

One of the biggest insights Butler has taken away from her involvement in the working group is that social responsibility is not at odds with business success. In fact, she believes the opposite is true. “This is a place where they really do align,” she says. “Forecasting and accuracy and sticking with your decisions really help both areas. What’s important for social responsibility is also helpful to making things faster and more efficient. Most of the time, what’s good for us is good for the factory.”

Part of what Butler likes about working in production is that it brings her into direct contact with our sourcing offices overseas. She also values how the opportunity to consider social responsibility connects her work to the people behind our products. “It’s one of my favorite parts of the job. It helps me realize how what I do really does impact people throughout the world,” she says. “It’s easy to get wrapped up in the day-to-day. You can just see units or dollars, and it can be hard to make the connections. This helps me keep a broader perspective about what my job really means.”

Michele Sizemore: Understanding “social responsibility” before the term was in vogue

Ask Michele Sizemore where she has traveled to visit factories that make our clothes and she responds with a laugh. “What countries haven’t I been to?” she says, trying to remember them all. Her partial list includes India, Sri Lanka, Bangladesh, Cambodia, Vietnam, Thailand and the Philippines. Sizemore has worked in production and sourcing at Gap Inc. for 18 years, gaining a view into the interconnections between social responsibility and our business.

Based in New York, she is now Vice President of Global Sourcing for Gap brand, playing a key role in building relationships and negotiating contracts with factories that produce our branded clothes. She cites a number of considerations that go into whether we work with a particular factory. “Price is only one,” she says. “It’s also whether they can produce our quality, deliver it on time and get our aesthetic. And do they do the right thing? Do they believe in our values and what we stand for?”

To her, these values predate the emergence of the term social responsibility or the formation of a group focused on this area at Gap Inc. “At the end of the day,” she says, “it’s about whether a factory is treating its labor force fairly.” While Sizemore sees social responsibility as largely a question of a company’s culture, the development of new tools

has supported her team's decision-making. One prime example is our vendor scorecard, which provides an easy-to-read rating of a factory's social responsibility performance, graded in green, yellow and red (from top-performing to needing significant improvement).

Sizemore says the ratings help her not just choose among factories, but provide incentives for improvements. Beyond limiting or eliminating contracts with under-performing or "red" factories, she can reward those that raise their ratings to green. "If they go to red, you might exit the factory," she says. "But I can also encourage the great behavior. If a factory goes from yellow to green, I can give them more orders. The scorecard is a great example of how the social responsibility group has influenced the organization."

Just as she has observed the evolution of social responsibility into a formal function within Gap Inc., Sizemore has witnessed broader changes in the apparel industry. She's direct about the pressures of her work, especially in the wake of the global recession. "There are so many headwinds in the world today that make what we do even harder," she says, adding that "for the goods we manufacture abroad and domestically, you can always get a cheaper cost, but that comes at a price."

She is reminded of what that price would be when she visits factories abroad. "You're walking the factory floor," she says. "You get the feel of what it's like to be there. You see the people who are actually making your clothes. It's not just from a computer and sending your order. It's about looking into someone's eyes."

Sizemore jokes that she never imagined staying at a job for 18 years, but adds that her role's direct impact on people is a big reason she is still at Gap Inc. "We serve a customer that comes into one of our stores and buys our product. But I don't care about how strong the headwinds get – we don't forget about the person making the garment."

Pankaj Diwan: Experiencing first-hand the rapid changes in the developing world

For the past eight years, Pankaj Diwan has lived and worked in Bangladesh, where he has watched traffic increase, power supplies falter and factory orders rise dramatically. As Director of Sourcing for Gap Inc. in Bangladesh, Pakistan and South India, he has a unique perspective on how the garment industry is changing and the business and social trends that may impact workers in the future.

Change has defined much of his experience. One of the most profound shifts has been in the relationship between factories and compliance teams who focus on ensuring that workers are treated fairly. "Before, compliance departments had more of a policing job," he says. "Factories felt that the compliance team came to catch them on something and were really secretive. But over the years, the Gap Inc. compliance team has really opened up to vendors. Now, we try to work out solutions."

If a vendor finds itself falling behind in production, for example, it might feel pressure to subcontract to a factory that hasn't gone through our factory approval process. By cultivating more openness, Pankaj notes, such a factory is much more likely to work with our team to find a better option, such as turning to another approved factory in our vendor base. "Now they know they can reach out to us," he says.

Factories are starting to pay more attention to lean manufacturing, Pankaj says, to increase productivity. At the same time, the contrast between large and small factories shows an economy in flux, with vestiges of old practices alongside the new. As garment production rises, he believes that some of the small factories will get absorbed by larger ones. He also believes that Bangladesh, in particular, must improve its infrastructure to accommodate economic growth.

Pankaj also sees opportunity. A burgeoning middle class is starting to address the enormous gap between rich and

poor. Today, the term social responsibility has been around long enough that it is no longer a new idea. “The Social Responsibility team and the norms that we set for factories [producing Gap Inc. branded clothes] is a big part of our work,” says Pankaj. “There is so much more awareness in the world about poverty, and governments and businesses are being held more accountable. The world has changed.”

ILO/IFC Better Work program

Location: Cambodia (and other countries)

Summary: For years, we've played a role in a unique international collaboration to improve working conditions in garment factories. Today, the Better Work program is expanding throughout the world, and by the end of 2011 will be operational in seven countries.

In the late '90s, Gap Inc. embraced the opportunity to become part of a groundbreaking effort to improve labor standards compliance and transparency.

The effort now encompasses the 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. By promoting innovative and credible systems, Better Work has sustainable impact and directly benefits the lives of millions of workers.

This effort began in Cambodia, which at the time was forging a unique partnership with the ILO as a result of a landmark trade agreement with the U.S. We knew that to make sustainable improvements, we needed to join with others to pool resources, knowledge and skills. The ILO – with its unique expertise and credibility on labor rights – was working with government, industry, and labor groups to oversee a new approach to factory monitoring.

Given Gap Inc.'s size and presence in Cambodia, we felt we had a primary role to play as well. We helped with the program's design and practical complexities. And we took a long-term view, seeing this collaboration as a potential model for change throughout the world. Today, we are proud of the role we've played in helping Better Work expand to seven countries around the world, and remain committed to seeing its success continue in the years ahead.

Better Work shows what it takes to create scalable impact. For instance, we saw an opportunity, in addition to monitoring, in training and capacity building – to help factories develop their own systems to improve working conditions. Together with local NGOs, we developed a training program in Cambodia that later evolved into a bigger collaboration between Gap Inc. and the IFC. Capacity building was eventually incorporated into the Better Work model, and the IFC joined forces with the ILO to help expand Better Work beyond Cambodia. Today, Better Work has financial backing from more than a dozen governments.

We envisioned this expansion early on and began to lay the groundwork. In 2006, we invited representatives from the program, along with Cambodia's Minister of Commerce, to a conference we helped organize in Central America on fair labor standards and global competitiveness.

"Gap Inc. has played a strong role in supporting Better Work to establish programs in Africa, Asia and Latin America," says Dan Rees, Director of Better Work. "This is an important contribution to the Better Work approach of building effective collaboration between governments, employers, workers, and buyers in programs that improve working conditions."

In those countries where the Better Work programs are operational, we have stopped our own monitoring and instead subscribe to Better Work assessment reports; this in turn frees up our internal resources to focus on capacity building and remediating problems. Better Work has developed its own approach to monitoring factories, and while this approach is not always 100% reflective of our own Code of Vendor Conduct's methodology, it is equally comprehensive in that it takes a long-term approach looking at continuous improvements and capacity building efforts. By eliminating the need for individual brands to conduct separate auditing, Better Work increases efficiencies and establishes clearer standards.

When social compliance issues do arise in Better Work member factories manufacturing apparel for Gap Inc., we will take steps required to remediate those issues, including involving our Social Responsibility Specialists and members of our broader Monitoring and Vendor Development team as needed. For more information on the process and scope of the Better Work program, please [click here](#) and [here](#).

Below are but a few of the recent updates relevant to Better Work's expansion (the number of factories participating in the program generally refers to those suppliers that are garment manufacturing facilities):

Cambodia

Better Factories Cambodia now counts 100 percent of our suppliers there as participants in the program.

Haiti

Better Work has been operational in Haiti since 2009, though the earthquake of January 2010 forced several delays in the program being implemented according to its original schedule. Nonetheless, 100 percent of our supplier factories are now participating in the program in Haiti.

Indonesia

Better Work officially launched in Indonesia in April 2011. The first phase of the program is concentrating on factories in and around Jakarta, with a pilot project consisting of a few participating brands and retailers, each enrolling a select group of their suppliers. Gap Inc. is included in the pilot program.

Jordan

Launched in early 2008, the Better Work program started in earnest in July of that year. We have four supplier factories in Jordan, all of which are participating in the program.

Lesotho

Officially launched in December 2010, our four suppliers based out of Lesotho are participating in the Better Work program.

Nicaragua

Although the program was announced in 2010, the official launch is expected to be summer 2011, with the rollout of assessments beginning in the second half of 2011. We are planning on having all of our Nicaragua suppliers participate.

Vietnam

Better Work Vietnam covers factories in and around Ho Chi Minh City. In the first year of the program, which became operational in June 2009, approximately 45 percent of our supply base participated. We are aiming to have nearly 100 percent of our factories registered and participating in the program by the end of 2011.

Update on Bangladesh

Location: Bangladesh

Summary: On December 14, 2010, a fire broke out at the Hameem Group's That's It Sportswear factory in Dhaka, Bangladesh, taking the lives of 29 individuals and injuring over 100 others. The factory was a supplier to Gap Inc. and several other major apparel brands and retailers.

This tragedy affected our company deeply, as the very crux of our Social and Environmental Responsibility work strives to ensure factories that produce our branded products have the appropriate measures in place for a safe working environment. Several of our Social Responsibility Specialists spent time at the factory in the days following the fire, speaking with workers and management, collecting information, and seeking to understand how we could help. Our most urgent priority was to ensure that affected workers received the medical care they required. In the days that followed, we communicated to factory management our stringent requirements for an action plan that would address the immediate needs of the workers and their families, as well as an initial plan to improve fire safety at all of the vendor's facilities.

Our Code of Vendor Conduct (COVC) has included robust fire safety requirements since its inception in 1996. All factories producing our branded products agree to comply with this code, and our Social Responsibility Specialists visit the factories we monitor through both announced and unannounced visits to ensure COVC compliance. In Bangladesh, we require that the factories we work with conduct monthly fire drills, and we confirm that these have taken place during each audit. During these audits, our Social Responsibility Specialists check that fire exits are not blocked, interview workers on fire safety, and confirm that there are an adequate number of working fire extinguishers in the facility. In some cases, random fire evacuation drills are held in the presence of our auditing team.

In the weeks that followed the fire, we worked closely with both local and international NGOs and local and international trade unions to review infrastructure issues and discuss the vendors' and local stakeholders' compensation allocations for the victims and their families who were affected by the fire. Since this tragic event, we and other brands have redoubled our efforts to encourage garment manufacturers in Bangladesh, the Bangladesh Garment Manufacturers & Exporters Association (BGMEA), and the Government of Bangladesh to take specific actions to improve fire prevention, emergency response requirements, and health and safety education of management and workers in the garment and textile industry as a whole.

Beyond the short-term considerations that have been front of mind in addressing the cause of this tragic fire, we are working with a large group of stakeholders to address how to improve long-term fire safety and prevention for factories in Bangladesh. A committed group of apparel brands and retailers have joined together in an effort to ensure this issue is addressed collectively. Individual brand action will not lead to the sustainable change that is required in Bangladesh. This group of brands and retailers not only includes those with orders placed in the Hameem factory at the time of the fire, but also a larger group of brands and retailers that source from the country. Other involved stakeholders include trade unions and NGOs, Bangladeshi garment manufacturers, the Government of Bangladesh, and the Bangladesh Garment Manufacturers & Exporters Association. Various government agencies and multi-lateral institutions are also helping explore how export and trade measures can be aligned with development and labor compliance initiatives.

This collective effort to align Bangladesh's growth as an apparel manufacturing and exporting hub with systemic improvement in factory working conditions – and a specific focus on fire safety and prevention – has led to a number of multi-stakeholder meetings to discuss the best path forward. To date they include:

- In February of 2011, Kindley Walsh-Lawlor, Gap Inc.'s Vice President of Social and Environmental Responsibility, traveled to Bangladesh, joined by Deanna Robinson, Senior Director of Monitoring and Vendor Development and Darryl Knudsen, our Director of Global Partnerships and Public Policy, and members of our local team. Additionally, we helped organize a large stakeholder meeting with other apparel brands and retailers, which brought together over 160 suppliers to discuss fire safety in factories. The meeting highlighted key concerns and expectations of buyers, including the need for the Bangladesh government to implement and enforce strict codes for infrastructural electrical wiring (no such standards currently exist in the country).
- In April 2011, Members of our Social Responsibility team returned to Dhaka to attend a multi-stakeholder meeting convened by the ITGLWF. This meeting was a crucial step in bringing together apparel brands and retailers, local and international trade unions, factory owners, the BGMEA, the Government of Bangladesh, and NGOs to discuss remediation efforts related to the Hameem fire.
- In Dhaka, in June 2011, GlobalWorks Foundation, an NGO based out of Washington DC, convened a multi-stakeholder meeting – bringing together representatives from the Government of Bangladesh, the U.S. Government, multilateral institutions, the apparel industry, NGOs, trade unions, and others – to identify and build points of leverage to advance the shared goal of improving factory working conditions in Bangladesh, with particular focus on fire safety and prevention. GlobalWorks Foundation's convening role in bringing stakeholders together to address this sector-wide issue in Bangladesh was initiated by seed funding provided by Gap Inc.

Further updates and discussions of progress on this issue will be featured on our Social and Environmental Responsibility website at www.gapinc.com/socialresponsibility.

Sri Lanka

Location: Sri Lanka

Summary: Gap Inc. is closely monitoring the peace and reconciliation process in Sri Lanka, and is seeking to ensure our Code of Vendor Conduct is being adhered to by factories producing Gap Inc. branded apparel.

Gap Inc. takes the human rights concerns related to the Sri Lankan conflict and its aftermath seriously. We are monitoring the steps taken by the U.S. government, the EU and the United Nations to address these concerns, and we believe these institutions are best placed to be engaging with the Sri Lankan government at this time.

The conflict in Sri Lanka has been particularly hard on working Sri Lankans of all backgrounds, and based on expert consultations, we feel that one of the most meaningful contributions we can make to help improve the overall environment in Sri Lanka is by providing safe and fair working conditions to individuals regardless of political affiliation or ethnicity. This is particularly true because apparel production is an important and much needed source of jobs in the country.

At Gap Inc., we strongly believe in non-discriminatory hiring practices, and fair, equitable working conditions. To ensure these values are upheld, our Social Responsibility Specialists conduct announced and unannounced visits to factories that we monitor. In Sri Lanka, our specialist team is comprised of both Tamil and Sinhalese employees who speak the local language, understand the culture, and have deep experience in this work.

Many of our efforts to improve conditions in Sri Lanka are done in partnership. In one example, we partnered with EAM Maliban Group, a Gap Inc. vendor, to provide workplace training programs in 13 factories in Sri Lanka that provide female garment workers with life skills and enhanced technical skills education. We have also partnered with Habitat for Humanity to rebuild homes after the tsunami, as well as with Brandix to provide a clean water resource training center and install wells.

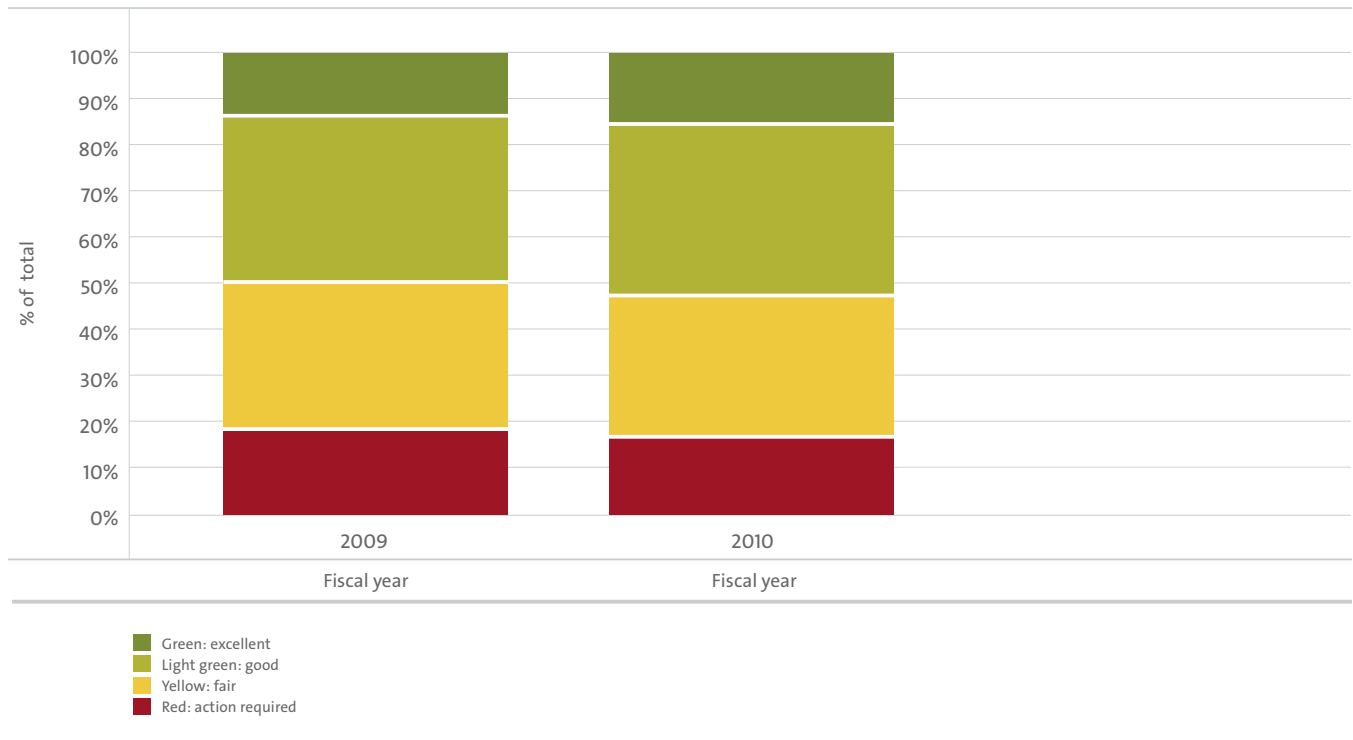
We will continue to closely monitor the situation in Sri Lanka, and will carefully consider recommendations made by the U.S. government, the EU, the United Nations, and other appropriate international bodies that provide guidance on how apparel companies can play a positive role in bringing lasting peace to Sri Lanka.

Goals and Progress

Supply Chain Data

Rating factories’ performance against our Code of Vendor Conduct is one of the most important things we do to seek to ensure safe and fair working conditions. We continually review our rating approach to maximize our ability to understand and improve factory performance. Over the past several years we have made some important changes to our ratings – affecting how we calculate them, classify them and share them with key decision-makers across our brands. These changes are described in detail below this chart.

2009-2010 Factory ratings comparison



Note:

Data represents fiscal year and includes factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year 2010. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

In 2009, improvements to our monitoring database enabled us to make our factory ratings methodology more comprehensive, providing a clearer picture of factory working conditions. One key methodology change is that we now look at a factory’s performance over time. Each time a factory is audited, it gets a new numeric score based on the most recent audit, which then gets averaged with up to three previous audits for that factory (depending on how many audits the factory has had). A rating that takes past performance into account helps us to better understand how a factory has performed over time.

As in our previous ratings methodology, we give more weight in our calculations to “key” issues such as excessive overtime. In addition to uniquely weighting key vs. non- key issues, our new ratings methodology allows us to account for habitual issues that have surfaced more than once. Finally, we have also started giving factories bonus points for incorporating best practices into their operations.

The database enabling the more complex ratings formula is automated, therefore allowing our Social Responsibility Specialists to quickly pull up a ratings report on any factory in the system when they are in the field. Likewise, we are more easily able to provide ratings data to employees making sourcing decisions.

We have changed our ratings categories to align them with existing Gap Inc. business standards such as quality. Instead of a number scale of 1-5, we're now using a color scale with four major groupings: Green = Excellent, Light green = Good, Yellow = Fair, Red = Action required. Aligning our factory ratings categories with the categories used in our business standards will help our sourcing partners to use factory ratings as a tool to inform business decisions.

We share vendor ratings twice a year with the leadership teams at our different brands, as well as our sourcing group. Vendor ratings are calculated by averaging the ratings of factories under a specific vendor. Based on the vendor rating results, we are identifying which of our strategic vendors need to improve their performance and are crafting improvement plans for individual factories. In addition to targeting specific violations of our Code, we are seeking to address the root causes of problems. For instance, if a factory has required excessive overtime, it may be utilizing inadequate planning processes. Our Vendor Development Program is aimed at helping to ensure factories have the right human resource management systems in place to try and prevent problems from happening in the first place.

Our on-the-ground Social Responsibility Specialists oversee a factory's actions against our improvement plan. Even if a factory has not moved into a different color category – for example, from red to yellow – it may still be making improvements. Behind each color category is a numerical range of scores that reveal a more nuanced view of a factory's performance. Depending on the frequency of audits, it may take a couple years for a factory to change its color rating, given that the rating is based on an average of current and previous audits. Our aim is for factories to improve their numeric score as they progress towards the next color category.

We have put special focus on “action required” factories and we are also looking to involve our business partners to improve factory performance. One example: we're partnering with our brands to ensure that their influence with vendors reinforces our actions to address performance issues, particularly with regard to factories that fall within the “action required” category.

Ultimately, the changes to our factory ratings and our Vendor Development Program support our broader goal: to shift away from simply “policing” factories to understanding and addressing the root causes of problems. We believe we have the responsibility to monitor factories and hold them accountable – while helping them improve through better systems and practices.

2010 Factory ratings by geographic region

Region	Number of factories	Action required (%)	Fair (%)	Good (%)	Excellent (%)
Greater China	327	18.0	34.9	35.8	11.3
North Asia	88	14.8	39.8	42.0	3.4
Southeast Asia	322	9.6	28.6	40.1	21.7
South Asia	383	23.0	35.8	32.9	8.4
Persian Gulf	1	100.0	0.0	0.0	0.0
North Africa & the Middle East	41	58.5	17.1	14.6	9.8
Sub-Saharan Africa	6	0.0	50.0	33.3	16.7
Europe	38	10.5	10.5	50.0	28.9
United States and Canada	43	2.3	4.7	39.5	53.5
Mexico, Central America & the Caribbean	80	3.8	16.3	37.5	42.5
South America	19	5.3	42.1	47.4	5.3
Total	1348	16.7	30.8	36.5	16.0

Note:

Data represents fiscal year and includes factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year 2010. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

2009 Factory ratings by geographic region

Region	Number of factories	Action required (%)	Fair (%)	Good (%)	Excellent (%)
Greater China	335	17.6	34.9	36.1	11.3
North Asia	98	16.3	39.8	39.8	4.1
Southeast Asia	320	10.3	30.6	39.4	19.7
South Asia	372	28.8	36.0	29.0	6.2
Persian Gulf	2	50.0	0.0	0.0	50.0
North Africa & the Middle East	44	59.1	20.5	11.4	9.1
Sub-Saharan Africa	23	17.4	34.8	43.5	4.3
Europe	35	11.4	14.3	48.6	25.7
United States and Canada	44	0.0	9.1	43.2	47.7
Mexico, Central America & the Caribbean	95	3.2	13.7	44.2	38.9
South America	29	6.9	44.8	44.8	3.4
Total	1397	18.2	31.5	35.8	14.5

Note:

Data represents fiscal year and includes factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year 2010. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

We work with factories producing Gap Inc. branded product that are willing and able to meet our business standards, including those standards outlined in our Code of Vendor Conduct (COVC). To screen out factories that don't meet our COVC requirements, we've developed an approval process for the factories.

2010 Factory approval

Region	Number of new factories evaluated	Approved (%)	Not Approved (%)	Pending (%)
Greater China	55	70.9	9.1	20.0
North Asia	5	100.0	0.0	0.0
Southeast Asia	53	73.6	13.2	13.2
South Asia	69	88.4	5.8	5.8
Persian Gulf	0	0.0	0.0	0.0
North Africa & the Middle East	13	53.8	23.1	23.1
Sub-Saharan Africa	0	0.0	0.0	0.0
Europe	14	78.6	7.1	14.3
United States and Canada	9	55.6	44.4	0.0
Mexico, Central America & the Caribbean	13	92.3	0.0	7.7
South America	2	100.0	0.0	0.0
Total	233	77.7	10.3	12.0

Note:

Data represents apparel factory status as of 4/7/2011 for factories that went through our approval process in fiscal year 2010.

We work with factories producing Gap Inc. branded product that are willing and able to meet our business standards, including those standards outlined in our Code of Vendor Conduct (COVC). To screen out factories that don't meet our COVC requirements, we've developed an approval process for the factories.

2009 Factory approval

Region	Number of New Factories Evaluated	Approved (%)	Not Approved (%)	Pending (%)
Greater China	68	85.3	13.2	1.5
North Asia	9	88.9	11.1	0.0
Southeast Asia	58	77.6	13.8	8.6
South Asia	74	86.5	12.2	1.4
Persian Gulf	0	0.0	0.0	0.0
North Africa & the Middle East	16	62.5	37.5	0.0
Sub-Saharan Africa	1	100.0	0.0	0.0
Europe	7	71.4	28.6	0.0
United States and Canada	16	87.5	6.3	6.3
Mexico, Central America & the Caribbean	35	91.4	8.6	0.0
South America	4	100.0	0.0	0.0
Total	288	83.7	13.5	2.8

Note:

Data represents factory status as of 6/14/10 for factories that went through our approval process in fiscal year 2009.

Our Social Responsibility Specialists visit the factories we monitor through both announced and unannounced visits to establish relationships with management and workers and to gain an accurate picture of how the factory is run. When possible, they also develop relationships with local NGOs and trade unions, whose close ties with workers often enable them to provide our specialists with information they would not otherwise uncover during a standard evaluation of a factory. Our presence signals to factories that we will hold them accountable for problems and expect them to meet the standards outlined in our Code of Vendor Conduct in order to work with us.

2010 Factory monitoring

Region	Active full year (# of factories)	Active full year visited (# of factories)	Percentage visited (%)
Greater China	192	192	100.0
North Asia	50	50	100.0
Southeast Asia	190	189	99.5
South Asia	196	196	100.0
Persian Gulf	0	0	0.0
North Africa & the Middle East	20	20	100.0
Sub-Saharan Africa	3	3	100.0
Europe	19	19	100.0
United States and Canada	28	28	100.0
Mexico, Central America & the Caribbean	39	39	100.0
South America	13	13	100.0
Total	750	749	99.9

Note:

Active full year denotes factories that Gap Inc. has approved and worked with for the full fiscal year 2010. Data includes factories producing Gap Inc. branded product that are part of our monitoring program.

Our Social Responsibility Specialists visit the factories we monitor through both announced and unannounced visits to establish relationships with management and workers and to gain an accurate picture of how the factory is run. When possible, they also develop relationships with local NGOs and trade unions, whose close ties with workers often enable them to provide our specialists with information they would not otherwise uncover during a standard evaluation of a factory. Our presence signals to factories that we will hold them accountable for problems and expect them to meet the standards outlined in our Code of Vendor Conduct in order to work with us.

2009 Factory monitoring

Region	Active Full Year (# of factories)	Active Full Year Visited (# of factories)	Percentage Visited (%)
Greater China	186	183	98.4
North Asia	57	57	100.0
Southeast Asia	180	180	100.0
South Asia	188	184	97.9
Persian Gulf	1	1	100.0
North Africa & the Middle East	20	20	100.0
Sub-Saharan Africa	5	5	100.0
Europe	20	20	100.0
United States and Canada	18	16	88.9
Mexico, Central America & the Caribbean	39	37	94.9
South America	14	13	92.9
Total	728	716	98.4

Note:

Active full year denotes factories that Gap Inc. has approved and worked with for the full fiscal year 2009. Data includes factories producing Gap Inc. branded product that are part of our monitoring program.

Today, we assess more than 700 items – potential issues that can affect working conditions – related to our Code of Vendor Conduct (COVC) that could range from whether a factory has clean bathrooms to its adherence to local laws.

We organize all these items into four principles, rather than the eight we used to use. This approach helps simplify the data for reporting and collecting purposes. The four principles are: management system, environment, labor and working conditions. The below data highlights a representative group of items instead of all 700 in an effort to make our reporting more accessible and useful. From each main category, we've selected items that stakeholders have been most interested in and that, together, create an overall picture of performance.

In addition to the below data, we have numerous articles on the site that detail our efforts to address existing and potential future COVC violations. For example, you can read more about our efforts to remediate compliance issues, promote a safe and fair hand work environment, address child labor and human trafficking.

We will continue to make the entire list of items in our COVC available on this site.

2010 COVC violations by region (chart I)

Compliance principle	Principle subsection	Compliance detail	Greater China 320 Factories	North Asia 86 Factories
Management system	Handwork monitoring	Does not maintain hand work supply chain details	★	★
		Factory has not established a contractor monitoring system	★	★
	Legal & customer requirements	Does not allow unrestricted access	●	●
Environmental	EMS	Does not have an EMS	✘	●
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	●	▲
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	✘	✘
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	■	★
		Employs worker below the legal min. age or 15, whichever is higher	▲	★
	Contract labor regulations	Employee Contract in Home Country	★	★
		Return fee	★	▲
	Discrimination	Discriminatory distribution of wages & benefits	★	★
		Discriminatory hiring policy	◆	▲
	Forced labor	Uses involuntary labor	◆	★
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	★	★
		Penalizes workers' efforts to organize	★	★
	Humane treatment	Does not prohibit physical punishment or coercion	★	★
		Does not prohibit psychological abuse or coercion	▲	★
	Wages & benefits	Does not pay overtime & incentives as required	■	■
		Does not provide understandable wage statement.	■	●
Working hours	Does not allow workers to refuse overtime	▲	▲	
	Does not provide 1 day off in 7	■	▲	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	▲	★
		Does not provide individual mats or beds	◆	★
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	✘	●
Occupational safety	Does not maintain sufficient, clearly marked exits & routes	■	●	
	Does not provide sufficient lighting	◆	▲	

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

2010 COVC violations by region (chart II)

Compliance principle	Principle subsection	Compliance detail	South Asia 378 Factories	Southeast Asia 318 Factories
Management system	Handwork monitoring	Does not maintain hand work supply chain details	▲	★
		Factory has not established a contractor monitoring system	▲	★
	Legal & customer requirements	Does not allow unrestricted access	●	▲
Environmental	EMS	Does not have an EMS	●	●
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	▲	▲
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	●	●
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	▲	▲
		Employs worker below the legal min. age or 15, whichever is higher	▲	★
	Contract labor regulations	Employee Contract in Home Country	★	◆
		Return fee	★	▲
	Discrimination	Discriminatory distribution of wages & benefits	★	★
		Discriminatory hiring policy	★	▲
	Forced labor	Uses involuntary labor	★	◆
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	▲	■
		Penalizes workers' efforts to organize	▲	▲
	Humane treatment	Does not prohibit physical punishment or coercion	▲	◆
		Does not prohibit psychological abuse or coercion	■	▲
	Wages & benefits	Does not pay overtime & incentives as required	●	▲
		Does not provide understandable wage statement.	■	▲
Working hours	Does not allow workers to refuse overtime	▲	▲	
	Does not provide 1 day off in 7	■	■	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	◆	★
		Does not provide individual mats or beds	▲	★
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	✘	✘
Occupational safety		Does not maintain sufficient, clearly marked exits & routes	■	■
		Does not provide sufficient lighting	▲	■

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

2010 COVC violations by region (chart III)

Compliance principle	Principle subsection	Compliance detail	North Africa/ Middle East 38 Factories	Sub-Saharan Africa 5 Factories
Management system	Handwork monitoring	Does not maintain hand work supply chain details	★	★
		Factory has not established a contractor monitoring system	★	★
	Legal & customer requirements	Does not allow unrestricted access	●	■
Environmental	EMS	Does not have an EMS	●	✘
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	▲	✘
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	●	●
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	★	★
		Employs worker below the legal min. age or 15, whichever is higher	★	★
	Contract labor regulations	Employee Contract in Home Country	▲	★
		Return fee	▲	★
	Discrimination	Discriminatory distribution of wages & benefits	★	★
		Discriminatory hiring policy	▲	★
	Forced labor	Uses involuntary labor	▲	★
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	★	★
		Penalizes workers' efforts to organize	★	★
	Humane treatment	Does not prohibit physical punishment or coercion	★	★
		Does not prohibit psychological abuse or coercion	✘	■
	Wages & benefits	Does not pay overtime & incentives as required	●	★
		Does not provide understandable wage statement.	●	■
Working hours	Does not allow workers to refuse overtime	■	★	
	Does not provide 1 day off in 7	●	■	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	▲	★
		Does not provide individual mats or beds	★	★
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	✘	■
Occupational safety		Does not maintain sufficient, clearly marked exits & routes	●	★
		Does not provide sufficient lighting	▲	★

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

2010 COVC violations by region (chart IV)

Compliance principle	Principle subsection	Compliance detail	United States and Canada 43 Factories	Mexico, Central America and the Caribbean 78 Factories
Management system	Handwork monitoring	Does not maintain hand work supply chain details	★	★
		Factory has not established a contractor monitoring system	★	★
	Legal & customer requirements	Does not allow unrestricted access	■	▲
Environmental	EMS	Does not have an EMS	✘	●
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	▲	▲
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	●	●
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	★	★
		Employs worker below the legal min. age or 15, whichever is higher	★	★
	Contract labor regulations	Employee Contract in Home Country	★	★
		Return fee	★	★
	Discrimination	Discriminatory distribution of wages & benefits	▲	★
		Discriminatory hiring policy	▲	▲
	Forced labor	Uses involuntary labor	★	★
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	★	▲
		Penalizes workers' efforts to organize	★	▲
	Humane treatment	Does not prohibit physical punishment or coercion	★	▲
		Does not prohibit psychological abuse or coercion	■	■
	Wages & benefits	Does not pay overtime & incentives as required	★	▲
		Does not provide understandable wage statement.	▲	■
Working hours	Does not allow workers to refuse overtime	★	■	
	Does not provide 1 day off in 7	▲	▲	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	★	★
		Does not provide individual mats or beds	★	★
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	●	●
Occupational safety		Does not maintain sufficient, clearly marked exits & routes	●	●
		Does not provide sufficient lighting	★	▲

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

2010 COVC violations by region (chart V)

Compliance principle	Principle subsection	Compliance detail	South America 19 Factories
Management system	Handwork monitoring	Does not maintain hand work supply chain details	▲
		Factory has not established a contractor monitoring system	▲
	Legal & customer requirements	Does not allow unrestricted access	●
Environmental	EMS	Does not have an EMS	●
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	▲
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	●
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	▲
		Employs worker below the legal min. age or 15, whichever is higher	▲
	Contract labor regulations	Employee Contract in Home Country	★
		Return fee	★
	Discrimination	Discriminatory distribution of wages & benefits	★
		Discriminatory hiring policy	★
	Forced labor	Uses involuntary labor	★
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	▲
		Penalizes workers' efforts to organize	▲
	Humane treatment	Does not prohibit physical punishment or coercion	▲
		Does not prohibit psychological abuse or coercion	■
	Wages & benefits	Does not pay overtime & incentives as required	●
		Does not provide understandable wage statement.	■
Working hours	Does not allow workers to refuse overtime	▲	
	Does not provide 1 day off in 7	■	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	◆
		Does not provide individual mats or beds	▲
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	✘
Occupational safety	Does not maintain sufficient, clearly marked exits & routes	Does not provide sufficient lighting	▲

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

2010 COVC violations by region (chart VI)

Compliance principle	Principle subsection	Compliance detail	Europe 36 Factories	Persian Gulf 1 Factory
Management system	Handwork monitoring	Does not maintain hand work supply chain details	★	★
		Factory has not established a contractor monitoring system	★	★
	Legal & customer requirements	Does not allow unrestricted access	●	✘
Environmental	EMS	Does not have an EMS	✘	★
	Environmental emergency plan	Does not have a notification procedure in case of accidental discharge or environmental emergency	▲	★
	Hazardous substances	Does not store and dispose of hazardous materials appropriately.	●	★
Labor	Child labor	Does not comply with child labor laws, including hiring, wages, hours & conditions regulations	▲	★
		Employs worker below the legal min. age or 15, whichever is higher	★	★
	Contract labor regulations	Employee Contract in Home Country	★	★
		Return fee	★	✘
	Discrimination	Discriminatory distribution of wages & benefits	★	★
		Discriminatory hiring policy	★	✘
	Forced labor	Uses involuntary labor	★	★
	Freedom of association and the right to collective bargaining	Does not permit workers to organize	★	★
		Penalizes workers' efforts to organize	★	★
	Humane treatment	Does not prohibit physical punishment or coercion	★	★
		Does not prohibit psychological abuse or coercion	■	✘
	Wages & benefits	Does not pay overtime & incentives as required	■	★
		Does not provide understandable wage statement.	■	★
Working hours	Does not allow workers to refuse overtime	▲	✘	
	Does not provide 1 day off in 7	■	✘	
Working conditions	Dormitory & canteen	Does not maintain clear exit routes	★	★
		Does not provide individual mats or beds	★	★
	Machine safeguarding	Does not equip machinery with operation safety devices and inspect on a regular basis	✘	✘
Occupational safety		Does not maintain sufficient, clearly marked exits & routes	●	★
		Does not provide sufficient lighting	▲	★

★	No code violations found
◆	Violations verified in less than 1% of factories
▲	Violations verified in 1-9.99% of factories
■	Violations verified in 10-24.99% of factories
●	Violations verified in 25-49.99% of factories
✘	Violations verified in more than 50% of factories

Note:

The data set displays the percentage of factories by region that had a specific Code of Vendor Conduct violation outstanding (irrespective of when the violation was identified) within the fiscal year 2010. The data represents factories producing Gap Inc. branded product that are part of our monitoring program and that were active during either the full or partial year. Partial year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year 2010.

Goals and Progress

Environment

Full Section

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.

Our impact on the environment

	Influence			Direct control		Weak/no control
Inputs	Water, pesticides, fertilizers, dyes, energy	Fuel, water, chemicals	Fuel, corrugate, plastic	Energy, wood, other construction materials	Energy, corrugate, plastic	Energy, water, dry cleaning materials
Process	Raw materials and textile production	Garment production	Transportation of goods	Store and facility construction	Store operations (including packaging)	Consumer use and disposal
Outputs	Emissions, waste, runoff (wastewater)	Emissions, waste, wastewater	Emissions, waste, wastewater	Emissions, waste	Emissions, waste	Emissions, waste

In 2004, we worked with CH2M HILL to assess our environmental impact throughout the product life cycle. We've confirmed that, in the short term, we should focus our efforts on the areas over which we have direct control and, therefore, the biggest opportunity to make a difference.

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.

In all of our efforts, we are working throughout Gap Inc. to drive change, enlisting the passion and talent of our employees across numerous functions to support our business as well as our values of “Do: What’s Right” when it comes to the environment. Some of the key initiatives to maximize our effectiveness include:

Driving toward a 20 percent absolute reduction in our greenhouse gas (GHG) emissions for our U.S. operations by 2015.

Involving company leadership, from our **Environmental Council** — comprised of key leaders across the company — to our board of directors, with whom we engage about our environmental initiatives.

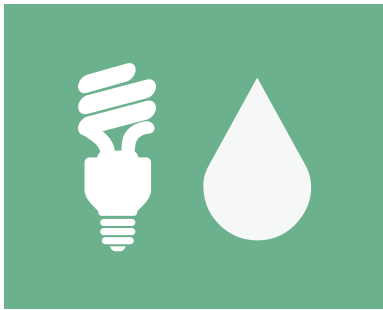
Partnering with external environmental groups such as Ceres and the **National Resources Defense Council (NRDC)** to find new opportunities for progress.

Entering into broader and deeper coalitions to jointly address social and environmental impacts in the apparel supply chain.

Our environmental strategy stems from a careful analysis of our environmental challenges as a global apparel retailer, the areas over which we have the most control and opportunity to create change, and the issues that we believe enable us to make the biggest difference.

Based on this analysis, we have developed a comprehensive framework for our environmental efforts, focused on three areas where we can create positive impact in either the short- or long-term: reducing energy and water use; shifting to more sustainable materials and design; and reducing waste. Our shorthand for this focus is “ECO.”

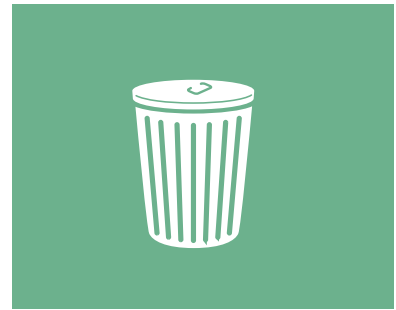
Our ECO Focus



Energy and water conservation



Cotton and sustainable design



Output and waste reduction

In some of these areas, we have significant control to drive improvements. For example, we have been working for the past several years to reduce our energy use in stores, headquarters offices and distribution centers, and have cut down on the amount of packaging we use. In other areas, our efforts will require a greater investment. While we have direct control over water usage inside our facilities, for instance, we see potentially even more impact in changing how water is used in the manufacture of our products.

Throughout this report, we provide more detail on each of the three areas of our ECO strategy, as well as stories that highlight how we are bringing this strategy to life – in our products, stores and supply chain. These efforts range from reducing our use of corrugate cardboard, introducing paperless paystubs and ensuring that the wastewater produced from making our jeans is properly treated before being discharged. At a higher level, we are working to deepen our strategy and impact by collaborating with others and engaging employees throughout our company.

Given our operations, two of the biggest areas in which we can create a positive environmental impact are energy and water management. In both cases, what’s good for the environment is also good for our business, as we improve efficiencies, save money, and help address and mitigate the risks of climate change in the communities where we live and work.

All of these areas are important for our future success. **Climate change**, as our Board member and former CEO Bob Fisher has described, could have a direct impact on our business. For example, the apparel sector depends on producing cotton, a crop that requires water and favorable growing conditions. Climate-related events such as drought or flooding threaten our global supply chain and increase the price of goods.

We’ve been working to address these issues for much of the past decade. Since 2003, we’ve participated in the U.S. Environmental Protection Agency’s (EPA’s) Climate Leaders Program as well as the **Carbon Disclosure Project (CDP)** to track our progress in reducing energy use and greenhouse gas (GHG) emissions. View our complete 2010 CDP Response in the Resources section of our Social and Environmental website at www.gapinc.com/socialresponsibility.

In order to meet the broad scope and high degree of transparency required by both initiatives, we collect and report on GHG emissions data for our owned-and-operated facilities in the U.S., which include our stores, distribution centers, and headquarters buildings. In 2009, we were pleased to report that we reduced our GHG emissions by 20 percent per square foot between 2003 and 2008, exceeding our Climate Leaders goal of 11 percent over that five-year period.

We are now working toward a larger target. We’ve made a commitment to reduce absolute GHG emissions in our U.S. operations 20 percent by 2015, compared to 2008 levels. Though we are a global company, we are focused on our U.S. stores and facilities, as they continue to represent more than 75 percent of sales. Informed by our **environmental footprint assessment** completed in 2009, this goal is an ambitious one and will require significant effort across our company.

2008-2010 GHG emissions

Emissions source	Scope 1		Scope 2	Total scope 1 & 2	Scope 3		Total scope 1, 2 & 3
	Stationary combustion	Mobile combustion	Electricity		Outbound logistics	Business travel	
2008	26,298	960	587,847	615,105	45,388	N/A	660,493
2009	24,984	673	527,222	553,379	45,388	N/A	598,767
2010	24,661	722	495,078	520,461	43,428	9,646	573,535

Note:
Values are in metric tons of CO2e

We continue to make changes and measurable progress across Gap Inc. in support of this goal. For example:

In our stores, managers are finding ways to reduce energy use with the help of our Energy Management Program. The program identifies stores with high energy use and works with managers to ensure that they’re focused on energy conservation. To help them succeed, we provide training materials and tips on reducing energy use along with targets for store-level energy reduction (in kilowatt-hours/square foot).

In our distribution centers, we've replaced lighting fixtures with energy-efficient fluorescent lights that maintain quality lighting while significantly reducing our energy use and costs. By replacing more than 16,000 lightbulbs, we've reduced our electricity consumption by approximately 40 percent. We've also installed a one-megawatt solar array at our distribution center in Fresno, California, which generates approximately 1.9 million kWh annually – the equivalent of the electricity required to power approximately 350 homes for a year.

In our supply chain, one of our global initiatives is our **Water Quality Program**. Implemented over the past six years in denim laundries that finish products for our brands, this program ensures that wastewater created in this process is treated properly before being discharged. At the end of 2009, this program became one of many requirements for doing business with Gap Inc., and we have set a policy that 100 percent of Gap Inc. branded jeans must be produced according to these standards.

Design is a powerful way in which we can work to improve the environmental qualities inherent in items related to our business — from the products we sell and the packaging we use to the design of our stores. The potential of design to create a positive impact is already on display in some of our stores. We have been working over the past several years to **incorporate sustainable elements** into everything from construction materials to lighting and paint.

Many of our employees are passionate about both design and caring for our natural resources. Many of our best ideas come from our employees, who consistently challenge themselves to find solutions that link seamlessly with our clothes and stores, often enhancing the products and experience that we offer to customers.

We encourage and support sustainable design innovation in each of our brands. Because ideas build off of each other and take inspiration from collective effort, our brands also collaborate, sharing ideas and best practices in the following areas:

- **Finding new uses for recycled fabric and clothing**
- **Ensuring better water practices at denim laundries**
- **Improving product packaging**
- **Designing more sustainable stores**

What's more, we seek to use our size and global partnerships to provide additional opportunities for design innovation. We consistently search for ways to build momentum for new ideas. For instance, Gap brand has developed a fabric library for its designers and suppliers to encourage and support the use of more sustainable fabrics like organic cotton.

In the development of our environmental strategy, we have worked to treat our size and scale as an opportunity. Changing our product packaging, or even the type of paper used in the price ticket of a garment, can add up over time and help us lessen our impact in significant ways. For this reason, we have taken a close look at our practices, including everyday activities such as printing documents and shipping clothes, to find new ways to reduce waste and use natural resources more wisely.

Our key initiatives touch a wide range of our operations, including:

Solid waste and recycling

We continue to reduce solid waste across our stores, distribution centers and headquarters offices. This effort taps the passion and commitment of our employees, who have spearheaded a range of recycling, composting and waste diversion efforts.

Reduced corrugate cardboard use

We've moved to new containers at our distribution centers that are more space-efficient, use less corrugate and are made of recyclable material. We anticipate this program will reduce cardboard waste by 57,000 tons and save approximately \$20 million each year. By changing our shipping practices, we also expect to eliminate 63 million yards of plastic strapping.

Water Quality Program

Washing and finishing denim requires chemicals, dyes and a significant amount of water to achieve the look and feel our customers want. We've made progress in helping the denim laundries with which we work to treat wastewater so that it doesn't harm local waterways when it's discharged.

Recycling at malls

Much of our waste comes from our fleet of stores — and most of our stores are in shopping malls, where we have less control over waste disposal. To address this challenge, we're working to recycle store waste at shopping malls by collaborating with our landlords, waste haulers and other like-minded retailers.

One of the biggest drivers of our environmental strategy has been our footprint assessment, which has provided key insights into where we are having an environmental impact and how we can best approach making improvements.

The first phase of our environmental footprint assessment focused on North American facilities where we control operations and can make changes most easily. It includes our nine headquarters (HQ) buildings, four design studios, five distribution center campuses, and more than 2,500 stores in our North American fleet. Completed in 2009, this first phase examined energy, water usage, effluents and waste (including wastewater, solid waste and hazardous waste) in our owned-and-operated facilities.

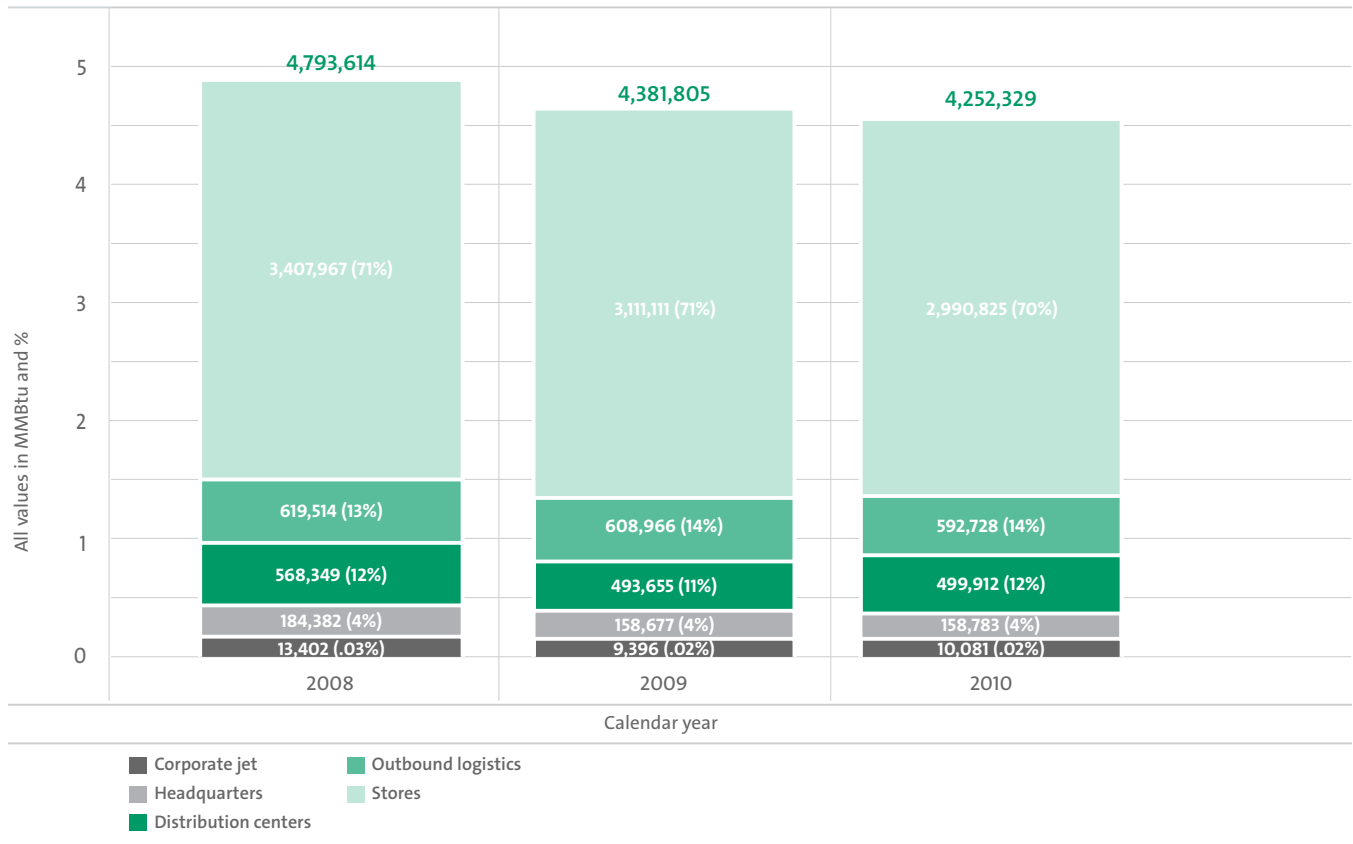
Gap Inc. Supply Chain
Environmental Footprint Scope

PHASE I				PHASE II
Retail Stores (sell clothes)	Transportation (transport clothes)	Distribution Centers (send shipments to stores)	HQ and Studios (product planning/design)	Factories (cut and sew fabric)

One important finding from this assessment was that electricity use in our stores was a significant area of opportunity – 71 percent of our energy consumption is the electricity used in stores. As a result, we’ve focused on improving the efficiency of the lighting in our stores, as well as their overall energy management. And we’ve set a goal to reduce absolute GHG emissions in our U.S. operations 20 percent by 2015, based on 2008 levels. For more in detailed information, see our 2008 baseline data chart.

The first phase of our footprint assessment also highlighted where we need more detailed information about our waste and disposal practices. To that end, we are working with our partners in store operations to not only identify our waste streams more accurately, but to pilot programs to increase **waste recycling**.

2008-2010 U.S. Energy consumption by operation



We’re beginning to shift more of our focus to the footprint of our supply chain. Though we have less direct influence over these areas – such as the production of raw materials – we believe there may be more opportunity for impact. For example, while water use in our owned-and-operated facilities is largely a function of restrooms and kitchen areas, we believe that water used in the manufacture of our products, especially in water-stressed regions of the world, is a more pressing concern. For this reason, we’re working to develop a comprehensive water strategy. One major initiative of this strategy involves our partnership with the [Natural Resources Defense Council \(NRDC\)](#) to greatly reduce water usage and improve operational efficiencies at large fabric mills in China.

Increasingly, we recognize that environmental and social responsibility overlap – and that caring for both people and our natural resources in a coordinated way brings new possibilities for creating positive change. We believe our environmental commitments support our human rights work in our supply chain, our employee programs and our Foundation’s community investments.

One example is our role in establishing a new initiative: the [Sustainable Apparel Coalition](#), a collaboration of apparel and footwear companies that is establishing guidelines on the sustainability of garment production as well as standards for working conditions inside factories.

Current environment goals

Improve Gap Inc.'s environmental performance	Estimated completion date
Improve robustness of energy data to include employee travel & commuting	2012
Improve robustness & integrity of waste data	2012
Continue to pilot waste management & recycling initiatives at the store level	2013
Improve robustness of energy data to include global operations	2013
Complete supply chain footprint assessment	2013
Develop water assessment & strategy and pilot water conservation/efficiency program	2014
Reduce greenhouse gas (GHG) emissions 20% based on 2008 baseline	2015

Completed environment goals

Improve Gap Inc.'s environmental performance	Completed date
Complete first phase of an environmental footprint assessment across select owned and operated locations	2009
Complete implementation of our denim water quality program	2009
Have LEED® (Leadership in Energy and Environmental Design) accredited designers at Gap, BR, and Old Navy brands	2009
Develop quantifiable environmental goals based on data from our environmental footprint assessment	2010
Introduce new store-level waste management initiatives	2010
Introduce new supply chain waste management initiatives	2010

Water Quality Program

Location: Worldwide

Summary: 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.

What impact do jeans have on the environment? Much of the answer is in the manufacturing process.

The process of washing and finishing denim requires a significant amount of chemicals, dyes and water. If the wastewater isn't properly treated, it pollutes rivers and streams and can harm local communities.

In the late 1990s, as part of [Business for Social Responsibility's \(BSR\) Sustainable Water Group](#), Gap Inc. helped to establish clear wastewater guidelines for the presence of toxic chemicals, such as copper and mercury, in mills and laundries. It also established that factories should not produce any visible discharge or send sewage trickling into open bodies of water.

In 2004, we established our Water Quality Program to monitor denim laundries' wastewater discharge and required them to clean up wastewater practices. We continue to measure progress against strict industry guidelines, which include standards for overall water temperature, color gradations and chemical makeup.

In December 2008, we introduced a new denim laundry policy to our suppliers. It requires that all denim laundries used for Gap Inc. branded denim meet, or show their intent to meet, our wastewater quality guidelines. The policy includes two sets of guidelines: one set for denim laundries that are new to the program to help bring them into compliance, and a second set for those with experience participating in our program.

In May 2010, we launched the Water Quality Program in 94 denim laundries with experience participating in our program, and to 10 that were new to the program. Currently, we are working with those denim laundries that are non-compliant on their corrective action plans to help bring them into compliance.

At the end of 2009, participation in this program became one of many requirements for doing business with Gap Inc., and we have set a policy that 100 percent of our branded jeans must be produced according to these standards.

2004-2010 Water Quality Program

Calendar year	# of Denim laundries	Pass	Fail
Pilot (2004)	18	14	4
Phase I (2005)	41	22	19
Phase II (2006)	90	44	46
Phase III (2007)	110	69	41
Phase IV (2008)	90	71	19
2009	109	100	9
2010	104	94	10

Mill sustainability

Location: Worldwide

Summary: Fabric mills have an impact on the environment. We're working to improve environmental practices at the mills that make the fabric for our clothes.

Over the past few years, we've made significant progress in the areas of workers' rights and health and safety. Most of our work has focused on the parts of our supply chain in which we have the most control — namely, the cut-and-sew factories with which Gap Inc. contracts for branded apparel.

Our next challenge is to move deeper into the supply chain, to the mills that convert raw materials such as cotton into the fabric used in our clothes. Our aim is to help these mills improve their environmental practices — from developing environmental management systems to using less energy, water and chemicals.

We believe that collaboration is the best route to such change. And through our partnership with the Natural Resources Defense Council (NRDC) Responsible Sourcing Initiative and BSR's Apparel, Mills and Sundries working group, we believe we're making a positive impact.

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. In fact, 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.

Learn more at <http://www.nrdc.org/international/cleanbydesign/default.asp>

And in 2007, we helped form BSR's Apparel, Mills and Sundries working group, a forum of 10 leading apparel and retail companies that work in partnership with their suppliers. The group is committed to moving away from top-down, "pass-fail" auditing toward a more collaborative, transparent approach that emphasizes mutual gains. In other words, some of our work involves encouraging mills to see how much they, too, stand to benefit from implementing more socially and environmentally sustainable practices.

The working group has developed a set of guiding principles, tools and processes that suppliers must use to improve their operations. It has also called on participating suppliers to create a strategic plan for developing their own management systems — a fundamental step as suppliers assume responsibility for overseeing and improving their practices.

Learn more at <http://www.bsr.org/en/our-work/working-groups/apparel-mills-sundries>

Environmental Council

Location: United States

Summary: Our Environmental Council brings together executives and managers from across Gap Inc. to create positive environmental change for the company.

In 2008, Gap Inc. created 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.

The Environmental Council meets quarterly to:

Identify and prioritize opportunities within the brands to support ECO objectives.

Engage and influence senior leadership, as appropriate, to make decisions and execute on environmental priorities.

Share best practices across brands and functions, and inform and involve employees on priorities and activities.

Participate on committees that tackle such key issues as customer and employee education and engagement.

Public policy

Location: United States

Summary: No business operates in a vacuum. We care greatly about the evolution of policy in such critical areas as climate change and the development of clean energy. And we are joining others and speaking up to support our goals for society – and our company.

As we focus on our own role in addressing climate change, we are aware that policy has a critical role to play in moving forward on large-scale, systemic issues. At times, seeking solutions within Gap Inc. overlaps with the need to get involved and act effectively in the public arena. In such cases, we will speak up for what we believe in – and join forces with others to make more progress in less time.

In 2009, we joined Ceres' Business for Innovative Climate and Energy Policy (BICEP) coalition in partnership with brands such as Nike, Levi Strauss, Starbucks, and eBay. Gap Inc. has been a member of Ceres — a national network of investors, environmental organizations and other groups focused on sustainability – since 2007. Since its inception, BICEP has now grown to include 20 public and private companies that span a variety of industries.

BICEP members believe that climate change will affect all sectors of the economy, and that diverse business perspectives are vital to the full spectrum of viewpoints needed to solve America's climate and energy challenges. The goal of the coalition is to work directly with key allies in the business community — and with members of Congress — to pass meaningful energy and climate change legislation that's consistent with BICEP's core principles.

To learn more, visit www.ceres.org/bicep.

In 2010, we also took a position on a major California initiative that we believed could hinder progress toward these goals. Proposition 23 was a ballot measure that would have suspended the state's landmark clean energy law, the Global Warming Solutions Act (or A.B. 32). Along with a broad coalition of business leaders, public health advocates, clean technology companies and others, we felt strongly that A.B. 32 was critically important in fostering clean energy innovation, creating jobs and protecting public health. For this reason, we announced our opposition to **Proposition 23**, which was defeated in a statewide election last November.

“As a consumer-focused company invested in improving the social, environmental and economic health of communities around the globe, we not only want to see immediate implementation of A.B. 32 in California, but also national energy and climate legislation,” said Kindley Walsh Lawlor, Vice President of Social and Environmental Responsibility for Gap Inc., when the company announced its opposition to Proposition 23. “Putting aside this law would be a major setback to protecting and improving the environment and public health.”

Sustainable Apparel Coalition

Location: Worldwide

Summary: Gap Inc. is one of the founding members of the Sustainable Apparel Coalition, an effort to identify common metrics and approaches to reduce the social and environmental impact of our company's products.

What if there was a tool that would allow apparel companies to gauge the sustainability of a specific garment? What if this tool could be used to cut down on waste, as well the use of energy, water and toxic materials? And what if, one day, such a tool led to the creation of a label that consumers could check to help them make purchases that aligned with their values?

Gap Inc. is one of a group of companies that have tackled the challenge of creating such a tool, and in 2011 this goal moved closer to reality with the official launch of the [Sustainable Apparel Coalition](#). Created to tap collective knowledge and passion, the idea behind the Coalition is that greater progress will be made through collaboration than by individual companies trying to address large-scale, systemic challenges on their own.

The Coalition – composed of retailers, clothing manufacturers, environmental groups and academics – has three main goals. First is to develop a shared vision of sustainability through the creation of an industry-wide index to assess 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 will provide a score on everything from the dyeing and production of fabric to water and land use, energy efficiency, greenhouse gases and labor practices.

The Coalition's second goal is to spotlight promising technological innovations that would promote greater sustainability. By collaborating among companies, such ideas are more likely to succeed, as greater demand leads to faster changes in the supply chain and a pool of resources enables more investment in new technologies.

Finally, the Coalition aims to identify new opportunities for both social and environmental improvements in the supply chain. Linking these two areas – everything from fair working conditions to the use of toxic materials – represents a recognition that neither social nor environmental issues exist in a vacuum. What's more, members of the Coalition believe that setting consistent expectations for manufacturers, brands and retailers will raise the bar for the overall industry.

Based in North America, Europe, Asia and the U.K., the founding members of the Coalition include such companies as Nike, Walmart, Timberland, Patagonia, Nordstrom and Marks & Spencer, as well as the Environmental Defense Fund, the U.S. Environmental Protection Agency, Duke University and Verité. The Coalition began meeting in early 2010 and plans to start beta-testing an initial version of its apparel and footwear sustainability index in 2011.

As a company, we have engaged in such collaboration for a number of years in our efforts to improve factory working conditions throughout the world. Our involvement in the Sustainable Apparel Coalition is an extension of our philosophy – that we can best support lasting change by partnering with others, working in the long-term and investing our resources and energy in new approaches and ideas.

For more information on the Coalition and updates on its work, visit www.apparelcoalition.org.

Building more sustainably

Location: United States

Summary: We're sharing ideas across Gap Inc. to ensure that the design of our future stores and other facilities helps meet our sustainability goals.

Gap Inc. operates thousands of facilities throughout the world under the brand names of Gap, Banana Republic, Old Navy, Athleta, Gap Outlet and Banana Republic Factory Stores, as well as our headquarters buildings and distribution centers. Every square inch of each facility represents an opportunity to help our company become more sustainable.

Because of our scale, the design and operation of our stores and other facilities gives us the chance to make an enormous environmental impact. In 2007, we began meetings with store designers from across Gap Inc., to share ideas and opportunities across brands, and have since involved our architecture, construction, sourcing and other functional teams. By actively reviewing the way we construct our stores and other facilities as well as what we put in them and how they operate, we can develop more sustainable practices that will work for each brand as well as develop new creative and collective opportunities throughout the company.

While the feel of an Old Navy store — along with the clothes it sells — will always differ from a Banana Republic store, we see enormous potential for our brands to share information to reach sustainability goals more quickly through collaboration.

“It's great that we're all stepping out of our brand silos to share the different sustainable ideas and initiatives that are being pursued,” says Julie Chiu, senior store designer, Gap brand. “It not only eliminates redundancy, but also allows us to leverage vendors and potentially save on execution costs.”

These groups are exploring how to turn their enthusiasm and ideas into action. For example, our store designers have become LEED® accredited professionals, the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED®) standard for green building expertise.

They are taking their accreditation one step further and putting it to use by pursuing LEED® certification for select stores and headquarters buildings. Old Navy recently renovated a store in Fort Worth, Texas, and earned its first LEED® Silver certification. Gap is also pursuing its first LEED® store in Chinook, Canada, and our Gap Headquarters building in New York City is targeting LEED® certification as well. All three facilities implemented sustainable strategies such as using water efficient plumbing fixtures, reducing overall lighting energy consumption, instituting in-store recycling of paper, plastic, glass metal, and cardboard for customers as well as employees, the use of sustainable materials such as low volatile organic compound (VOC) paints, adhesives and sealants, recycling of materials during construction and salvaging of construction materials where possible.

“At Old Navy store design, we're passionate about the environment and want that to be reflected in what we contribute to the company in our everyday jobs,” says Natalia Shorten, manager, Old Navy store design. “Since LEED® is the most widely known international certification for green building, there was no question for us — so we set our goals, and succeeded! We might not be pursuing LEED® in every store, but we are taking individual principles from LEED® and applying them in every way we can across our fleet. Every step counts no matter how small or large, and we are proud of our Ft. Worth, Texas store!”

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. It is these steps and collaboration at many levels within the organization that will help Gap Inc. continue to learn and implement more sustainable building practices in the years to come.

Improving packaging

Location: United States

Summary: We're taking steps to reduce the amount of packaging used on our products and in shipping our products to our stores.

Considering the journey our products make from the factory to the store, there's a fair amount of packaging involved to protect them from damage along the way. But unnecessary packaging has an impact on cost and our environment.

That's why we're reviewing the packaging we use, to ensure we're being as efficient as possible, and using more sustainable packaging materials wherever we can.

The babyGap sleepwear line is one example: While we need to package these products for efficient in-store display, an employee pointed out that there's no need to package them the same way for customers who view and purchase product online.

As a result of this observation, we cut out the plastic packaging from babyGap sleepwear line when it's sold online, saving the company more than \$100,000 each year and significantly decreasing the amount of packaging that eventually finds its way to landfill. While this is by no means an enormous step on its own, it represents the type of thinking that will add up to significant improvements in waste reduction as we look at more of our product lines.

We also recently redesigned the cartons we use to ship apparel from factories, to distribution centers and to our stores. This has allowed us to pack our shipments more efficiently, thereby reducing ocean freight and our overall costs. We've also found innovative ways to reuse the boxes, so they aren't simply discarded or recycled once the carton is emptied.

This effort has eliminated an estimated 12 million cartons a year from Gap Inc.'s supply chain, helped shave our disposal costs by 10 percent, and minimized our waste by 57,000 metric tons annually.

While these are just two small examples of how we're looking deeper into our supply chain to operate more efficiently, we continue to be inspired by two of Gap Inc.'s cultural pillars – "Do: What's Right" and "Inspire: Creativity" – in our approach to environmental sustainability. By being creative and doing the right thing, we'll continue to find ways in which we can shrink our environmental footprint.

A greener office building

Location: San Francisco, California

Summary: When you can't just throw that lunch container away at your desk, you may start to think differently about the impact of your day-to-day actions – at home and in your job.

How do you inspire employees to integrate sustainable thinking into their jobs? We think it's best to start with their day-to-day routines at work.

In 2009, we created a headquarters-based employee ambassador program aimed at increasing environmental stewardship and sustainability efforts within our corporate offices. An overwhelming number of employees at our San Francisco campuses volunteered to lead this endeavor, and now, at our two brand headquarters (HQ) buildings in San Francisco we have designated "Green Deans" and "Eco-Experts" who spearhead our sustainability projects.

Since this initiative kicked off, we've made major inroads in cutting waste, increasing our recycling and composting efforts, and trimming our energy bills.

A lot of workplace green efforts require small changes that are dependent on simply changing people's attitudes. And in San Francisco – where the municipal government requires residents to separate their waste by landfill, recycling, and composting – we began by asking our employees to "think at work like they do at home," by separating all of their trash into its designated bin.

At our Gap brand HQ building, located in downtown San Francisco, we reviewed all of our waste disposal processes. A cross-functional team put together a strategic plan that has led us to composting and recycling many of the materials we use in our day-to-day operations. This has led to the elimination of approximately 100,000 lbs. of landfill each year, and the resulting reduction in weekly trash pickups has saved the company over \$40,000 annually.

Prior to 2009, custodians at Gap brand emptied the trash bins at each employee's desk. Now, employees are responsible for disposing, recycling and composting their own waste at common receptacles on each floor.

Similar efforts have been implemented at our Old Navy HQ. Employees there are tasked with sorting their own waste – again, by recycling, composting, and landfill – which has led to an overall diversion rate of 75 percent. This means that 75 percent of the waste that leaves Old Navy headquarters is either recycled or composted. And we've committed ourselves to further increasing that diversion rate on an annual basis.

In addition, the cafeteria at Old Navy HQ has undergone its own green makeover. We stopped selling conventional bottled water, and have installed water filtration devices on our kitchen faucets to further entice employees away from purchasing bottled beverages. We also stopped providing disposable food containers and plastic cutlery, and instead supply our cafeteria with reusable containers and silverware.

Overall, Old Navy HQ is saving more than \$100,000 each year as a result of these employee-driven efforts.

We've also implemented a paperless paystub program, which more than 11,000 employees at Gap Inc. are participating in. A small step – but it's led to a significant reduction in the amount of paper we use, and an annual savings of about \$50,000.

Taken as the sum of their parts, these efforts to make our HQ more sustainable are leading to a significant reduction in waste, and an increase in savings for the company – not to mention its effect on employees' attitudes and mindsets about the impact their everyday decisions have on our planet.

Partnering with the American Red Cross

Location: United States

Summary: We're partnering with the American Red Cross to donate store fixtures when we build or remodel our stores.

As Old Navy began reinventing itself in 2009 with the launch of "Project ONE," our new store concept, it also had an incredible opportunity to change not just the look, but the way we remodel our stores. We renovated our South Hulen store in Ft. Worth, Texas and earned our first Leadership in Energy and Environmental Design (LEED®) Silver accreditation – the first for Old Navy and also the first in Gap Inc. history. We've used what we learned to influence future plans to construct more sustainably. One new program that came out of this pilot was partnering with local charitable organizations, such as the American Red Cross, to donate unused store fixtures, reducing the overall amount of waste contributing to landfill.

We partnered with the general contractor on-site to donate unused fixtures from the South Hulen store to an American Red Cross chapter in the region that wanted to use them for storing disaster relief supplies – a win-win for both the store and the chapter.

In 2010, as Old Navy was in the process of remodeling more than 100 stores, the brand recognized the potential to do more with the American Red Cross on a national level, reaching out to local chapters across the country that had similar needs. Old Navy partnered with the national American Red Cross office to pilot a fixture donation program that debuted in late 2010. Starting with five stores that were being remodeled, local American Red Cross chapters worked with stores to review what fixtures were available and what the American Red Cross needed. Involving the field organizations for the both the American Red Cross and Old Navy was instrumental in making the pilot a success.

"South Hulen was a great learning experience for Old Navy and for the company – so much came out of that one store! One result was our partnership with the American Red Cross," says Amina Razvi, Environmental Affairs Manager, Gap, Inc. "Aiding local chapters while diverting waste from landfill is a great way to reuse and recycle where possible, and I hope this program will continue to expand with the other brands and across the country."

In 2011, we are extending this program to all Old Navy stores slated for renovation. We have revised the process to proactively partner with the local American Red Cross chapters before construction starts and to identify chapters that have a need for these types of fixtures. From there, teams jointly determine how many fixtures are needed and the timeline for donation. In the future, the hope is that this will become standard practice for Gap Inc. when renovating stores in the United States.

"This mutually beneficial partnership between Old Navy and the American Red Cross is exciting on many levels," said Lauri Rhinehart, Vice President of Development Operations at the American Red Cross. "Not only are we collectively reusing and recycling functional, and needed, resources, but our chapters are also getting local assistance in helping communities prevent, prepare for and respond to emergencies. We are grateful for Old Navy's commitment to supporting the mission of the American Red Cross."

Recycle Your Blues

Location: United States

Summary: By encouraging our customers to donate their worn, damaged denim jeans, we're helping Cotton Inc. recycle that material into environmentally-friendly housing insulation for communities in need.

Ever wonder what happens to your jeans after you dispose of them? They help insulate homes, of course. At least that's what 360,000 pairs of jeans dropped off at Gap, GapKids and babyGap stores in North America did last year.

In 2010, Gap partnered with Cotton Inc. – a research and marketing company representing upland cotton – to launch the “Recycle Your Blues” campaign, wherein customers were encouraged to drop off their old, outworn pairs of jeans at any one of our more than 1,000 participating stores.

The old jeans were converted into UltraTouch Natural Cotton Fiber housing insulation, which is one of the most sustainable, environmentally-sound types of insulation available today (comprising 90 percent post-consumer recycled natural fibers). In return for their generosity, participants received 30 percent off a new pair of Gap 1969 Premium Jeans, while the insulation generated by the campaign was donated to nearly 700 homes in underserved communities and to special housing projects such as the post-Hurricane Katrina rebuilding effort.

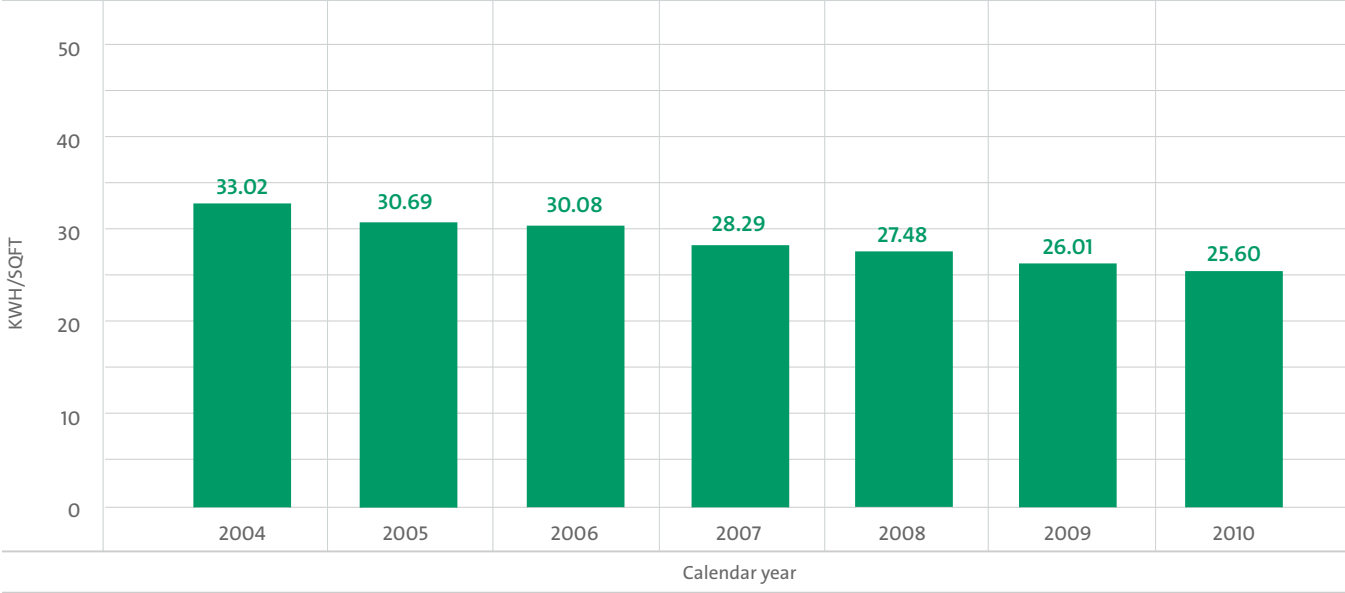
Cotton Inc. has operated Recycle Your Blues for the past four years; Gap customers' donation of more than 360,000 pairs of jeans surpassed the amount of denim collected in the four-year history of the program. Not only did this initiative help hundreds of families, it also raised awareness about the life cycle of denim products, and the ways in which cotton can be recycled into post-consumer goods. It's not every day that fashion, sustainability, and giving back to the community all come together so well.

Goals and Progress

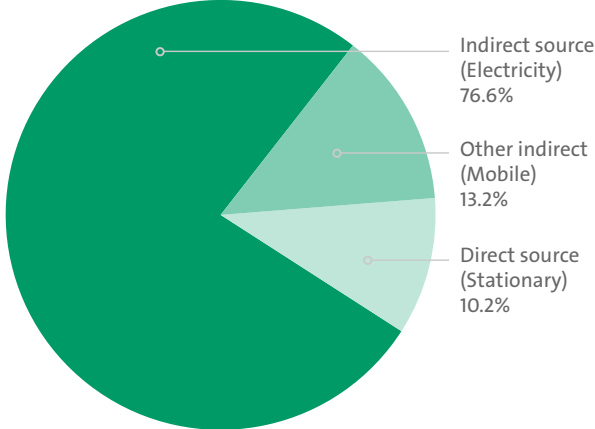
Environment

Data

2004 – 2010 U.S. Energy consumption

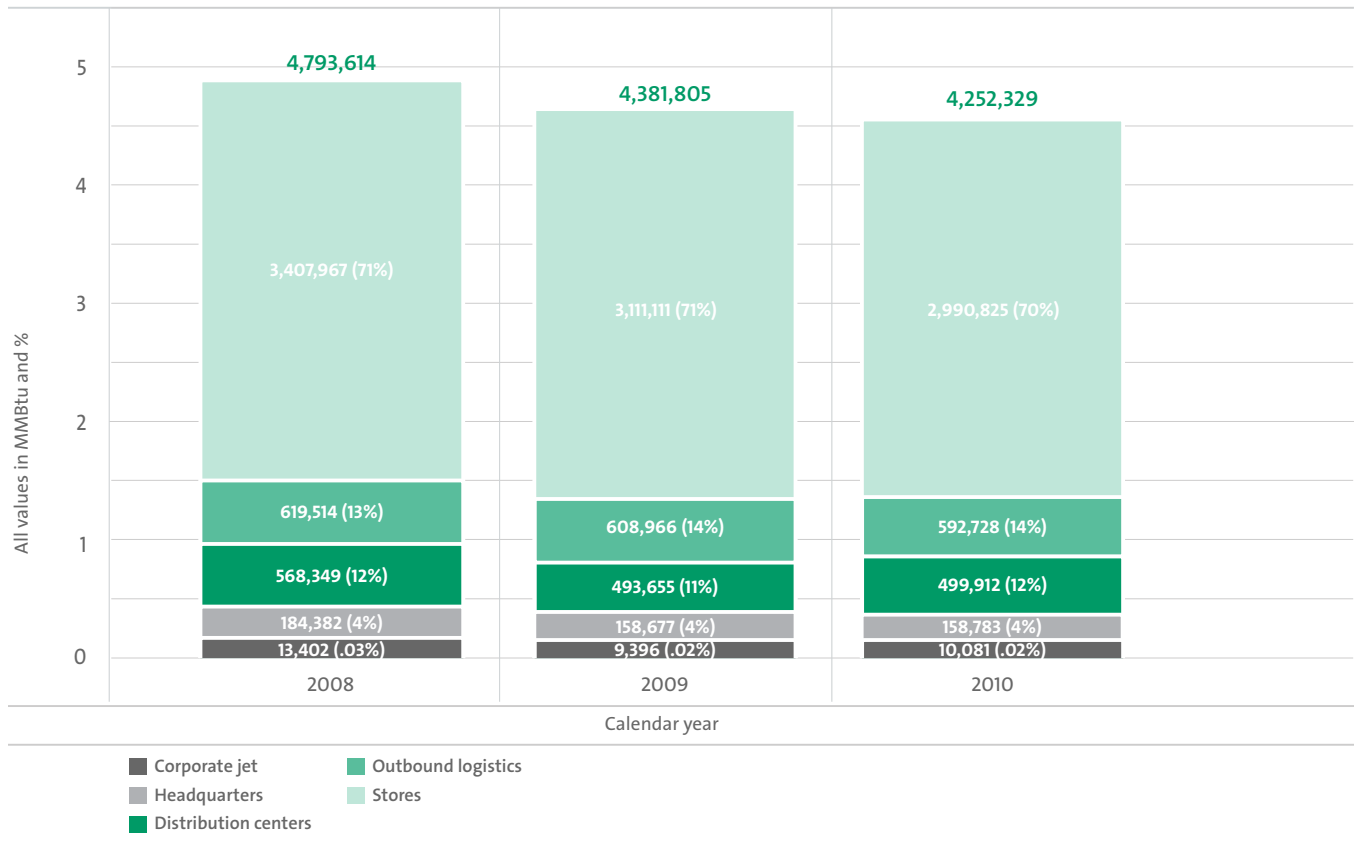


2008 U.S. Energy consumption by source



This graph refers to our energy consumption by source in 2008 – the base year by which we calculated our Environmental Footprint. “Other Indirect (Mobile)” sources refer to transportation of products from our distribution centers to stores via an outsourced network of poolers and haulers, as well as energy consumed by the company’s jet (which represents approximately 2% of this category, and 0.3% of our overall energy consumption)

2008 - 2010 U.S. Energy consumption by operation



2008 - 2010 GHG emissions

Emissions source	Scope 1		Scope 2	Total scope 1 & 2	Scope 3		Total scope 1, 2 & 3
	Stationary combustion	Mobile combustion	Electricity		Outbound logistics	Business travel	
2008	26,298	960	587,847	615,105	45,388	N/A	660,493
2009	24,984	673	527,222	553,379	45,388	N/A	598,767
2010	24,661	722	495,078	520,461	43,428	9,646	573,535

Note:
Values are in metric tons of CO2e

2004 - 2010 Water Quality Program

Calendar year	# of Denim laundries	Pass	Fail
Pilot (2004)	18	14	4
Phase I (2005)	41	22	19
Phase II (2006)	90	44	46
Phase III (2007)	110	69	41
Phase IV (2008)	90	71	19
2009	109	100	9
2010	104	94	10

Goals and Progress

Employees Full Section

Gap Inc. employees number more than 134,000 people around the world – and our company culture encourages each one to “Wear your passion.”

We continue to make Gap Inc. a globally effective organization and a great place to work through career advancement opportunities, workforce diversity and open dialogue. We have integrated our cultural cornerstones into everyday communications and work streams to sustain strong employee engagement and understanding of our company’s vision and direction.

As Gap Inc. expanded globally, our employees stepped up again and again to help deliver positive business results in 2009 and 2010. By the end of 2010, customers in more than 90 countries could purchase our product in stores (including new markets in China and Italy), at 145 franchise locations, or online.

Every week, 100,000 employees in our stores interact with millions of customers. And behind the scenes, at headquarters, distribution centers and beyond, thousands more are committed to making those customer interactions the best possible. We see each of these touch points as an opportunity to strengthen our relationships with our customers and each other.

At the same time, we were making some important changes in our culture – and our employees were enthusiastically part of that shift. In 2009, results from more than 100,000 employees in our Employee Opinion Survey showed a 23-point increase in our “Belief in Company” score to an industry-leading 77 percent (a number that held steady in 2010).

August 21, 2009, marked Gap Inc.’s 40th anniversary. To celebrate, Gap brand outfitted more than 1,200 traders with their Premium 1969 jeans to wear on the New York Stock Exchange floor as Gap Inc. executives rang the market’s closing bell. Seven hundred Gap stores nationwide hosted simultaneous acoustic concerts featuring local musicians – a nod to the brand’s first store, which sold records and tapes (in addition to jeans). Internally, we created a “40 in 40” program honoring some of the people most influential in our company history.

Much of what shaped the company at its founding in 1969 remains deep in our DNA today: customer focus, community involvement and integrity.

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.”

Wear Your Passion is the cultural foundation that links all of our brands, divisions and functions. It encompasses our goal of fostering a culture that retains the essence of what makes us special and focuses on how we need to evolve to succeed.

Recent Employee Opinion Survey results showed 88 percent of our 100,000-plus respondents agreed with the statement, “I understand and believe in our Wear Your Passion cultural values.”

Checking in, all over the world

Our employees bring our culture to life – so each of the last five years, we have reached out to nearly all of them and asked them to share their thoughts via our anonymous Employee Opinion Survey. The survey is translated into seven languages, and it’s clearly reaching far and wide. In 2009 and 2010, participation rates were 87 and 83 percent, respectively.

The 2010 survey results demonstrated the impact of employees’ belief in our company and their engagement. Scores indicate that employees firmly believe in Gap Inc.’s vision and values.

Culture without borders

Our culture was front and center as we celebrated a historic moment and amazing milestone in 2010: the opening of our first stores in China. Located in Shanghai and Beijing, the stores are company-owned and operated, which allowed us to share our culture and heritage with our China employees and customers. All recruiting materials included Wear Your Passion, the content for the country’s all-employee meeting was structured around the four pillars of our culture, and employees received T-shirts and bracelets with Wear Your Passion translated in English and Chinese.

Honoring our principles

As part of a continued effort to recognize the importance of our culture, we created the **Fisher Awards** in 2010 to highlight the four core principles founders Doris and Don Fisher built our company around: innovation, integrity, community and store excellence. The Fisher Award honors employees worldwide who carry on those traditions and truly wear their passion for our values and our company.

Respecting diversity is fundamental. Celebrating it takes us all further – together.

Diversity is the rich variety reflected in our work environment and marketplace – including ethnicity, race, gender, age, sexual orientation, faith, culture and global experiences. We're headquartered in San Francisco with design and production teams in New York, San Francisco and Los Angeles and international offices in the United Kingdom, Canada, Japan and China. We also have employees in five North American and three international distribution centers, as well as sourcing hub offices in India, Hong Kong and Korea.

Embracing diversity creates an atmosphere of inclusion and appreciation, encourages innovation, and supports a better work environment for Gap Inc. employees. We have employee resource groups for employees who share a common dimension of diversity. These groups provide networking, mentoring and development opportunities, in addition to diversity awareness for the entire company. Employee resource groups include AANG (African-American Networking Group), ASIA (Asians Supporting Inclusion & Awareness), Gap GEAR (Gay Employees Allies & Resources), and HOLA (Honoring Our Latino/Hispanic Ancestry), and membership is open to all Gap Inc. employees.

We recognize that our customers are increasingly diverse and have different product needs. Diversity within our employee population enables us to generate the innovation and creativity necessary to better serve our customers.

Our employees' appreciation of how we approach diversity at work continues to increase. In the 2010 Employee Opinion Survey¹, 84 percent of respondents agreed that "the work environment here is welcoming and inclusive – it appreciates diversity." That's 20 points higher than the external retail norm.

In 2010, HOLA — Honoring Our Latino/Hispanic Ancestry — was formally launched as a new Gap Inc. Employee Resource Group. **HOLA's** mission is to empower the company's Latino/Hispanic employees to drive business and make a positive impact in their communities.

Gap Inc.'s cultural diversity is recognized outside the company, too.

In 2010, in recognition of our demonstrated community involvement, commitment and good corporate citizenship, we received the "5 Year Plus Caring Company Award" from the Hong Kong Council of Social Service (HKCSS). This was the eighth year in a row that Gap Inc. made the list; in 2010, only 374 companies were chosen by the HKCSS from among more than 3,000 nominations.

We've been on Corporate Responsibility Officer (CRO) Magazine's 100 Best Corporate Citizens List for the last six years. In 2010, Gap Inc. earned a perfect score for the sixth consecutive year in the Human Rights Campaign's annual Corporate Equality Index, which ranks companies according to how they treat gay, bisexual and transgender employees.

¹ Survey vendor, Valtera, developed the external retail norm, which includes more than 30 best-in-class U.S. and global retailers.

A job makes a living. A career can make a life.

We focus career development on the individual, with a big emphasis on providing a variety of experiences over time. We think of it as “staying in one place, and going somewhere new.” When employees get opportunities to pursue their passions right here at Gap Inc., the company benefits too.

We also work to provide career development opportunities in other ways:

- **Our Field Apprenticeship Program** highlights “Think: customers first” by placing field employees in our headquarters for five-week summer assignments. Participants are encouraged to share their perspectives with corporate teams, facilitating two-way communication between field and headquarters so that we can all serve our customers more effectively.
- In 2010 we joined the White House initiative **Skills for America’s Future**, a new public-private partnership focused on workforce development and job placement for community college students. As part of that effort, we piloted a new program, called “Gap for Community Colleges,” in seven cities, offering community college students strategic job- and career-building skills to help take advantage of potential job opportunities.
- We continue to see great results from **Leading Businesses@Gap** - a four-day executive business simulation experience that covers topics such as consumer insights, business strategy, risk management, revenue generation, and strategic and tactical decision-making. Leaders who have attended this training tend to stay with the company longer, perform better and receive a larger scope of responsibility.
- We offer development courses at many levels of our organization, including **Leading Leaders@Gap** – a six-month development program that helps first-time leaders of managers inspire people at all levels to achieve exceptional results. The program involves leadership skills assessments, classroom learning and peer-to-peer training.
- Gap Inc.’s **Retail Academy** offers employees a suite of development and training options, including e-learning, self-studies, classroom sessions, rotation training, real life case studies, business simulations and multi-media presentations. All the offerings are designed to help our employees better understand how our business works.

GOALS AND PROGRESS | Employees | Engaging employees

We know that employees who are engaged in the work they do are more committed to the company's success. They work harder to meet or exceed goals, and are more likely to make a longer-term contribution.

And we know that, like all other businesses, we must continually work to retain talent in an increasingly competitive industry.

That's why we seek to connect with, and support, our employees in many ways — communicating more openly and honestly, showing appreciation for a job well done, providing comprehensive benefits programs, and helping during times of crisis.

Reducing voluntary turnover also continues to be a priority for us, and we're pleased with our progress over the last two years. In 2009, we saw turnover among all headquarter employees decrease to below 10 percent, a result that stands out among retailers. In 2010, 76 percent of respondents to our Employee Opinion Survey agreed with the statement, "The work I do provides me with a sense of personal accomplishment." In the area of leadership retention, our results show that 62 percent of Gap Inc. Vice Presidents and above strongly intend to stay with the company (compared with 28 percent of this group in the U.S. workforce in general). Also in 2009 and 2010, 78 percent of employees stated via the survey that they were satisfied with their jobs, compared to U.S. workforce reports of 45 percent job satisfaction.

Three times a year, we offer a friends and family shopping event called "Give & Get." There is a discount at our stores and online, but also, as part of doing what's right, up to five percent of sales are donated to selected non-profit partners. Employees can choose which non-profit will benefit from their invited guests' purchases. Since its beginning in 2008, Give & Get has raised more than \$15 million for our non-profit partners.

To support Give & Get, we have expanded our Work in Stores program, in which headquarters employees volunteer in stores during the event. An average of about 1,000 headquarters employees volunteer, gaining valuable hands-on experience and insight into store operations.

In the fall of 2009, Old Navy had a big idea to inspire and engage employees. Called "One in a Million," the campaign allotted every Old Navy store \$1,000 and challenged them to give back to their larger community in a way that was unique to their location.

The results were astounding. From giving free makeovers to women from a local homeless shelter to supporting children's safety, local military groups, the Humane Society or families who were struggling, store teams came up with innovative ways to give back to their communities. The projects were captured on video and all Gap Inc. employees and their friends and family voted to select the winner.

We believe that providing access to health care benefits is vital to having and retaining satisfied employees. We offer competitive health care benefits, including medical, dental and vision, to all full-time employees in the U.S. and their spouses or qualifying same-sex and opposite-sex domestic partners and dependents.

We also offer National Health Access to full- or part-time employees; this program offers access to a variety of health care options, ranging from discounts on medical and health costs to major medical insurance.

Additionally in the U.S., we provide on-site health and wellness clinics, free Weight Watchers memberships, smoking cessation programs and discounts to local gyms as just a few other ways to help employees feel their best.

Internationally, we align employee needs with the health care and wellness options available in each country to ensure we're providing a comprehensive benefits package.

When emergencies and natural disasters strike, we're there to support our employees.

In the last two years, the company has provided disaster relief support to employees in crisis situations. Large scale assistance included Midwest ice storms; Kentucky, Rhode Island and Tennessee flooding; and the 2010 Haiti earthquake. For employees facing extreme financial hardship, we provide assistance through Individual Disaster Relief Support. Full-time and part-time employees who are having difficulty meeting basic needs for themselves and/or their immediate families may be eligible for Disaster Relief financial support.

Our assistance included:

- Continued pay
- Allowances for severe home damage, clothing and food
- Temporary housing and cash for employees facing emergencies or crises

Haiti earthquake relief

The devastating 7.0 magnitude earthquake that struck Haiti's capital, Port-au-Prince, on January 12, 2010 was the most powerful quake recorded there in more than 200 years.

Gap Inc. immediately partnered with the U.S. and Haitian governments to support and provide relief to the earthquake victims. Our Outlet division designed and launched a line of T-shirts made in Haiti, with 10 percent of profits donated to Mercy Corps. Additionally, Gap Inc. employees and the Gap Foundation together contributed over \$360,000 to support recovery efforts through Mercy Corps.

Our San Francisco, California headquarters neighbors

A natural gas line ruptured in San Bruno, California on September 9, 2010, sparking a massive explosion and fire that killed at least four people and destroyed or damaged more than 50 homes. The devastated area did not include our nearby campus, but as neighbors, our employees were touched and they jumped into action in partnership with the local Red Cross to raise money and provide clothing for those who sustained losses in the fire.

We value the people who work at Gap Inc. – and we want to be sure they know it.

We start from a single mindset – that all of our employees do good work. We recognize loyalty and tenure as well as performance, risk-taking and delivering results. Thanks are expressed through informal and formal programs and practices, including monetary awards, gifts, special cards and emails, acknowledgement in large meetings, or just a few kind words in person.

A round of Applause

Our peer-based, online recognition program, Applause, underwent a makeover in 2009. The website received a new look and feel and was also updated to reflect our cultural pillars – Inspire: creativity, Think: customers first, Do: what’s right, and Deliver: results. Also, for the first time, we introduced Applause to our employees in Europe, Global Sourcing and Athleta. And we expanded the program into four languages, including a new website in French for our French-speaking employees in Quebec and France.

In 2009, our employees created and distributed more than 160,000 online Applause cards; 2010’s total was about the same.

Honoring our founders

The Fisher Award, a global recognition program, was introduced in 2010 to honor the legacy and values of our co-founders. The four award categories – innovation, integrity, community and store excellence – support our cultural principles. Employees nominate teammates or themselves for bringing our values to life, and winners receive global recognition and a non-profit grant.

Each brand and division also manages its own recognition programs, reflecting the unique personalities of the brands.

Building on the success of their five-year-old Outlet Rewards program, in 2010, Outlet began piloting the next generation of this important initiative. Called RAVE Recognition & Rewards, the new program utilizes mobile web technology to engage our associates. RAVE is a mobile-based recognition, rewards, communications and learning platform designed for employees on the move.

In 2009, Old Navy introduced a field recognition program called “E.A.S.E” – representing behaviors the brand identified as important for success: Efficient, Accountable, Simple and Energetic. Stores were provided digital cameras and employees were encouraged to capture one another displaying E.A.S.E. behaviors. The photos were then printed, tagged with an E.A.S.E.-branded sticky note and posted in the store’s backroom.

Community Corps is our way of recognizing employees for their volunteer work. Community Corps organizes two trips annually to build houses in partnership with Habitat for Humanity. Each year, 50 employees are selected from applicants around the world. Since we launched the program in 2001, more than 500 employees have traveled with Habitat for Humanity to build homes where there is a need; past locations have included Louisiana, Sri Lanka, Alaska, Honduras and Guatemala.

Current employee goals

Continue to make Gap Inc. a globally effective organization and great place to work through career advancement opportunities, workforce diversity, and open dialogue.	Estimated completion date
Continue to build a globally effective organization through succession planning and career growth, with a majority of director and above positions filled by internal talent and an increase in international development assignments.	2012
Continue progress on our diversity and inclusion efforts with a focus on workforce diversity through broad-based training, targeted recruiting, mentorship programs and expanded Employee Resource Groups, as well as outreach to diverse customer segments.	2012
Sustain strong employee engagement through increased frequency and speed of obtaining and responding to employee feedback	Ongoing

Completed employee goals

Provide a great place to work through open dialogue and opportunities for vibrant careers.	Completed date
Maintained current employee commitment level of 70%; in fact, Gap Inc. overall's engagement shared through our Employee Opinion Survey was 77% in both 2009 and 2010.	2010
Integrated our new cultural cornerstones into employees' everyday work using our company's largest internal communications channels and activities including company videos & meetings, Fisher Award, 40th Anniversary, GapWeb, gapinc.com, Sketchbook and Applause program.	2010
Maintained an open, inclusive environment through transparent communications and respect, especially during difficult economic times. Survey results from our Director and Above population showed 84% of leaders feel that senior leadership communicates honestly and transparently. Additionally educating and engaging leaders and employees about our strategy, financials and key initiatives helped contribute to an 81% favorable rating on our EOS question, "I understand and believe in Gap Inc.'s vision and direction."	Ongoing

Robert & Jason: It Gets Better

Location: San Francisco, California

Summary: Gap Inc. employees, working with Gap GEAR (Gay Employees & Allies Resource Group) created an inspirational video to support the cultural value of diversity.

Compassion can be contagious.

And sometimes that's all it takes to get a grassroots effort going — that and an environment that nurtures real passion.

Just ask Jason Hanasik, Asset Coordinator for Gap Online, whose own drive to “do what's right” pushed him to act.

Moved by the surge of support he saw for the “**It Gets Better**” project — in support of LGBT teenagers suffering from bullying or suicidal thoughts who could use words of encouragement — Jason wanted to get involved. And he wanted Gap Inc. to join him.

Jason and Robert Gagnon, Vice President of Gap Online, connected with Gap GEAR (Gay Employees, Allies & Resources) president John Aylward to brainstorm; within days, a video was under way.

“It caught fire rather quickly,” John said. “People freed up their schedules and weekends. I think there was a real sense of urgency to get this through and it was amazing how leadership supported us without holding up the process. We always knew we had a huge amount of senior support encouraging us along the way.”

Jason put out a call for volunteers willing to share their stories and offer support, and shot the majority of the video and edited it himself.

“I thought if Gap Inc. released an ‘It Gets Better’ video,” Jason said, “the project would move from the ethereal space of the web to the physical location of stores across the world, where LGBT teens would feel welcome. It would also put many beautiful faces to Gap Inc.'s on-going intolerance of discrimination.”

The company launched the “It Gets Better” video on November 3, 2010, just weeks after Jason's pitch. It caught on quickly, grabbing attention in the blogosphere on sites like Perez Hilton and Towleroad and getting more than 45,000 hits on YouTube to date.

“If it helps one person, that's all that matters,” Robert said. “The sole purpose was to save a life. And the project proved that you could get something beautifully done in such a short time, which is amazing in itself considering the size of our corporation.”

It also made an impact with employees.

“I think issues like this unite people, no matter what level you are with the company,” John said. “There was a common thread of ‘this is the right thing to do’ and it represents what the company believes as a whole. And people are very proud to be a part of a company like that.”

Saudhi: Celebrating our ancestry

Location: San Francisco, California

Summary: Gap Inc. launches new Diversity and Inclusion Employee Resource Group to celebrate and empower Latino/Hispanic employees.

The initial concept was a simple one—celebrating a shared heritage.

When Saudhi Pérez, senior HR manager for Banana Republic, became involved in the company’s Diversity and Inclusion efforts several years ago, she discovered that her Latino colleagues had no employee group to call their own.

So she got together with a few Latino colleagues and they decided to do something about it.

“Our Employee Resource Groups provide a safe place for our employees to build networks, and meet and develop relationships with other people like them in the company,” Saudhi said. “And I wanted to have a group where our Latino employees could do the same to build strong connections together.”

In 2010, HOLA — Honoring Our Latino/Hispanic Ancestry — was formally launched as a Gap Inc. Employee Resource Group.

HOLA’s mission is rooted in that initial concept —to empower the company’s Latino/Hispanic employees to drive business and make a positive impact in their communities. The group will also support members by creating meaningful networking opportunities and exciting careers while celebrating their heritage.

“We can be a vital source for the company, especially as we grow our membership,” said member Marcella Renteria-Dew, a senior manager in Compensation. “We love the Latino culture and we love Gap and the two groups together can take us many places and even affect the bottom line.”

HOLA is now coming up with strategic ways to reach out to all employees who might be interested in joining, from headquarters to field associates. The group will also continue to play a pivotal role in events like September’s Latino Heritage Month and find ways to network outside of Gap Inc. and make a difference in our communities.

“The fact that HOLA is officially launched is a testament to the company itself,” Saudhi says. “Gap Inc.’s culture fosters a welcoming environment for employees of all backgrounds, which allows us opportunities to develop our careers and contribute to the organization. We truly are inclusive and we do embrace diversity.”

Bibi: Working in an inclusive environment

Location: New York, New York

Summary: During her three years with Banana Republic, Bibi has enjoyed helping customers just like any other store associate – she just happens to be deaf.

Bibi Salim is like any other BR associate – she’s friendly, helpful and eager to come to work every day. The only difference is that she happens to be deaf. Her manager, who works with other disabled employees, partners with each one to enable them to do their jobs to the best of their abilities. Bibi has been offered sign language interpreters, but finds that written communication also works. She took a few minutes to share her experience working at our Rockefeller Center store.

What companies did you explore when you were looking for a job?

Gap Inc. was the only company I explored. During the interview, the people and managers seemed really nice.

How long have you been an employee at Banana Republic, Rockefeller Center?

Almost three years.

What are your favorite and least favorite tasks?

My favorite task is working with the accessories, belts and shoes. I also like the clothes on the floor and filling in to make sure the customers have their size and style. My least favorite task is back stocking ... Sometimes the shelves are high, and the SKU numbers are sometimes confusing.

What is the most challenging aspect of being an employee?

For me, it could be the communication – it’s tough at times. Sometimes it is difficult to lip read, but I am getting better at it. So the fix is using a pen and paper to communicate when my job coach, Pamela, is not with me. They are really patient with me.

How has working at Banana Republic impacted your life?

Meeting people and earning money to be more independent has definitely impacted my life. I have also made some friends and I like working together as a team with the managers.

What words of advice would you offer to other candidates with disabilities who may be looking for employment?

I would tell them to apply here because everyone is really supportive. I would also tell them to apply because I am the only deaf person here and it would be great to have another person to work with who can sign.

Severine: Doing what's right

Location: Paris, France

Summary: Severine wins prestigious award for promoting integrity and bringing our Code of Business Conduct to life.

Fisher Award winner Severine Cisinski, Integrity

Severine Cisinski, senior director for Gap Inc.'s business in France, was awarded the Donald G. Fisher Award for Integrity during Europe's 2010 Store Manager Conference (SMC).

The award is given to an employee who demonstrates "responsibility for ensuring we operate with the highest ethical standards, honesty, integrity, and transparency."

"At the announcement, I experienced something that I have called the 'Ou la la' effect," Severine said. "This is an experience so emotional that you can't express it in an easy way, you just feel it in yourself. I have been deeply touched to be recognized in front of my European colleagues for this award. This was the achievement of a strong partnership and trust that we built these past years."

Severine worked with the European Human Resources and Legal teams to align the French business with Gap Inc.'s Code of Business Conduct (COBC). She set up a Town Hall meeting to emphasize the importance of doing business with integrity. She also led the process to ensure that leaders completed COBC training and certification online — just as she has done herself.

"In France, similar to other countries where Gap is running or expanding businesses, it is key to be compliant with local regulations," Severine said. "I try every day to help business partners understand these local rules and regulations to find the best benefit for our company."

Severine applies best practices from the U.K., European Union and Gap Inc. to her team in Paris, France.

"Integrity is not just a shared company value," Severine said. "It is the essence of building durability for both individuals and the organization. COBC becomes more than rules we have to enforce; it represents the commitment of our company, all the shared values we naturally expect everyone to act with is common sense."

As a result, she's brought the U.K. and France headquarters offices, as well as the European field organization, closer together. She's well known for strongly encouraging people to share their opinions, ideas and concerns openly — no matter their role or title.

"A visit in one of our stores will convince anyone about Severine's energy, enthusiasm and integrity," said one of her colleagues, who nominated Severine for the award.

Severine was awarded \$10,000 for herself as well as a \$10,000 grant to the nonprofit of her choice. For Severine, the award was especially meaningful, since it resonated with Don Fisher's values.

"Don had built this company on strong ideas," she says, "and I truly hope we're all able to preserve the integrity that's become part of our culture and carry that message into new markets around the world."

Kristina: Putting customers first

Location: Sacramento, California

Summary: Kristina demonstrates a passion for her teams, customer care and the community

Fisher Award winner Kristina Randle-Smith, Store Excellence

When Kristina Randle-Smith, manager for store #6497 in Sacramento, California, heard about job opportunities in China, she swung into action.

She found a private tutor to teach her Mandarin. She talked with her husband about the challenges he'd face solo-parenting their 3-year-old son while she was away. And she started working on how to support Gap's entry into China on a 12-week assignment.

A driven Old Navy store manager and passionate volunteer with a "think: customers first" work ethic, Kristina was named the winner of the Donald G. Fisher Award for Store Excellence. The award is given to store managers who demonstrate Don Fisher's passion, inspiration and love for stores while delivering "unsurpassed business results, customer care, leadership, and community commitment." It was the first of six Store Excellence awards to be given out over the year. Kristina received the news from Shanghai, where she was busy supporting Gap's first store openings in China.

A seven-year Old Navy veteran, Kristina has built great teams and exceeded business goals. In just under six months, she helped transform the Sacramento, California store from one of the bottom-ranking stores to one of the top-performing ones in the region, delivering high employee engagement scores and reaching the top 10 percent of Customer Engagement Survey (CES) results in the Old Navy fleet.

As a regional leader, she's helped her store teams give back to the community by leading events for the San Francisco Bay Area AIDS Walk, Adopt-a-Family and the Sacramento Food Bank. She also helped secure two field team grants in 2010, totaling 85 volunteer hours.

Kristina also connected with the local community in Shanghai. In her "free time" between training Chinese store managers on Point of Sale (POS) systems, she volunteered at a local orphanage for disabled kids. She also helped organize the Gap China team's Day In Action, in which 200 employees volunteered with the Qin He Yuan Elderly Care Facility in Shanghai for two full days.

As a Store Excellence Award winner, Kristina received a \$10,000 grant to a nonprofit of her choice. She planned to use it for a cause she is passionate about — helping kids in her local community in Sacramento, California.

Amy, Fei & Jasmine: Small idea = something great

Location: San Francisco, California

Summary: Amy, Fei and Jasmine led a team that thought outside the box

Fisher Award winners Amy Carr, Fei Ye and Jasmine Magnesi, Innovation

It's hard to move forward without innovation.

Amy Carr, Fei Ye and Jasmine Magnesi won the inaugural Fisher Award for Innovation for their Customer Information Capture (CIC) marketing project.

Without a direct marketing plan in place in Canada, they worked to cull more than five million emails between 2008 and 2010 from Canadian customers. With the help of field employees, Amy, Fei and Jasmine used the email connections to drive sales across the brands and create the foundation for a successful e-commerce launch in Canada.

“Although it didn't seem incredibly innovative at the time, we definitely had to break new ground on this project by developing unique partnerships and collaborating across the company,” said Fei, Manager of Customer Relationship Marketing Strategy. “It's just an incredible honor to receive the first-ever Fisher Award for Innovation since it really speaks to the core values our founders Doris and Don Fisher have instilled here — and I'm just so happy we can continue to strive for those values through the work we do and carry on their legacy.”

Amy said her team was empowered to make decisions without delaying the process. The project has since been replicated in the U.K., France, and Italy.

“When we went into Canada, we thought it would be a little idea and if we got some things right there, we might be able to apply it elsewhere,” said Amy, Gap Inc. Direct's Director of Customer Relationship Management Strategy. “But we never thought it was going to turn into the big concept that it turned out to be.”

The recipients were awarded \$10,000 to split and another \$10,000 to give to a nonprofit of their collective choice. “I'm certainly excited about the \$10,000 we get to split as a group, but I'm more excited about figuring out where our donation will go,” said Jasmine, Senior Analyst of CRM Strategy. “Given the nature of the award, I'd like to think we'll come up with something innovative.”

“This group has been a bastion of ideas,” company CEO Glenn Murphy said. “I respect the CRM team because they're a small but mighty group and a lot of great work comes out of their department.”

Gail: Delivering results

Location: Bristol, United Kingdom

Summary: For nearly 20 years, Gail has demonstrated a passion for people, community and good old-fashioned retailing.

Fisher Award winner Gail Bradley, Store Excellence in Europe

When a new, large-scale shopping center opened near the Mall at Cribbs Causeway in the U.K., things looked uncertain.

But Gail Bradley didn't give up. As store manager for Gap and GapKids store #930, she promoted her store as a key player in the mall — securing top advertising space and participating in fashion shows. She even helped ensure that a local morning television show was filmed outside her store.

Her passion to “deliver: results” helped transform negative traffic into positive sales comps that surpassed the other apparel retailers in the mall — and for her quick action, Gail was named the winner of the Donald G. Fisher Award for Store Excellence in Europe.

The award is given to store managers who demonstrate Don Fisher's passion, inspiration and love for stores while delivering “unsurpassed business results, customer care, leadership, and community commitment.”

“I still can't believe it,” Gail said. “I'm so proud of my team and district — without them, none of this would be possible. It's a great honor to be recognized out of the whole of Europe. It's like winning the Oscars.”

During Gail's 20-year tenure at Gap, she's helped open a number of new stores in the U.K. market. Her store consistently receives high Customer Experience Survey scores, delivering 100 percent on “floor availability” and 97 percent on “store standards.”

She's also converted customers by understanding their needs and listening to staff ideas. She successfully lobbied to introduce Maternity and Premier Baby and expand her store's women's assortment — helping achieve the second-highest sales per square foot in the country. Her attention to cost savings helped her store achieve a decrease in controllable costs.

Gail has helped her store build strong ties with the community by participating in monthly fundraising and weekly volunteer activities, such as painting a local community center. As an award winner, Gail received a \$10,000 grant to a nonprofit of her choice.

Gail has nurtured and developed employees from associates into supervisors and managers. She's also achieved the highest Employee Opinion Survey (EOS) scores in the district.

“This award stands for all that I'm passionate about,” she says: “people, community and good old-fashioned retailing.” I was one of the fortunate people to have met Donald Fisher in San Francisco and in London and what a remarkable man he was. This is the reason this award is so special to me and my team.”

Anita: Investing in our community

Location: Chicago, Illinois

Summary: Anita Jenkins, Gap's senior director for the Central Region, won the prestigious Fisher Award for Community in honor of her many years of community service with Chicago Youth Programs.

Fisher Award winner Anita Jenkins, Community

In 2007, Anita began leading Gap Chicago stores volunteerism efforts in partnership with Chicago Youth Programs (CYP). The following year, she joined CYP as a board member. The organization's motto is "Save generations, one child at a time." It aims to provide children who live in some of the most economically-challenged neighborhoods of Chicago access to educational and recreational opportunities beyond their immediate communities. In these neighborhoods, only 2 out of 10 children graduate from high school, but for the children who are enrolled in the Chicago Youth Programs, an astounding 9 out of 10 graduate from high school.

One special project Anita led was transforming Chicago Youth Programs' gymnasium into a temporary free Gap store, called "Caring Closet." Here youth and their families could build a wardrobe from donated gently worn and new clothes. The first year, 250 families from the local community were served. Caring Closet has grown since then to become an annual back-to-school event that is one of CYP's most successful programs.

In 2009, Anita began leading Gap brand's North America Field's Community Investment efforts. In partnership with her Store Operations team, she recorded monthly community investment podcast messages and oversaw the development of monthly Gap employee messages focused on volunteerism.

Anita was presented with the Community Award at Chicago Youth Programs. "It was wonderful," she said, "because it let them see how so much good can come of doing what you love." Anita was especially honored to win the award because it is "the one with such value and connection to what the Fishers have done."

As an award recipient, Anita received \$10,000 for herself and a \$10,000 grant for the nonprofit of her choice. Anita wanted to become involved with a girls' mentoring program and learned that Chicago Youth Programs did not have one — so she donated her \$10,000 award grant to fund a new program called Phenomenal Women (named after a Maya Angelou poem). This program provides girls, ages 10-14, access to twice-a-month educational and cultural outings that range from dinner with an etiquette book author to an Alvin Ailey dance performance.

Anita also donated her personal \$10,000 award to fund awards for other volunteers, including staff at Chicago Youth Programs, because "they're the ones who are there day in, day out, nighttimes, for the kids." She hopes that the Fisher family understands that, in the spirit of the award, she was making an investment in the community to help cultivate dreams.

Venus: Better together

Location: San Francisco, California

Summary: You may not see Venus Finley's great-great grandfather alongside her in her role with our Loss Prevention group. But he's there.

In the late 1800s, Venus Finley's great-great grandfather walked into a field in Chicago and built a house. It's still standing there in the inner city.

"It's very humbling to recall this — that my family came from nothing, and built our own environment," she says. Venus, Loss Prevention director for Gap brand's Western Zone and Canada, is African-American and draws on her family history, including her race, to provide her life and decisions with the right context.

"That's what drives me — the ability to recognize where I came from and how a strong work ethic was an important part of it."

During the 1970s, Venus moved to California by herself at 18 and began her retail career with Mervyns, where she spent 28 years. "They gave me a lot of opportunities in terms of my growth and leadership."

In 2002, she joined Gap Inc., where she's made a strong impression on her colleagues. From the start, she joined the company's African-American Networking Group (AANG) because she thought it would be a great opportunity to meet people.

"It also turned out to be a great service opportunity," she says of the group. "If we want Gap Inc. to represent the communities in which we live, it starts with who works for us and how they fit in."

"My role with AANG has been one of inclusion," she adds. "It's about helping people fit in and maneuver through this company."

Away from work, Venus operates with a similar sense of humility and appreciation. For years, she's volunteered her time and money to support a church-operated school that educates inner city youth in Oakland, California. "This," she says of her support for the school, "is my obligation to society."

Venus, who took in a family of four displaced by Hurricane Katrina a few years ago, continues to assess life through a unique lens.

"The way I see things, there are a lot of people to disappoint if I don't succeed. And I'm not talking about my colleagues. I'm talking about my ancestors, to whom I hold myself most accountable."

Keith: More than a job

Location: San Francisco, California

Summary: During his 13 years at Old Navy, Keith Herbert has enjoyed being an “integral part” of a growing brand.

Nearly 13 years ago, Keith Herbert walked into an Old Navy store. He was hooked.

“It was like nothing I’d ever seen before,” Keith says. “I loved the energy, I loved the people, I loved the T-shirts.”

Keith joined the company in 1996 as a general manager for Old Navy in St. Louis, Mo. At the time, the business was gaining momentum; he saw the opportunity to build a career here.

Along the way, he’s helped the brand evolve from fewer than 50 stores to a burgeoning fleet of more than 1,000. “It was always a brand I admired and respected.”

During his career with Gap Inc., he’s relocated nine times, steadily progressing through Old Navy’s stores and headquarters organizations.

After two years as general manager, he assumed the role of new store coordinator, traveling nearly 40 weeks a year across the country and opening stores “from the ground up.” He helped open more than 120 stores, including Old Navy’s San Francisco flagship.

Since then, he’s crossed the country to take on new positions and promotions – including regional manager in Buffalo, New York; district manager in St. Louis; regional director in Indiana/Michigan and Chicago; zone vice president of Old Navy’s Central and Canada zone; and senior director of Customer Service and Labor Management for Old Navy’s headquarters in San Francisco.

Long ago, Keith decided that he’d like to stay at Gap Inc. But he also wanted to take on new roles in the company. He says he’s happy to work in an environment that’s supported a career of growth and movement.

In his current role as vice president of Operations, Keith acts as a liaison between Old Navy’s headquarters and store teams. He’s enjoyed being an “integral part” of a growing brand. The best part, he says, is seeing the people he first began working with continue to grow their careers.

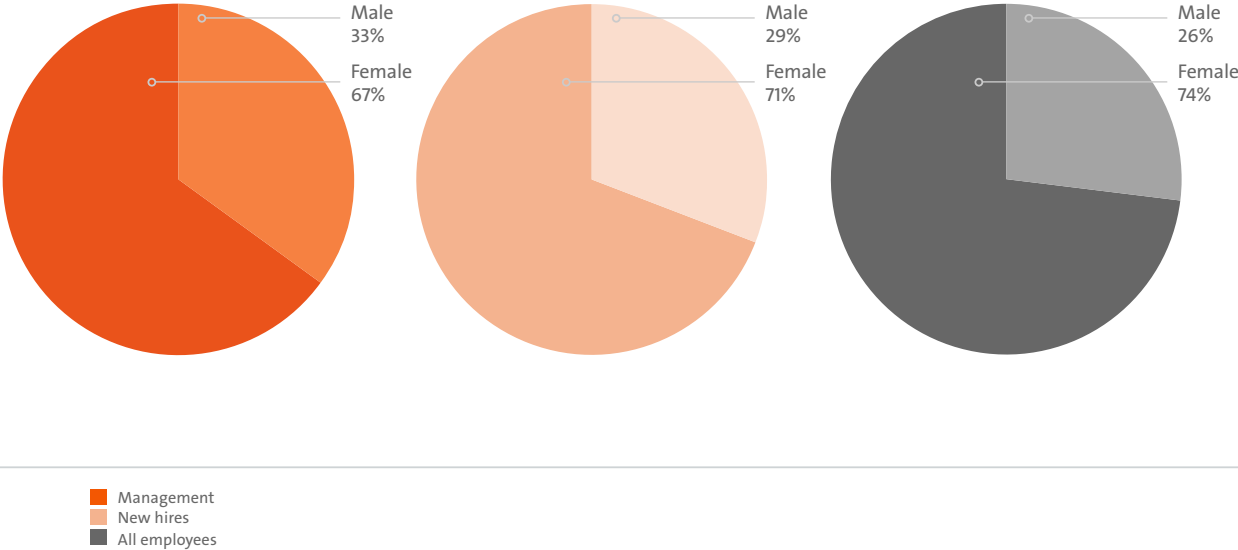
“It’s the people and the culture that keep me coming back every day,” he says. “It’s walking into Old Navy and capturing a feeling that I’m truly at home – whether in St. Louis, San Francisco or Buffalo.”

Goals and Progress

Employees Data

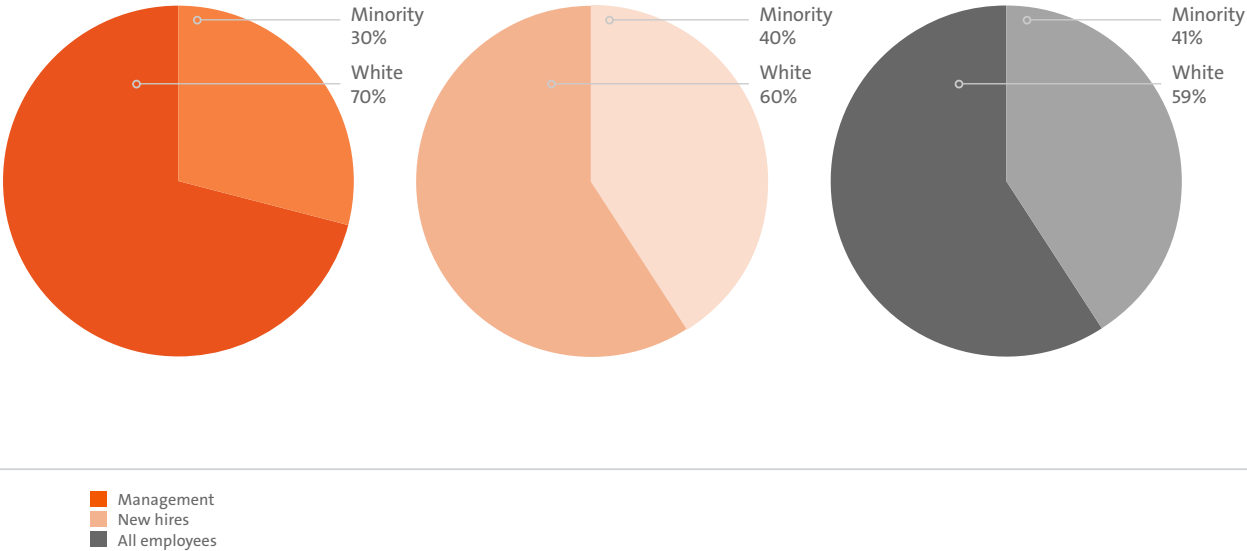
Gap Inc.'s continued focus and strategic approach to diversity will enable us to better serve our global customers.

2010 North American gender demographics



Note:
Includes U.S. and Canada Employees. Management data includes store and headquarter managers and above.

2010 U.S. Ethnic demographics



Note:
Data for All Employees and White includes 3% of employees who elected not to self-identify their ethnicity. Minorities include all U.S. based employees who self-reported as non-white ethnicity (Black/African American, Asian, Hispanic/Latino, American Indian/AK Native, Hawaiian/Pacific Islander or More than one Ethnicity). Management data includes store and headquarter managers and above.

The following chart provides an overview of Health & Wellness Benefits offered by Gap Inc. We want our health benefits to do more than just take care of our employees when they're sick. Our Health Reimbursement Account (HRA) plans are designed as a total health and wellness solution, with tools and resources to help employees improve their long-term health and manage health care spending.

2010 Health & wellness benefits

Program description and coverage	Eligibility	Highlights
<p>Health benefits</p> <ul style="list-style-type: none"> • Medical • Dental • Vision • Health care and dependent care Flexible Spending Accounts • Life, disability, accidental death and dismemberment and business travel accident insurance <p>Wellness Benefits</p> <ul style="list-style-type: none"> • 24/7 NurseLine service • Health risk assessments • Cancer care support • Employee Assistance Program (EAP) Life Resources 	<p>Available to all employees classified as full-time, effective on date of hire or change in status.</p>	<ul style="list-style-type: none"> • Gap Inc. offers an innovative type of health plan called Health Reimbursement Account (HRA), which includes free basic in-network preventive care, health reimbursement accounts funded by the company and the ability to roll over unused HRA account dollars to the next plan year. • 84% of Benefit eligible employees participate in Gap Inc. medical plans. • Gap Inc. also extends coverage to same- and opposite sex domestic partners. • In 2010, Gap Inc. paid approximately 76% of the costs of health care coverage for eligible U.S. employees and 76% of costs for eligible U.S. employees' dependents, including their same sex domestic companions.
<p>National health access</p>	<p>Available to all employees and to same-sex spouses and opposite-sex domestic partners and their dependents.</p>	<p>Gap Inc. is proud to offer all employees access to a health care solution.</p>

Note:

The benefits data in the chart applies to U.S. only, unless otherwise noted. Internationally, we align employee needs with the health care and wellness options available in each country to ensure we're providing a comprehensive benefits package for our employees. Employees who are classified as full-time are eligible for benefits.

The following chart provides an overview of Financial Health Benefits offered by Gap Inc. These benefits play an important role in attracting, rewarding and retaining talented people who want to build long-term careers in our company.

2010 Financial health benefits

Program description and coverage	Eligibility	Highlights
<p>GapShare 401(k) Plan:</p> <ul style="list-style-type: none"> Gap Inc. offers a 401(k) plan featuring dollar-for-dollar company matching contributions up to 4% of base pay, with 100% immediate vesting. 	<p>Minimum age of 21, at least 1,000 hours of service.</p>	<ul style="list-style-type: none"> 90% of eligible employees participated in GapShare's 401(k) plan in 2010. 91% of eligible employees participated in GapShare's 401(k) plan in 2009.
<p>Employee Stock Purchase Plan (ESPP):</p> <ul style="list-style-type: none"> Employees can receive a 15% discount off the fair market value of Gap Inc. stock on the day of the stock purchase. 	<p>Full-time and part-time employees are eligible.</p>	<ul style="list-style-type: none"> In 2010, 7,550 employees participated in ESPP purchasing 1,301,166 shares of company stock. In 2009, 7,397 employees participated in ESPP purchasing 1,574,467 shares of company stock.
<p>Disability</p>	<p>Available to employees classified as full-time.</p>	<ul style="list-style-type: none"> Through our supplemental plans, Gap Inc. provides a non-taxable benefit of 65% of monthly wages until age 65 or until no longer disabled.
<p>Tuition reimbursement:</p> <ul style="list-style-type: none"> Gap Inc. employees can be reimbursed up to \$5,000 per year for approved, job-related academic courses. 	<p>After one year of full-time service, tuition reimbursement is available to employees.</p>	<ul style="list-style-type: none"> Approximately 2,000 employees take advantage of this benefit each year.
<p>Free financial planning/counseling</p>	<p>Available to employees classified as full-time.</p>	<ul style="list-style-type: none"> This free service helps employees take full advantage of Gap Inc.'s benefit offerings.
<p>Access to home loans at reduced rates</p>	<p>Available to employees classified as full-time.</p>	<p>N/A</p>

Note:

The benefits data in the chart applies to U.S. only, unless otherwise noted. Internationally, we align employee needs with the health care and wellness options available in each country to ensure we're providing a comprehensive benefits package for our employees. Employees who are classified as full-time are eligible for benefits.

The following chart provides an overview of Work-life Balance & Lifestyle Programs offered by Gap Inc. Our emphasis on wellness has garnered high interest and participation from our employees.

2010 Work-life balance & lifestyle programs

Program description and coverage	Eligibility	Highlights
<p>Paid Time Off (PTO):</p> <ul style="list-style-type: none"> Gap Inc. provides paid days to use toward vacation, sickness or personal time, in addition to company paid holidays. 	<p>All employees classified as full-time are eligible for holiday pay and PTO on date of hire.</p>	<ul style="list-style-type: none"> Employees ranked Paid Time Off as the second most valued benefit (first was the Employee Merchandise Discount).
<p>Wellness programs:</p> <ul style="list-style-type: none"> Weight Watchers Smoking cessation 	<p>Available to employees classified as full-time.</p>	<ul style="list-style-type: none"> Nearly 600 employees participated in these programs in 2009 and 2010.
<p>Commuter benefits</p>	<p>Full-time and part-time employees are eligible to use benefit for parking expenses or local mass transit services.</p>	<ul style="list-style-type: none"> More than 2,700 employees took advantage of this tax free benefit in 2009.
<p>Employee merchandise discounts</p>	<p>Full-time and part-time employees are eligible.</p>	<ul style="list-style-type: none"> Employees received approximately \$154 million in savings on merchandise purchased in 2009-2010.

Note:

The benefits data in the chart applies to U.S. only, unless otherwise noted. Internationally, we align employee needs with the health care and wellness options available in each country to ensure we're providing a comprehensive benefits package for our employees.

Employees who are classified as full-time are eligible for benefits.

The following chart provides an overview of New Parent Support benefits offered by Gap Inc. With a relatively young and family-oriented employee population, we provide a wide range of support for new parents. This support helps attract and keep great employees as they start and grow their families.

2010 New parent support

Program description and coverage	Eligibility
Adoption assistance reimbursement program	Available to employees classified as full-time.
Childcare support	Available to employees classified as full-time in New York and San Francisco headquarter offices.
Health pregnancy program pre-natal risk assessment service	Available to employees enrolled in United Healthcare.
Pregnancy disability	Available to employees classified as full-time and part-time.
Paternity/adoption leave, with additional baby bonding leave available	Available to full-time employees with 12 months of service and 1,250 hours of service
Phase out/phase back program to assist new parents	Available to employees classified as full-time.
Infertility benefits	Available to employees classified as full-time.

Note:
 The benefits data in the chart applies to U.S. only, unless otherwise noted. Internationally, we align employee needs with the health care and well-ness options available in each country to ensure we’re providing a comprehensive benefits package for our employees.

Employees who are classified as full-time are eligible for benefits.

The following chart provides an overview of Community Investment benefits offered by Gap Inc. These benefits encourage employees to play an active role in the causes that matter to them.

2010 Community investment benefits

Program description and coverage	Eligibility	Highlights
<p>Gift Match:</p> <ul style="list-style-type: none"> Contributions to all eligible nonprofits are matched, dollar for dollar. Donations can be made as one-time gifts or via payroll deduction. 	<p>All full- and part-time employees.</p>	<ul style="list-style-type: none"> In 2009, Gap Inc. contributed more than \$2.5 million to thousands of nonprofit organizations via Gift Match. In 2010, Gap Inc. contributed more than \$2.1 million to thousands of nonprofits via Gift Match. In 2009, more than 5,300 employees participated in Gift Match. In 2010, more than 5,000 employees participated in Gift Match.
<p>Money for Time:</p> <ul style="list-style-type: none"> For every 15 hours an employee volunteers in a calendar year with one nonprofit, Gap Inc. will donate \$150. 	<p>All full- and part-time employees in North America including Canada and Puerto Rico.</p>	<ul style="list-style-type: none"> In 2009, Gap Inc. contributed more than \$364,000 to organizations via Money for Time. In 2010, Gap Inc. contributed more than \$300,000 to organizations via Money for Time.
<p>Board service match:</p> <ul style="list-style-type: none"> To support the leadership offered by our executives on nonprofit boards of directors, Gap Inc. will make a donation to the nonprofit on whose boards our leaders serve. This is in addition to these individuals' annual gift match allocations. 	<p>Regional directors, senior directors and above.</p>	<ul style="list-style-type: none"> In 2009, Gap Inc. contributed more than \$235,000 in Board Service grants. In 2010 Gap Inc. contributed more than \$240,000 in Board Service grants.
<p>Field Team Grant:</p> <ul style="list-style-type: none"> 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. 	<p>All full-time and part-time Field employees in North America including Canada and Puerto Rico.</p>	<ul style="list-style-type: none"> In 2009 Gap Inc. and Gap Foundation contributed nearly \$300,000 in Field Team Grants to organizations across the U.S. and Canada. In 2010 Gap Inc. and Gap Foundation contributed nearly \$700,000 in Field Team Grants to organizations across the U.S. and Canada.

Note:

The benefits data in the chart is based on calendar year and applies to employees worldwide, unless otherwise noted.

This chart compares work-related employee injuries between U.S. Gap Inc. retail locations and all other U.S. Gap Inc. locations. It measures frequency year-over-year since 2009. The data shows that the company's number of work related injuries has dropped since 2009.

2010 Workplace health & safety data

	Retail stores		All other locations		Total	
	2009	2010	2009	2010	2009	2010
Number of Gap Inc. employees	105,382	103,053	11,006	10,483	116,388	113,536
Workers' comp claims	1,474	1,727	254	271	1,728	1,998
Time loss claims	190	213	59	55	249	268
Hours of exposure	87,123,193	85,309,279	13,432,907	13,063,814	100,556,100	98,373,092
Rate of injury per 200,000 hours worked	3.82	4.55	4.66	4.99	3.93	4.61
Safety/injury incident reports	6,670	6,671	859	827	7,529	7,498
Occupational injury-related fatalities	0	0	0	0	0	0
Experience modification factor	N/A	N/A	N/A	N/A	0.84	0.82

Note:
Chart reflects U.S. data only, reported by calendar year.

Goals and Progress

Community Investment Full Section

Our vision for building stronger communities is simple: to create opportunities for people to own their future and fulfill their personal promise. Our mantra, “Be What’s Possible,” is a call to action to give forward, not just give back.

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.

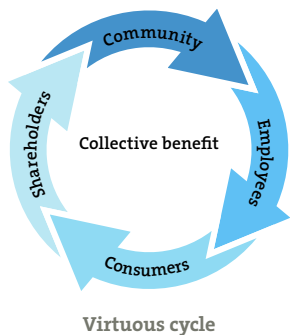
We also look for opportunities to deepen our impact through other activities and initiatives. We consider the organizations we support to be **partners**, not “grantees,” and provide them with programming and company assets beyond cash grants to help them maximize their impact in the community. And we invest in **service leadership** to unlock the power of volunteerism across the world.

Our strategy: Applying business innovation to social challenges

Businesses use innovation every day to solve problems and create opportunities. At Gap Inc., we apply this thinking to community investment, using innovation to solve social problems and create new possibilities. Our strategy is built on two ideas: leveraging company assets and creating a “virtuous cycle.”

Leveraging company assets

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, through volunteering their time and sharing their experience 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 we could if we solely wrote a check to support a cause.



Creating a “virtuous cycle”

In addition to leveraging our assets, we aim to create a “virtuous cycle” in everything we do. When we invest in 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 this new way of investing in our communities for more than five 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.

In seeking to fulfill our own potential to make a difference, we found that our goals and strategy led us to two clear areas of focus: underserved youth in the developed world and women in the developing world.

To create lasting change for youth and women, we also invest in initiatives that support our nonprofit partners in becoming more effective and harness the power of volunteers to create impact. Through these combined efforts, we aim to help youth and women unleash their personal promise — to be what’s possible.



Youth: Career exploration and job readiness

Throughout our more than 40-year history, we’ve given hundreds of thousands of young people their first jobs at our stores. Working closely with youth has built our store employees’ knowledge of what young people need to succeed in the world of work. 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.

[Read More](#)



Women: Personal and professional advancement

Women represent more than 70 percent of our employees and have shaped our management and culture. Women also play an important role in the entire apparel industry, making up approximately 80 percent of garment workers worldwide. Through partnerships with vendors and organizations on the ground in the developing world, we focus our investments on providing female garment workers with work and life skills education and technical training that will help them move ahead in the workplace and in life.

[Read More](#)



Funder to Partner: Leveraging our assets to support our partners

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. [Read More](#)



Service Leadership: Amplifying the impact of volunteerism

We believe there is unlimited potential to create positive change through the passions, talents, skills and commitment of volunteers. To help realize this vision, we have actively focused on how we can utilize our own volunteers more strategically and effectively. We are also part of a bigger movement that is focused on increasing the impact of volunteers. [Read More](#)

GOALS AND PROGRESS | Community investment | Empowering youth

Our work to help underserved youth prepare for adulthood addresses the pressing need to provide young people with the opportunity to build successful futures. We see potential to make a deep impact in this area based on our company culture and assets.

Today, young people face unprecedented challenges. Youth unemployment has been steadily rising. Typically, the month of July represents the peak of youth employment, but in 2010 only 49 percent of youth had jobs at that time – the lowest on record since 1948. And employment prospects are lower for young people who do not advance in their education beyond high school; it is predicted that by 2018 only 36 percent of all jobs will require workers who have a high school diploma or less.¹

Young people from underserved communities may be particularly affected by the current situation, as they often lack access to information about how to get a job and keep one. They aren't exposed to the variety of careers available, or don't know what type of education it takes to pursue them.

To help address these needs, we focus investments on helping youth prepare for adulthood through career exploration and job-readiness training. We aim to keep youth engaged in their education and help them become better prepared for life after high school through lessons learned from the world of work.

We call on our company assets – namely, our understanding of youth culture and our 134,000 employees – to support these efforts. Since we opened our first Gap store, thousands of youth have found their first jobs at our store locations. Our store managers work closely with these young people on a daily basis; this experience gives our store employees an understanding of what it takes for a young person to get a job and succeed in a work environment, from creating a good impression at an interview to resolving conflict. Our store employees make a significant impact in the community by volunteering to share their skills and knowledge with underserved youth — employees may volunteer to act as coaches or teach a young person how to create a resume. They also provide counsel about the importance of education, no matter what path a young person would like to pursue. Leveraging our employee skills, knowledge, and talent helps us create more impact for youth than we could by solely investing money.

We approach helping youth prepare for adulthood from a variety of angles, including two programs that we created through cross-sector partnerships.



Our signature program, [This Way Ahead](#), provides career exploration and job readiness training for underserved young people in New York City and San Francisco. With our nonprofit partners, Gap Inc. employees co-lead classes and bring their knowledge of working in stores into the classroom. Youth participants also apply for paid internships at Gap and Old Navy stores. To date, 76% of youth who completed the program showed improvement in job attainment skills. [Read More](#)

¹ Goodwill Industries International. (2010). Community solutions: *Connecting youth with community and careers*. Rockville, MD.



Designed in partnership with the Pearson Foundation, **Plan Ahead** is a semester-long ninth grade college and career awareness course that impacts nearly 4,000 young people a year in the San Francisco Unified School District (SFUSD). The course is a requirement for graduation at SFUSD. During 75 hours of instruction, **Plan Ahead** covers everything from “What am I good at?” to plotting out a path to a career, college, and life after high school.

[Read More](#)

Grantmaking is another component of our strategy. We invest in college, career, and job-readiness programs for youth. Core to our strategy is that we see ourselves as partners to nonprofits and seek to link them to our company assets beyond cash grants. Each of our partners below has been able to leverage the time and talent of Gap Inc. employees via what we call “[link and leverage.](#)”

- **Breakthrough Collaborative**, a national organization based in San Francisco, California, uses high school and college students as tutors for middle-school students, increasing educational opportunities at the same time that it encourages older students to pursue careers in education.
- **Chicago Youth Programs**, an innovative community organization, provides a vast range of services tailored for pre-school through college, including mentoring, recreation, quality healthcare, cultural programs, college preparation and scholarships.
- **Centrepont**, a youth organization based in London, offers broad support to homeless youth and helps them become independent. Centrepont goes beyond providing housing to helping young people manage their finances, develop healthy lifestyles, expand their education and vocational training, cultivate a plan for the future and reach their potential.

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.

Research shows education and economic empowerment for women advances communities. Recent studies indicate that in many parts of the world infant and child mortality drops and family health improves as women become more educated. Educated women are also more politically active; they are more informed about their rights and how to exercise them. Additionally, women who earn an income spend more on their families; a child's probability of survival is increased by 20 percent when a mother controls household income.²

But women do not always have opportunities to become educated and advance in the workplace. In India, for example, only 33 percent of women are “economically active,” compared to 81 percent of males. Perhaps even more significant, even if a woman does get a job, she is less likely to move into a higher-earning management position. In some areas, since technology is viewed as the purview of men, women lack the opportunity to gain the technical skills needed to advance to upper level roles.³

We are well-positioned to address some of these challenges and help women fulfill their potential. Our business connects us with women garment workers who can benefit from opportunities to advance in the workplace and in life. We leverage our company assets, including our relationships with garment manufacturers and local staff in developing countries who understand the social and cultural contexts impacting women workers.

While many social programs focus on helping women in the developing world find a job, far fewer focus on their advancement once they are in a job. In garment factories, in which the global workforce is 80 percent female, women often lack the education or leadership skills to move into roles with greater responsibility, such as managerial positions. Often it is not only the workplace skills that hold them back from progressing, but also the confidence or belief in themselves that will allow them to achieve their goals.

“We believe that women in the developing world, when provided access to education, training and support, can be real agents of change – for their families, their communities and ultimately for society as a whole,” says Dotti Hatcher, Executive Director of Gap Inc. P.A.C.E. Global Initiatives. Drawing on our resources as a company, we worked in partnership with leading nonprofits to create P.A.C.E. (Personal Advancement & Career Enhancement).



In 2006, we created the Gap Inc. **P.A.C.E.** (Personal Advancement & Career Enhancement) program, aimed at training female garment workers in technical and social skills so they can advance in work and life. Designed in partnership with the **International Center for Research on Women (ICRW)** and Swasti Health Resource Center, the program currently operates in India and Cambodia, with plans for expansion to other countries. More than 5,000 women have participated in P.A.C.E. training, and in our pioneer factory, women who completed P.A.C.E. were promoted at 4.7 times the rate of other female workers at the same factory. [Read more](#)

² International Center for Research on Women. (2011). *Women and Girls: A look at the international landscape*. Washington, D.C.

³ Ibid, and Population Reference Bureau. (2011). *The world's women and girls 2011 data sheet*. Washington, D.C.

Our investment in the Gap Inc. P.A.C.E. program demonstrates the “virtuous cycle” in action: not only do women gain new opportunities, but vendors also see the rewards of this program, as a better-trained workforce has a positive impact on their businesses. “The transformative impact of the program on the lives of female garment workers has become clear from their confidence, willingness to shoulder greater responsibility and take on leadership roles, and their mentoring of peers,” says Mr. Harish Ahuja, Chairman of Shahi, a large vendor partner in India. “P.A.C.E. has brought marked improvements in many areas of our business. Absenteeism is down, workplace efficiency is up, and we have lower attrition. Our long-term vision is to extend this program to all of our 34 plants and 60,000 workers.”

We are encouraged that the Gap Inc. P.A.C.E. program has been recognized for making a difference. In 2010, it won the Financial Times/Justmeans Social Innovation Award, and in 2010, the International Center for Research on Women’s Champion of Change Innovation Award, and the program also has been recognized for its achievements by the Clinton Global Initiative. Our goal is to support broad, industry-wide change by inspiring others to join us in this work. We are developing a toolkit that will allow for replication of the program in other geographic locations.

GOALS AND PROGRESS | Community investment | [From funder to partner](#)

In order to reach our goals in the community, we collaborate with a diverse mix of organizations. A hallmark of our philosophy is that we consider the organizations we support to be partners, not “grantees.” Likewise, we think of ourselves not as funders, but social investors who believe in leveraging our company resources and linking our partners to assets beyond just cash grants. We call this effort “link and leverage.”

What this approach means in practice is that when we meet with our partners, we discuss which of our company assets might benefit their organization, and how we can best leverage them. We evaluate whether we can provide a board member from our employee base, volunteers with special skills (such as marketing or legal expertise) needed for a project, job-shadow opportunities, training materials, in-kind contributions — all opportunities to build on our cash investment and increase the impact our nonprofit partners can make in the community.

In 2009, we asked the organizations we partner with to anonymously assess our performance as partners. Overall, their feedback was positive and highlighted our unique strategy of linking and leveraging our internal resources. Through linking and leveraging, we have created added points of contact that allow us to deliver more to our partner organizations, engage more strongly, and in turn, make a greater impact in the community. It also allows our nonprofit partners a greater view into Gap Inc. and the resources we have available to create community impact.

This approach to partnership has evolved into a program that more directly builds the capabilities of our partner organizations and their leaders.



In 2009, we launched the [Gap Inc. Leadership Initiative](#) to help amplify leadership capability among our youth-serving nonprofit partners by leveraging the programs and curriculum we use for our own leaders’ development. Our Human Resources and Learning & Development employees partnered with [CompassPoint](#), a nonprofit consulting firm with expertise in capacity building, to adapt our internal tools into a holistic program that meets the needs of our nonprofit partners. Our employees deliver many components of the program and lend support as facilitators and coaches. Nonprofit leaders who participated in the first year of the initiative showed statistically significant gains in leadership capacity, including areas such as delegating responsibility and leveraging data for decision-making. [Read More](#)

“Corporations like Gap Inc. hire the best and the brightest. Sharing their brain wealth with me is as important as sharing their financial wealth with me,” says Olis Simmons, CEO of [Youth Uprising](#) in Oakland, California. “Their support allows me to be innovative and as thoughtful as I can be – money can’t buy you that.”

Another leader of one of our nonprofit partners, Sacella M. Smith, Executive Director of the [Youth Job Center of Evanston](#), adds that “Gap Foundation does so much more than simply write a check. They also provide the linkages and resources necessary for nonprofit organizations to build capacity and long-term sustainability. Gap Inc. employees have volunteered countless hours at the Youth Job Center, from providing technical expertise in strategy or operational planning to conducting job-readiness workshops or job shadowing activities for our teens. The Gap Inc. Leadership Initiative enabled the Youth Job Center to work on developing a pipeline of internal leaders, as well as help identify leadership gaps. All of these examples validate Gap Inc.’s vision of creating holistic partnerships with the organizations they support and believe in.”

Of all our company assets, none is more valuable than our 134,000 employees, who bring a vast array of skills and passions to volunteering. Our work in the community would not be possible without them.

Karen Baker, Secretary of Service and Volunteering for the State of California, says that the era when volunteering was just “a nice thing to do” is over. “The health of many of our social services depends on the involvement of the private sector in a systemic, strategic way,” she says. “Gap Inc. is helping to lead the charge, directing the many skills of its workforce toward creating social change. Volunteering has always been a positive, but now companies like Gap Inc. are poised to make a much deeper impact.”

Our employees’ volunteer efforts are as diverse as they are. And we have worked to expand their range of opportunities – and impact – by increasing our emphasis on skills-based volunteerism. While some employees are already using their professional talent to benefit nonprofits around the world, we aim to involve even more in this type of service.

Today, employees provide skills-based volunteerism that ranges from writing a competitive analysis for a women’s organization to creating a database for a workers’ rights group to providing organizational development for a family services agency. As an ongoing example, a team from our Legal department has been working with two youth nonprofits to provide the legal expertise they need to expand their services, acting similarly to an in-house counsel for these organizations.

As with other aspects of our community investment, we see many benefits to volunteering – for the community and our company. When one of our employees spends time in the community working with **youth** or **women**, he or she adds to our investment in our target causes. We see a direct connection between our employees’ volunteerism and their commitment to Gap Inc.: engaged employees deliver strong business results. In a recent employee survey, nearly all respondents said it is important for them to work for a company that invests in the community.

Alexis Terrazas-Perez, a Director of Human Resources, leveraged her skills in HR and Learning and Development to help run a leadership training for SummerSearch, one of our nonprofit partners. “This opportunity was a great way to get involved with an organization that enables young people in the community to succeed,” Alexis says. “By working with colleagues at Gap Inc. and partnering with SummerSearch, I was able to use what I do at work to help develop SummerSearch’s leadership, which in turn contributes to their support of young people. I also learned a lot from the experience. I had the opportunity to think about adapting development solutions to meet the needs of a very different audience, which has helped me think differently about how I can better support different leaders at our company.”

Helping to increase the impact of service

The impact we are seeing from skills-based volunteerism has inspired us to become part of a movement seeking to increase the effectiveness of service. We are one of five founding members of a new campaign called Reimagining Service, a multi-sector national coalition with representatives from nonprofits, government, faith-based organizations, private funders, and corporations.

Reimagining Service seeks to increase the impact of volunteerism to address our country’s most pressing social issues. The work centers around three key objectives:

- **Inspiring organizations to leverage volunteers more fully in their core operations in an effort to address the social missions of their organizations.** We promote the fundamental integration of volunteers into organizations in a strategic way, designed to make a difference in service delivery and social outcomes.

- **Supporting and disseminating research** aimed at highlighting effective volunteer engagement practices and policies and their impact on the core mission of the organization.
- **Engaging funders** in recognizing that volunteerism and civic engagement are cost effective strategies that help organizations and community groups accomplish their missions, thus meriting their financial support.

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.

Our employees also take part in a Community Leader program, an opportunity for employees around the globe to take a leadership role around volunteerism and head up their teams' involvement in the community. To date, more than 2,500 employees have taken on the Community Leader role.

"Being a Community Leader is an opportunity to bring a variety of our employees together at events and do things together as a team," said Heidi Monge, Administrative Assistant in the LA Region for Gap brand. "Because we're doing a lot of skills-based volunteering, employees use their professional skills to benefit nonprofits. You can really watch your involvement and impact over the course of time. Usually, once employees experience it, they're pretty hooked. After volunteering one time, most employees will sign up again (and again)."

Another Community Leader, Curtis Pinkerton, oversees the volunteer efforts of 97 Banana Republic stores. "I encourage our store teams to develop long-term relationships with nonprofits and leverage their skills to make a difference," Curtis said of his work to support store teams in their community efforts. "We work with national partners such as Boys and Girls Clubs of America and Dress for Success. We have tremendous talent in our employee base. If we can leverage that, we can create sustainable change in our communities."

In addition to expanding programs that support volunteering, we encourage employees to make financial contributions. We offer both one-time and payroll deduction gift matches to further the impact of our employees' donations to the community.

Current community investment goals

Leverage our assets to deepen our impact & continue to engage our employees by offering a range of programs	Estimated completion date
Create new opportunities for underserved youth and women by expanding our programs	Ongoing
Deliver at least 75 percent of grants in target causes and invest our company assets to build nonprofit capacity	2011-2012
Continue to connect our employees to our nonprofit partners so they can increase our impact beyond a cash grant	Ongoing
Provide at least 95 percent of youth-serving nonprofit partners with support beyond cash grants	2011-2012
Strive to increase the annual value of employee-driven contributions of time, money and talent to the community	Ongoing
Contribute our knowledge of volunteerism to the national service movement; begin to shift our own company volunteerism from a hands-on to a skills-based approach	Ongoing

Completed community investment goals

Change how we think about community investment and continue to engage employees	Completion date
Began expansion of our key programs that leverage our company assets to provide opportunities to underserved youth and women	2010
Developed deeper partnerships with target-aligned nonprofit partners: invested 76 percent of grants in target causes and provided support beyond cash grants to 100 percent of our partners	2010
Connected more employees to our nonprofit partners through volunteer opportunities, such as the Gap Inc. Leadership Initiative	2010
Engaged our employees in a range of employee programs that resulted in more than \$16 Million in employee driven community investment, including the value of and Gap Inc. funding match for the hours employees volunteered and the money they contributed to the community	2010
Joined and became a founding member of Reimagining Service, a multi-sector initiative seeking to increase the impact of volunteers	2009

Note:

Our goal for annual employee contributions of time, money and talent in 2010 was \$12.5 million, which was surpassed by \$3.5 million. While we strive for similar results in the future, we recognize that we may face challenges continuing to grow these results.

Preparing for work

Location: United States

Summary: Through our signature program This Way Ahead, our employees are helping youth gain the skills and confidence to prepare for adulthood — by exposing them to the real world of work.

Gap Inc. created This Way Ahead as a prime vehicle to achieve our goal of providing youth with opportunities to unleash their potential and create a successful path to adulthood. Spanning 20 months, it features four phases: career exploration; job readiness classes on topics such as diversity and conflict resolution; paid internships at Gap and Old Navy stores; and a year of follow-on support. This Way Ahead aims to help youth envision new possibilities, better understand how the choices they make about education will impact their long-term career goals, and gain the skills, inspiration and confidence they need to realize their potential.

This Way Ahead embodies our strategy of creatively utilizing our assets to deepen our impact. Our employees have played an instrumental role in this program through volunteering their time and talent to write much of the curriculum, teach classes, and mentor interns. Gap and Old Navy stores have become a window into the world of work, as participants rotate through a range of jobs. And employees are learning that they are learning something, too. Their participation is an opportunity to enhance their skills and leads to a deeper commitment to our company and the community.

We launched This Way Ahead in New York in 2006 and expanded the program to San Francisco in 2010, working in close partnership with two leading nonprofits — **The Door** in New York, and **Enterprise for High School Students** in San Francisco. To date, more than 400 young people have participated in elements of This Way Ahead.

On a typical day of This Way Ahead, teens attend classes taught by Gap Inc. employee volunteers on such topics as customer service and public speaking. The youth share their life experiences and aspirations, and work on the spot to come up with solutions to problems. Youth who become interns meet regularly with a supervisor who mentors them about their jobs and their educational and career goals.

This Way Ahead is explicitly designed not to be a free ride. Expectations are high, and only half of participants become interns. Intern selection is a competitive process, intended to create a real-world experience for youth. This Way Ahead creates opportunities for participants to discover and direct their own potential.

Creating impact

Our evaluation partner, [TCC Group](#), has assessed the program and results to date are encouraging:

Youth

- 76 percent of youth showed improvements in job attainment skills.
- Youth showed gains across all six measures of personal growth: maturity, conflict resolution, leadership, financial management, willpower, and career outlook.

Gap Inc. Employees

- More than 80 percent of volunteers said they improved their own professional skills due to involvement in This Way Ahead.
- 100 percent of volunteers said This Way Ahead made them “extremely proud” to be Gap Inc. employees.

Nonprofit Partners

- Our nonprofit partners are growing their skills and increasing their understanding of what it takes to help youth succeed in the world of work.
-

Student participants tell us they gained independence, learned to manage and prioritize their time, and realized “that I need to plan things out for my future.”

“[Working in stores] teaches you so much,” said Ackesha Shields-Miller, an intern at a Gap store in Manhattan. “On my first day I was so scared to deal with customers. I was nervous at the cash register. Now it comes to me like nothing.”

One of our employee volunteers reported: “It opens employees’ eyes about what we care about as a company.” A Gap store manager who teaches This Way Ahead sees the program as “part of my benefits package.”

“The young people who participate in This Way Ahead are trained in areas that include public speaking, how to manage conflict, and the need to think about the long-term consequences of their decisions,” says Gail Gershon, Senior Director of Employee Engagement and Service Leadership at Gap Inc. “It has been extremely gratifying to see the program participants grow and develop over time, and to see them view their own potential in new and exciting ways. Through This Way Ahead, young people learn what it takes to succeed in the workplace, but more importantly, they also learn what it takes to succeed in life.”

Creating a Plan A

Location: San Francisco, California

Summary: A dream job, a scholarship, a best-case scenario. To give youth the tools to prepare for the future and discover their full potential, we developed a new course for the San Francisco Unified School District that focuses on self-exploration, setting goals, and charting a course to success.

Today, many students enter high school with no plans for the future and may leave unprepared to embark on a successful path in adulthood. To help young people stay engaged in their education and focused on their future, we have played a primary role in developing **Plan Ahead**, an innovative course for ninth-graders that helps young people identify their strengths, explore career possibilities, and create a plan to reach their goals. **Plan Ahead** launched as a required course in San Francisco Unified School District (SFUSD) in fall 2010 and has the potential to become a model for similar programs in other parts of the country.

Gap Inc. worked for two years to develop **Plan Ahead** in partnership with the Pearson Foundation – an expert in developing curriculum – and in collaboration with SFUSD and Hirsch and Associates, an education consultant. Over the course of a semester – about 75 hours of instructional time – **Plan Ahead** leads young people through in-depth self-exploration, challenging them to think about and establish academic, personal and career goals. It also builds their skills in a range of areas that are critical to future success, such as time management, effective communication, and financial literacy.

Features and requirements of **Plan Ahead** include:

- Developing a personal definition of success
- Conducting self-assessments of such skills as goal-setting and listening
- Identifying values, personality traits and talents
- Learning financial literacy skills for the transition to adulthood
- Learning and being able to summarize high school graduation and college entrance requirements
- Discovering career interests and creating a high school plan that will enable them to achieve career aspirations

The culmination of the course is the creation of a personal plan to reach future goals, which the students present as a portfolio. In addition to writing down the steps along their path, students also prepare talking points and visual displays to share their portfolios at a fair attended by classmates and other guests.

Creating impact

TCC Group is evaluating **Plan Ahead** and has conducted an assessment of the pioneer class of students. So far, the results are encouraging:

- In the 2010 – 2011 school year, 3,700 San Francisco Unified School District students took **Plan Ahead**.
 - Of those surveyed after the first semester, 79 percent of students reported increased knowledge of the classes they need to take to graduate and get into college.
 - Students surveyed also reported an increased realization of the importance of graduating high school and setting goals to ensure success.
 - After taking the course, more students are seeking to pursue more post-secondary degrees than before.
-

One student who took **Plan Ahead** commented, “I really enjoyed learning about my skills and interests. Before I took this course, I was really worried about what I could do after school. I had a lot of jobs that I thought I wanted, but now the range has narrowed down a lot.”

“Thanks to this course, I have found out which skills I am good at and which ones I need to improve on,” another SFUSD student said, “This class helped me find out which jobs I could get with the training and education I want.”

The **Plan Ahead** program also includes teacher training and professional development. Before teaching the course, teachers participate in a two-day seminar to review course objectives, learn new teaching methodologies, and share best practices.

“The **Plan Ahead** curriculum gives ninth grade students a chance to think about what they want to do with their future,” says Joel Simpson, one of the **Plan Ahead** teachers. “My students are going into tenth grade with a clear idea about the career that they are interested in pursuing, as well as a high school plan that will help them reach their career goal. They need a goal to shoot for, and this goal turns into the reason some continue to go to high school. They seem to have a more defined purpose. I see the **Plan Ahead** course as a tool for making students excited about their future and giving them a reason to stay in school.”

Advancing careers

Location: India and Cambodia

Summary: Women play a critical role in the apparel industry and a vital role in the future of societies. When we help a woman in a developing country better her life, she's able to make positive changes in the lives of her family and in her community.

Many programs in the developing world focus on helping women gain employment. In 2006, we created the Gap Inc. P.A.C.E. (Personal Advancement & Career Enhancement) program to help female garment workers in developing countries advance beyond entry-level positions and toward their potential.

The program leverages our relationships with key vendor partners, the International Center for Research on Women (ICRW) and local non-governmental organizations (NGOs) to create an innovative factory-based education program.

P.A.C.E. currently operates in India and Cambodia, with plans for expansion to other countries. So far, more than 5,000 women have participated in elements of P.A.C.E. The first phase of the program is a life and workplace skills education program of up to eight modules of learning. The approximately 85 hours of training cover such topics as communication, problem-solving and decision-making, general and reproductive health, legal literacy, financial literacy and gender equality. In Cambodia, 24 percent of the women enrolled in the first year of P.A.C.E. could not read or write. We learned from this experience that literacy training needed to be a module that is added to the curriculum in certain locations. As a result of the program's literacy training, participants who previously did not know the Khmer alphabet can now write their names and basic words, and can read and recognize key words and sentences in factory signage.

In most settings, participating women are given paid time off for a portion of the training, but are also asked to invest their own time as well to ensure personal ownership of their learning and success. The second phase of the program, conducted by our partner factories, focuses on technical training, aligning the content with workers' learning abilities and technical potential.

Creating impact

The [International Center for Research on Women \(ICRW\)](#) evaluates the P.A.C.E. program globally. Below are highlights from ICRW's research on the program in India and Cambodia.

After completing the P.A.C.E. program in India and Cambodia:

- Women reporting that they had better workplace relationships and communications skills increased by at least 36 percent.
 - Women reporting a greater belief in self and their own abilities increased by 32 percent.
 - Women reporting that they are saving regularly and at a greater rate increased by 69 percent in India and 35 percent in Cambodia.
-

“P.A.C.E. has improved women’s sense of self worth and their ability to contribute effectively both in their homes and at work,” says Priya Nanda, Director of the Social & Economic Development Group at ICRW. “The data from our evaluations shows consistent results: Women’s self-esteem, work efficacy and ability to be a positive influence on the work environment improves through the program. This program’s evaluation is allowing us to provide the evidence that women are force multipliers – in other words, there are multiple levels of impact created by expanding opportunities for women, and the benefits accrue not only to the women themselves, but are passed on to others around them.”

“With improved workplace and communication skills, women gain the respect of their colleagues and supervisors at the factory,” says Dotti Hatcher, Executive Director of Gap Inc. P.A.C.E. Global Initiatives. “Of more importance, they gain the respect of their communities and families and build more confidence in themselves.”

The women speak to these changes in themselves. Disha, a worker in India, says: “The information given in P.A.C.E. is of tremendous use for us. It educates us on various subjects. It also helps us in solving our problems by informing us about our rights. If these kinds of programs become a regular feature, it will help us address so many of our problems. All workers should get the opportunity to learn like we did.”

Building leadership

Location: North America

Summary: Our nonprofit partners are at the heart of creating positive change for people and communities. The Gap Inc. Leadership Initiative leverages our leadership development tools to help them become even more effective at fulfilling their mission.

Focusing our investments on women and youth has enabled us to develop deep partnerships with nonprofits that are serving these communities. It is through the work of our nonprofit partners that our shared mission comes to life, and women and youth gain opportunities to advance and fulfill their potential.

We recognize the opportunity to help our nonprofit partners develop their organizations and build capacity, as stronger organizations lead to greater impact in the community. To identify the needs of our partners and how we could best support them, we conducted a third-party assessment. Through this evaluation, our partners told us that by focusing on development in the areas of leadership and management, they could become even more effective at fulfilling their mission.

With this insight, we developed the Gap Inc. Leadership Initiative (GILI), which adapts the leadership programs and training originally designed for Gap Inc. executives to help nonprofit leaders explore new ideas, learn new frameworks for strategy and talent development, and leverage their peers as thought partners. We focus this leadership initiative on our youth-serving nonprofit partners in North America, benefitting more than 50 leaders across 25 organizations.

GILI features two phases. The first is a two-day summit that introduces nonprofit leaders to the core program curriculum for the year through a range of speakers, workshops, and activities. At the summits in 2009 and 2010, participants dove into topics such as how to execute on a strategy, manage organizational change, develop leader self-awareness and foster a culture of organizational learning. At the fall 2010 summit, leaders also explored how they can reconnect with their own personal passion and manage their energy effectively to operate at their best.

After the summit, the key areas of learning and further development are reinforced through program activities throughout the year. Peer coaching groups – cohorts of approximately five nonprofit leaders – meet regularly to share ideas and help one another work through challenges. Leaders are given the opportunity to take part in an in-depth assessment of their own performance and use these findings to write individual development plans. Participating leaders are also offered a specialized course for those who manage others and they can apply for capacity building grants that support key areas of organizational growth.

To design GILI, employee volunteers from our Human Resources team worked with CompassPoint, a nonprofit consulting firm, to tailor Gap Inc. leadership tools and training to be relevant for a nonprofit audience. Our employee volunteers also play a key role in the program's delivery. They serve as facilitators for peer coaching groups and each nonprofit leader works with a seasoned Gap Inc. coach to create their individual development goals. The program evaluation shows that it's not just nonprofit leaders that are benefitting from this engagement with Gap Inc. employee volunteers – the employees themselves are honing skills and developing their own leadership abilities.

Creating impact

TCC Group has helped us assess the development needs of our nonprofit partners and the program impact:

Nonprofit Leaders

- 100 percent of leaders evaluated stated that they gained new ideas, concepts, and strategies from the Gap Inc. Leadership Initiative (GILI) summit that they can apply on the job.
- After the first year of the program, more than 55 percent of our participating nonprofit leaders made significant improvements in managing finances, empowering staff, and delegating leadership roles.

Gap Inc. Employees

- In 2010, Gap Inc. employees volunteered 953 hours to the design, development, and delivery of GILI.
 - 100 percent of employees who coached leaders said they take what they are learning from their GILI experience and apply it to their jobs at Gap Inc.
-

Nonprofit leaders who have participated in GILI articulate a range of benefits, from pragmatic insights about executing on a strategy and cultivation of their leadership abilities to the forming of new relationships that they can lean on for future support.

“At the last summit meeting in October, we spent a good amount of time focused on sustaining nonprofit leaders in this work, which is a really important conversation as burnout is a big issue for nonprofits,” says Rob Connolly, President of Boys and Girls Clubs of San Francisco. “And for the last few years, I have been a part of a small group of nonprofit executives from the Bay Area led by a ‘peer coach,’ Chris Baer from Human Resources at Banana Republic. As I grapple with the many changes that are occurring in the world around me and try to get our organization to function at a higher and higher level, this is a terrific gift to me.”

Our employees are also voicing the benefits of participating in the program, as they are exposed to experienced nonprofit leaders and play a key role in the program design and delivery. “To meet the leaders of these nonprofits and hear their stories has been life-altering,” says Heather Gille, Director of College Recruiting and Strategic Staffing. “When you hear about the struggles and passion that goes into their work, it really affects you. Working on GILI also meant that I got to work alongside other Gap Inc. volunteers and the Gap Foundation team, and I learned from their communication and leadership styles. I also benefited from the experience of the hands-on trials and tribulations of helping to launch a program. I’ve learned to step back and look at things through the lens of the learner more effectively than I did before.”

Rob Ollander-Krane, another volunteer who played a significant role in designing our recent summit, says that GILI gave him new energy to bring back to his work as a Senior Director of Field Human Resources at Gap brand. “I greatly value helping these leaders explore ideas and build on their success,” he says. “Knowing that I can share what I’ve learned with the nonprofit community is exciting to me.”

GILI enables nonprofit leaders and their organizations to grow and advance while also strengthening our internal leaders’ capabilities and passion for using their skills to create change. Ultimately, it’s a collaborative effort – we are united in our goal to maximize the benefit that we can collectively offer to the communities we aim to serve.

Creating change locally

Location: North America

Summary: Our store employees have embraced a program that seeks to capitalize on their talents, skills and passions to deepen our community impact. Along the way, they have demonstrated the power and potential of teams to make a difference.

In 2006, we launched our Field Team Grant program as a way to support our store employees in sharing their skills and abilities with the community. For every 25 hours that a group of at least three employees spends volunteering with a community organization focused on underserved **youth** or **women**, Gap Inc. provides that organization with a \$250 grant. Since the program's launch in 2006, \$1.3 million has been contributed to local communities through Field Team Grants.

Our Field Team Grant program demonstrates how our strategy to leverage our unique assets as a company can deepen our impact in the community. When our employees volunteer with organizations focused on underserved **youth** and **women**, they are building on our targeted investment and contributing more than what funding alone could accomplish.

Creating impact

- More than 15,000 employees from Gap, Old Navy, and Banana Republic, Gap Outlet, and Banana Republic Factory Store brands have participated in Field Team Grant since the program's inception in 2006.
- Since 2006, 5,103 grants — equating to \$1.3 Million in donations — have been given to local communities.
- Employees have volunteered over 125,000 hours through the program.

By volunteering, our employees have not just brought over a million dollars of funding to nonprofit organizations — they have provided benefits that are hard to calculate. In many cases, employees return more than once to work with a particular nonprofit and have contributed more than the 25 hours needed for a grant. Their efforts encompass a wide range of activities, from building a playground to conducting one-on-one training with teenagers on resume-writing skills. They have worked with a variety of organizations, including Dress for Success, Boys and Girls Clubs of America, the Muscular Dystrophy Association, and Little League.

Gap stores in our Chicago region offer one case study of the potential for Field Team Grants to make an impact. Employees from at least 35 stores have been volunteering for several years with **Chicago Youth Programs**, an innovative nonprofit that offers comprehensive services to children from preschool all the way through college. Every year, our employees run an event called Caring Closet, for which they collect gently used or new clothes and set up a “shopping” experience for youth and their families to coincide with the back-to-school season. Enlisting the help of youth in the program, they turn the event into an opportunity to teach valuable retail and organizational skills. In 2010 alone, Gap employees in Chicago spent 1,200 hours volunteering with Chicago Youth Programs, generating \$12,000 in grants for the organization.

In the future, they intend to spend even more of their time on skills-based volunteering, tutoring youth in the program or providing guidance in such areas as resume-writing and job interview preparation. This shift is in keeping with the evolution of Field Team Grants, which we are planning to further align with our overall strategy by encouraging teams to spend their time on skills-based volunteer activities and deepen their relationships with nonprofit partners. Ultimately, we believe that the most important feature of Field Team Grants is the time and talent provided by our employees, who bring their dedication and passion to getting personally involved in making a difference.

Experiencing real jobs

Location: North America

Summary: Every summer, young people arrive at Old Navy stores around the country for a chance at a real-world work experience. Camp Old Navy is fun and a relevant learning experience that illustrates how we can use our unique assets to prepare young people for adulthood.

Each year, hundreds of Old Navy stores from California to New Jersey become the setting for one of our most popular programs: Camp Old Navy.

Now entering its eleventh year, the program involved 729 Old Navy stores in 2010, representing the majority of the brand's locations in North America. The event gives youth the chance to go behind the scenes and see what it takes to operate a business. They spend hours rotating through different jobs and tasks, gaining hands-on experience setting up visual displays, price-tagging garments, processing shipments, and greeting customers. Our employees expand on this experience by spending time with participants, talking about their jobs, answering questions, and showing by example what it takes to launch a career. Camp Old Navy is also a way for youth to add real-world experience to their resumes.

More than just fun: an introduction to the world of work

More than 7,000 young people, ages 12-18, participated in Camp Old Navy in 2010. Their response has been so enthusiastic that in coming years, stores are planning to design special elements – such as interview coaching and tutorials in how to fill out online job applications – for older teens eager to develop more specific job readiness skills relevant to any career that they may pursue in the future.

Some stores already customize the experience for different groups of youth. At one Old Navy store at Garden State Plaza in New Jersey, logistics supervisor and Camp Old Navy Counselor Anne Marie Trinkleback set up the event so that youth received “Job Shadow” badges.

Creating impact

- In 2010, 729 Old Navy stores and nearly 4,000 employees participated in Camp Old Navy.
- Since the program inception, approximately 50,000 youth have experienced the world of work through the program.

Camp Old Navy also benefits our employee volunteers and, in turn, our company. For instance, at some stores, employees who typically don't get the chance to act as managers are given responsibility for a portion of the event, thereby gaining valuable professional experience. And participating in Camp Old Navy enhances team-building among store employees, as well as engagement with Gap Inc. and in the community.

“It's an honor to be able to support our underserved youth. It's Old Navy, it's our people and it's our way of life,” said Rita Collins, store manager at an Old Navy in Charlotte, North Carolina.

“This annual program is one our Club teens look forward to every year,” said Beth Fenger, of Boys & Girls Clubs of America (BGCA). “It helps to reinforce what young people learn in CareerLaunch, BGCA's job readiness program that has been sponsored by Gap Foundation for over ten years.”

Rewarding hard work

Location: New Orleans, Guatemala, (and other locations)

Summary: Each year, we recognize exceptional Gap Inc. volunteers with a trip to build a Habitat for Humanity home. What they bring back: stories of teamwork, a changed perspective, and more than a few doses of inspiration.

When it comes to our community investment strategy, volunteers are our most important company asset. In 2010 alone, Gap Inc. employees volunteered 428,000 hours. One way we recognize exemplary volunteers is through our Community Corps program. Since 2000, two teams of 25 employees have been selected each year to participate in the program – a volunteering trip to one of two locations to build a Habitat for Humanity home.

In September and October of 2010, Community Corps participants travelled to New Orleans and Guatemala. As the volunteers came together and exchanged stories during a welcome dinner, the volunteer experiences they shared formed a picture of some of the inspired work they had done in their communities. One employee described how she started a walk for autism awareness and research after both of her children were found to have autism spectrum disorders. Another spoke of serving each week on a suicide prevention hotline, while someone else described participating in a Habitat build in Uzbekistan. A volunteer with the homeless shared that her own brother has experienced homelessness. These employees from across the globe discovered their common bond – a passion and drive to create change in their communities.

Creating impact

- More than 500 Gap Inc. employees have gone on Community Corps trips since the program's launch in 2000.
- More than 30 houses have been built through the program.

A unique and unforgettable experience

Participants often describe the Community Corps trip as life-changing. The builds are physically demanding, requiring a high level of teamwork as they lay foundations, put up roofs and raise walls – but they're especially rewarding, because participants can see the fruits of their labors in real time, and even witness the impact on the family who will live in the house they are building together.

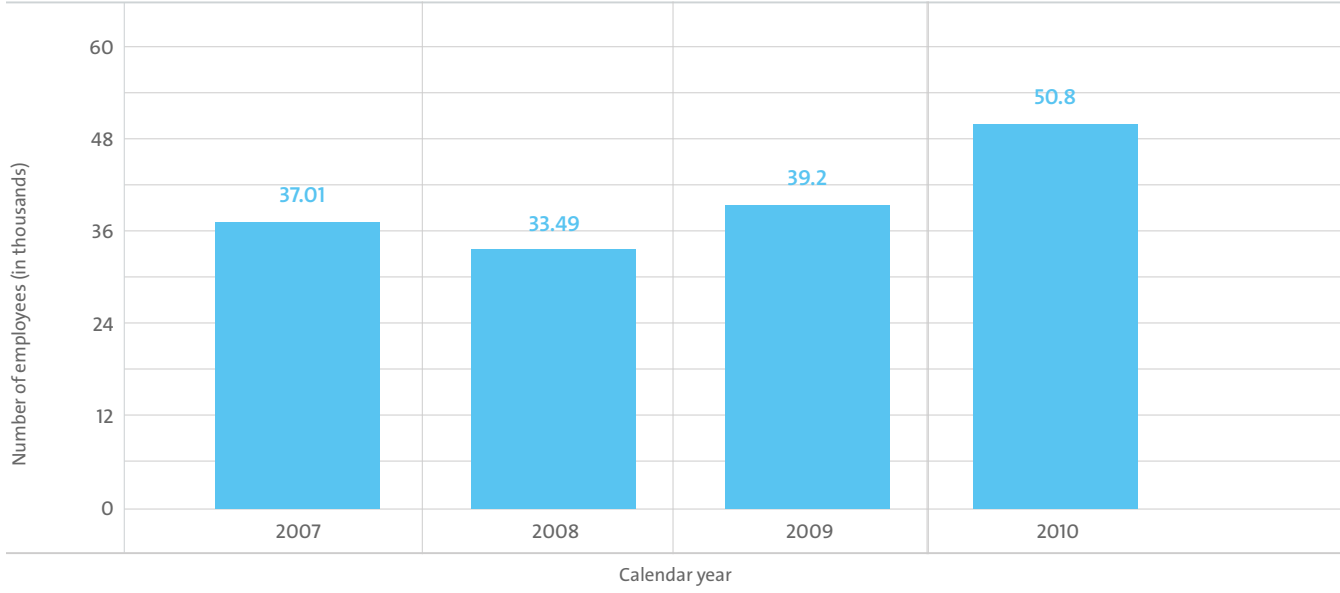
"I'll be honest, I cried a little on my way to the airport. This experience has been, hands-down, the best of my life," says Dee Ann Hairgrove, copywriter, BananaRepublic.com. "I am already making plans to do it again."

Participant experiences – as well as their photos and videos – resonate with many other employees at Gap Inc. While Community Corps was established to recognize volunteers, it also serves another purpose: inspiring others to get involved in their communities.

Goals and Progress

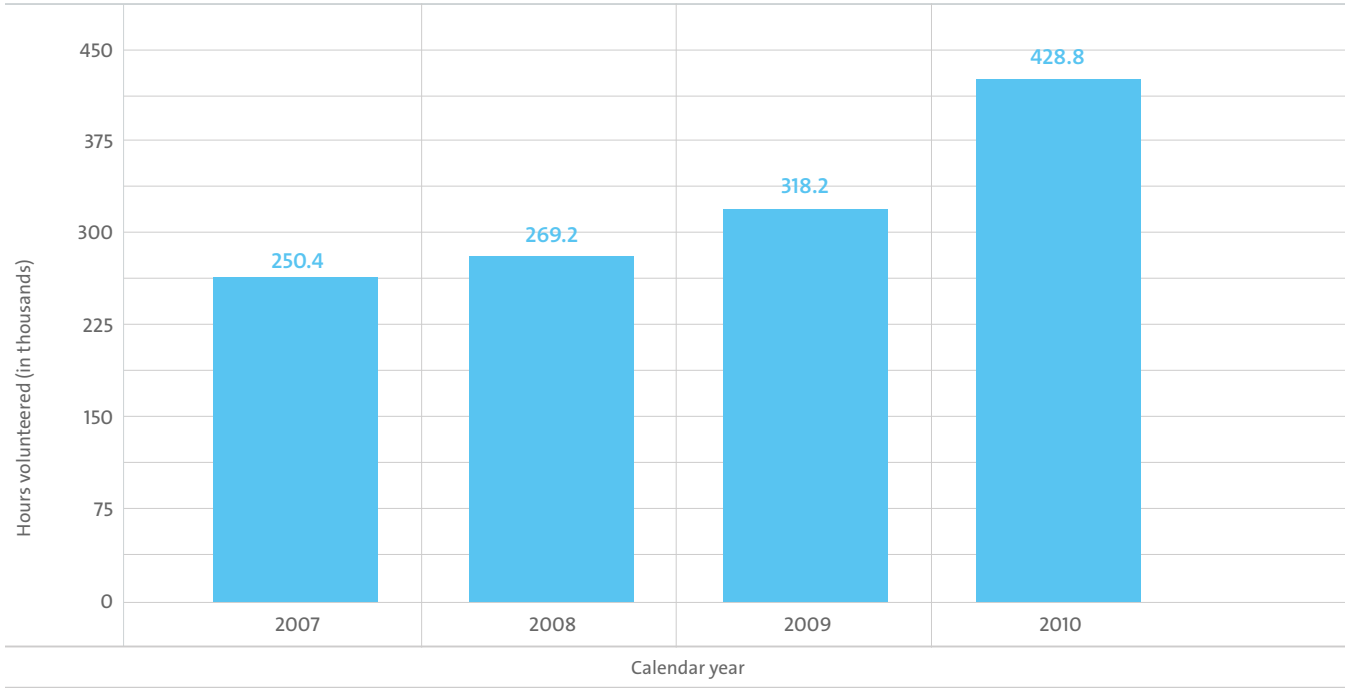
Community Investment Data

2007-2010 Volunteerism: Employee participation



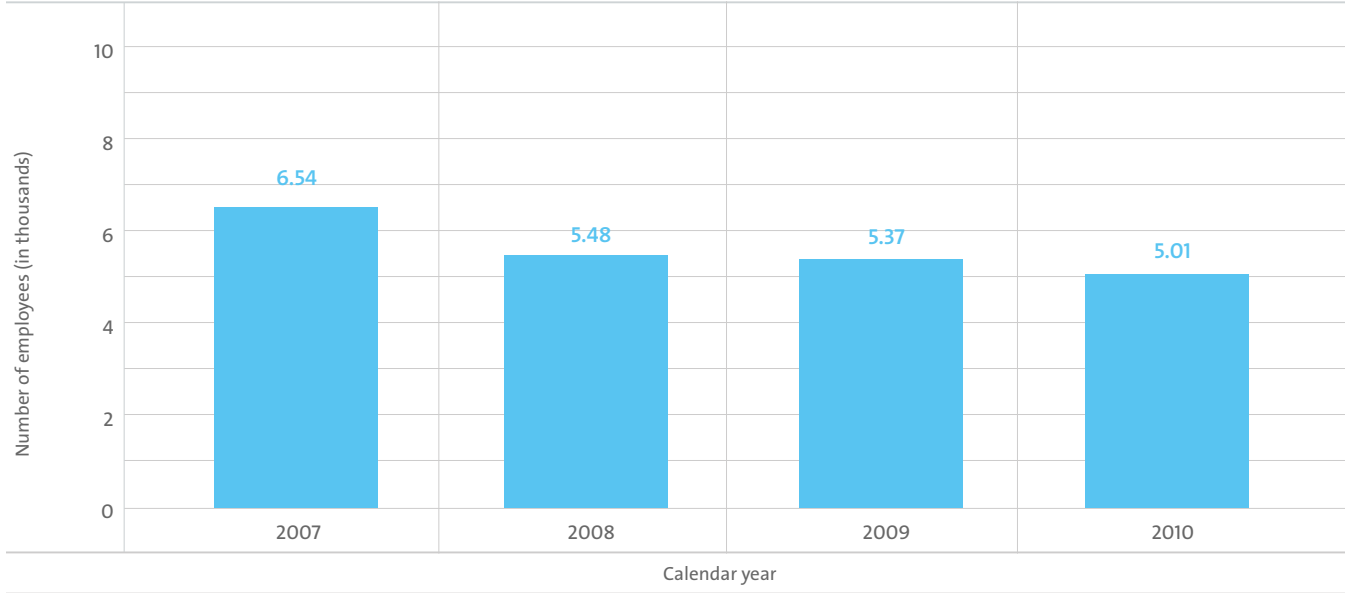
Note:
This data is based on a calendar year.

2007-2010 Volunteerism: Total employee contribution



Note:
This data is based on a calendar year.

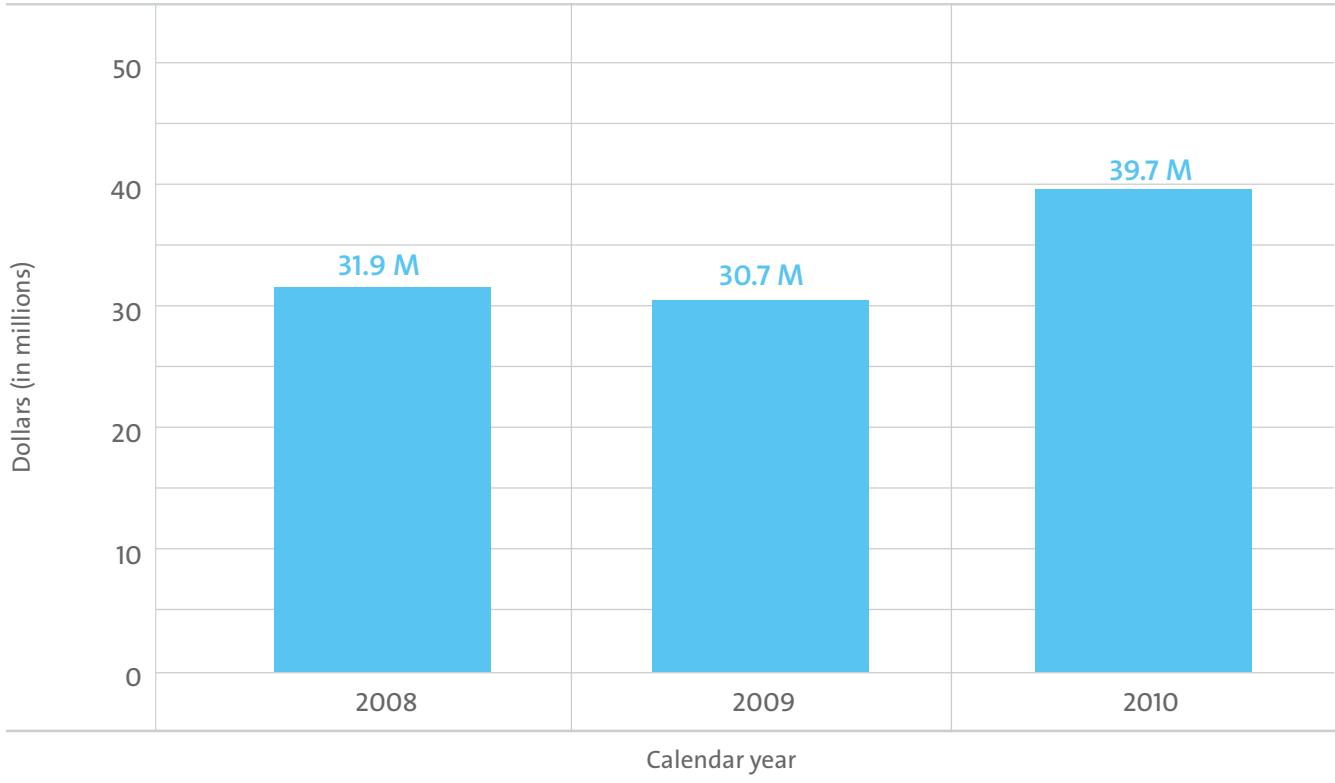
2007-2010 Financial donations: Employee participation



Note:
This data is based on a calendar year

COMMUNITY INVESTMENT | Data | 2008-2010 Financial donations and volunteerism:
Total employee contribution

2008-2010 Financial donations and volunteerism: Total employee contribution



Note:
This data is based on calendar year. Data represents the total value of the money and the volunteer time that Gap Inc. and its employees invested in the community.

Make a
difference
Full Section

Behind the label of any product is a deeper story about its social and environmental implications. Were the workers who made the product treated fairly? Were environmental considerations weighed during its design, manufacture and transport? What is a brand's commitment to creating positive change?

Finding the information to help answer these questions can be difficult. Clothes travel a long way from cotton farm to point of retail, requiring the work of diverse people at every step. For decades, we've been paying increasing attention to the processes that make up our supply chain, and even to the lifecycle of a given garment.

Gap Inc. owns five brands – Gap, Old Navy, Banana Republic, Piperlime, and Athleta. All Gap Inc. branded product is held to the same strict social and environmental standards outlined in our Code of Vendor Conduct. This report covers the work we're doing across the brands and as a company: supply chain, environment, employees and community investment. These efforts range from protecting workers' rights to freely associate in factories thousands of miles from our San Francisco headquarters, to our diversity policies for employees and our efforts to increase opportunities for people in communities around the world.

Below, we offer examples of brand-level initiatives that further our work to create positive change and complement the company-wide policies and initiatives detailed elsewhere in this report.

Gap

In partnership with Cotton Inc., Gap brand encouraged customers across North America to turn in their old jeans in exchange for 30 percent off a new pair of our 1969 Premium jeans. In 2010, Gap's "Recycle Your Blues" campaign collected more than 360,000 units of denim, which was used to create fiber insulation for nearly 700 homes. The donated denim was given "new life" by being converted into UltraTouch™ housing insulation, in partnership with Cotton Inc.'s COTTON. FROM BLUE TO GREEN.® program. The cotton fiber insulation was donated to Habitat for Humanity affiliates in communities that had been affected by natural disasters, such as the rebuilding effort after Hurricane Katrina. More than 1,000 Gap stores (including GapKids and babyGap) in North America participated.

Old Navy

Old Navy has forged a partnership with the Boys and Girls Club of America and Canada to create Camp Old Navy. This program brings teens into stores for a half-day job shadow experience that helps them develop job readiness skills and explore career opportunities. Teens learn about careers in apparel retail through a behind-the-scenes look at how Old Navy operates, and experience hands-on training in retail management, sales and merchandising. In 2010, over 700 Old Navy stores participated in Camp Old Navy, and more than 7,000 youth have experienced the world of work through the program.

Banana Republic

At Banana Republic, the team has made a concerted effort to look at packaging supplies, including boxes and shopping bags, which are made with a percentage of recycled material. Efforts are being made to increase these percentages wherever possible. Some examples include Banana Republic shopping bags, which contain 15 percent recycled material and are recyclable; shoe boxes, which contain 90% recycled material and are recyclable; and gift cards that contain 88% recycled content (half a million of which have been recycled since May 2009).

Athleta

In keeping with the ethos of the brand, Athleta is active in a range of healthy lifestyle initiatives and projects. For example, employees support “Girls on the Run” – a nonprofit focused on helping preteen girls develop self-respect and healthy living lifestyles through running – by acting as running coaches and mentors to young girls in the program. Athleta also sponsors the annual Petaluma Footrace, which donates proceeds to The Enrich and Educate (E²) Fund to improve the quality of the educational environment for all students in the Old Adobe Union School District in Sonoma County, California. Athleta employees volunteer their time to organize the event and manage the race on race day.

Piperlime

Piperlime has worked with Soles4Souls (S4S), an organization that facilitates donations of shoes, for the past three years. The donations are used to aid people who are affected by natural disasters worldwide. Piperlime and S4S have partnered together on many successful initiatives. Every fall, for example, Piperlime hosts a back-to-school shoe drive making it easy for parents to donate their families’ gently worn shoes to S4S as they buy new ones, which has led to the collection of over 5,000 pairs of shoes to S4S. And in January 2010, Piperlime supported S4S in their efforts to provide relief to the many people devastated by the earthquake in Haiti, including the donation of 3,500 pairs of new shoes.

You may know these names as brands and stores; we know them as a source of talent and dedication that will drive our success as a company and our work to create positive change. We look forward to providing updates on brand-level initiatives, which continue to complement our company-wide policies and initiatives.

Appendix

ABOUT THIS REPORT

What you'll find in our new Social and Environmental Responsibility Report

We believe in communicating openly about our work in social and environmental responsibility. This site covers our efforts company-wide, both in the U.S. and around the world, at all of our brands: Gap, Old Navy, Banana Republic, Piperlime and Athleta. To make it easy to navigate, we've organized information about the four main areas of our program under the goals and progress section of the site: Supply Chain, Employees, Environment and Community Investment. Data on the site relates to Gap Inc.'s fiscal years 2009 and 2010, which ran from February 1, 2009 until January 31, 2010, unless otherwise noted.

Why we are online

We wanted to protect natural resources. Not printing a report saves trees — and is more aligned with our environmental strategy. What's more, moving online helps us:

- Reach more people, including employees and customers.
- Share a more detailed picture of our work throughout the world.
- Update information more often.

When you go to our site, you'll be able to build your own customized report and turn it into a PDF. We're trying to make it as easy as possible to access what interests you most. We have also archived past reports as PDFs to provide documentation of how our commitments and program have evolved over time. As we update the site, we will create new PDFs every two years (to match our reporting cycle).

Our last report was published in 2009, covering data from fiscal years 2007 and 2008, and we are committed to updating the data on our website at least every two years. We will make more frequent updates to other parts of the site as new information becomes available. We also aim to continue to communicate with our stakeholders on an ongoing basis through formal sessions, informal outreach, dialogue and partnerships.

Public Reporting Working Group

We could not have produced this web site without the help of our stakeholders. The Public Reporting Working Group — comprised of experts on social and environmental issues from a number of non-governmental organizations and socially responsible investment firms — has been instrumental in producing this report, providing feedback on stories, insights into our overall message, and perspective on our data, progress, and areas where we still need to do more work. Focused on helping us achieve greater transparency and sustainability, this group has been collaborating with us since late 2002.

The members of the Public Reporting Working Group are:

- Adam Kanzer — Managing Director and General Counsel — [Domini Social Investments](#)
- Mike Lombardo — Senior Sustainability Analyst and Manager, Calvert Social Index — [Calvert Investment Management, Inc.](#)
- Conrad MacKerron — Senior Program Director — [As You Sow](#)
- Ruth Rosenbaum — Executive Director — [Center for Reflection, Education and Action](#)
- David Schilling — Director of Human Rights and Resources Programs — [Interfaith Center on Corporate Responsibility](#)

ABOUT THIS REPORT

Included in the release of every Gap Inc. Social and Environmental Responsibility report is a statement drafted by the Public Reporting Working Group, offering their overall analysis of the work we do. To read their statement on this report, [please click here](#).

Additional Reporting

We provide regular, separate reports on our progress to the Ethical Trading Initiative (ETI), Social Accountability International (SAI) and the United Nations Global Compact (UNGC) as a condition of our membership. We're grateful for the insights and support of our stakeholders and value how much they've helped us improve both our work in social and environmental responsibility and our public reporting.

A collaboration of both individuals and organizations, the Global Reporting Initiative (GRI) has played a crucial role in establishing a common framework for social, environmental and economic reporting. In 2005 and 2006, Gap Inc. joined a GRI working group to tailor this framework to the apparel industry, creating an Apparel and Footwear Sector Supplement. The working group of about 20 members represented a geographically diverse mix of major brands, leading manufacturers, civil society organizations, trade unions, environmental experts and investors. The GRI's G3.1 guidelines and the pilot GRI Apparel and Footwear Sector Supplement helped guide us throughout the development of this report. Although it is not in full accordance with either framework, the PDF report provides an index of GRI indicators and the sections of the site to which they apply.

The UNGC seeks to promote responsible corporate citizenship so that business can be part of the solution to the challenges of globalization. Since signing onto the UNGC in 2003, we've been working to advance its 10 universal principles in the areas of human rights, labor, the environment and anti-corruption. We've included the UNGC principles alongside related GRI indicators on this site.

We welcome your feedback as we continue to evolve our social responsibility efforts. Send us an e-mail at social_responsibility@gap.com and let us know what you think.

PUBLIC REPORTING WORKING GROUP STATEMENT (2009-2010 REPORT)

In 2002, when we began working with Gap on its public reporting, the company was a pioneer – the first apparel company to publicly report on working conditions in its supply chain in a meaningful and credible manner. Today, largely as a result of pioneering efforts such as Gap’s first report in 2004, the bar is higher but Gap remains a leader, especially in efforts expended on supply chain compliance and detailed disclosure on individual supplier performance.

How we understand and use these reports can have wide spread ramifications. First, it is important to see the report as the culmination of a process. It is not merely the assembly of information and ideas. It is the exploration of what the data tells us and how its use will inform the work for the future. What needs to be adapted, changed, modified; what new challenges exist and how will they be addressed? Who else needs to be brought into the work and in what way? These are just some of the on-going questions raised by a report such as this one.

In this report, we are pleased that Gap continues to improve and refine the methodology for evaluating all supplier facilities to the point that performance can be compared year over year. The quality of its reporting in this area continues to exceed other public reports we are aware of in the apparel sector. We also salute its leadership in requiring all of its facilities with denim laundries to come into compliance with wastewater quality guidelines to protect local communities from toxic chemicals and dyes in the denim finishing process.

A good report should be the culmination of many such questions within the company, but it should also prompt the reader to ask just as many questions. One central question is why more than 45% of supplier facilities are still rated as having less than a “good” level of compliance. Another question is why after more than a decade of concern about adequate worker compensation, no major retailer has supported a sustainable living wage in its global supply chain.

A good report cannot possibly provide all of the answers – it is only an assessment of the period of time from which the data and information was assembled, with a set of ideas for the future. A good sustainability report points to a work in progress – the process of a company coming to grips with the key corporate responsibility challenges of its time, seeking to find balance between its business objectives and its impact on the world. Such a journey is never over and an honest progress report along the way should always raise more questions than it answers.

During the course of the production of this year’s report, we received drafts and submitted comments. It is not our role to review data or audit results. Rather, we serve as an unofficial sounding board for the company, letting them know when we think they’re on the right track, and prodding them when we feel they could go further. We continue to work with Gap because we believe that they are willing to face tough, persistent issues, and to make long term commitments to try to find answers. We hope that our input has helped to inform Gap’s ongoing sustainability work.

Today, we also recognize that there are new requirements in the field of reporting. For example, the California Transparency in Supply Chains Act of 2010 requires that any retailer and manufacturer doing business in California with gross worldwide receipts that exceed \$100 million must disclose its efforts to eradicate slavery and human trafficking from its direct supply chain. Companies who have not done comprehensive supply chain reports will need to learn from those companies that have done a credible job of reporting on the risks, challenges and impacts on workers of workplace practices in supplier factories.

As reporting continues to develop in scope and quality, in focusing on outcomes and impacts, the various requirements of reporting will continue to change. We hope Gap and its peers will continue to place a steadily higher priority on bringing about positive change in the environment, in communities, in workplaces and in the lives of the women and men who produce, transport and market their products and services.

PUBLIC REPORTING WORKING GROUP STATEMENT (2009-2010 REPORT)

Adam Kanzer, Managing Director and General Counsel, Domini Social Investments

Mike Lombardo, Senior Sustainability Analyst and Manager, Calvert Social Index, Calvert Investment Management, Inc.

Conrad MacKerron, Senior Program Director, As You Sow

Ruth Rosenbaum, Executive Director, Center for Reflection, Education and Action

David Schilling, Director of Human Rights and Resources Programs, Interfaith Center on Corporate Responsibility

RECOGNITION

2010

Gap Inc. was recognized by Ethisphere Magazine, for the fourth straight year, as one of the World's Most Ethical Companies in recognition of our commitment to ethical leadership and corporate social responsibility.

Gap Inc.'s P.A.C.E. program was awarded the 2010 award for "Most Strategic Philanthropy Program" by Financial Times – Justmeans.

Forbes.com ranked Gap Inc.'s corporate governance scores among the 20 most responsible companies in the U.S.

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.

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.

For the fifth straight year, Gap Inc. made Corporate Responsibility Magazine's "100 Best Corporate Citizens" list. The company ranked first among its retail peers in 2010. The assessment included categories such as climate change, human rights and philanthropy.

2009-2010: Gap Inc. ranked 7th among specialty retailers in Fortune Magazine's list of World's Most Admired Companies.

2009

Gap Inc. was recognized by Maclean's Magazine as one of the Top 50 Most Socially Responsible Corporations based on an analysis by Jantzi Research Company.

For the fourth year in a row, Gap Inc. has been distinguished as one of the 100 Best Corporate Citizens by CRO Magazine, and for the first time was ranked #1 amongst its retail peers.

For the third year in a row, Gap Inc. was chosen by Ethisphere Magazine as one of the World's Most Ethical Companies in recognition of the company's commitment to ethical leadership and corporate social responsibility.

Gap Inc. achieved 100 percent in the Human Rights Campaign's Corporate Equality Index for the past four years, and is ranked as one of the Best Places to Work for LGBT Equality.

Marka Hansen (President, Gap North America), Eva Sage-Gavin (Executive Vice President, Human Resources, Communications and Global Responsibility), Bobbi Silten (Chief Foundation Officer, Gap Inc.) and Michelle Banks (Senior Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer, Gap Inc.) were all featured on the San Francisco Business Times' list of Most Influential Women in the Bay Area.

2008-2009: Gap Inc. ranked 7th among specialty retailers in Fortune Magazine's list of America's Most Admired Companies.

RECOGNITION

2008

Gap Inc. was recognized by the San Francisco Business Times as one of the Top Corporate Philanthropists in the Greater Bay Area (for the fourth year in a row).

Gap Inc. ranked #59 in Fortune's annual Most Desirable MBA Employers survey.

Gap Inc. Direct (GID) was recognized for its efforts to improve Web accessibility for individuals with disabilities at the 2008 Annual California Digital Inclusion Celebration.

Gap Inc. was chosen as one of the top 10 Most Ideal Employers for Undergraduates interested in the fashion, apparel and retail sector for the second year in a row.

Gap Inc. has been ranked among the top three Bay Area companies on climate change for the past two years.

2007

Gap Inc. was named as one of the top 30 companies for executive women by the National Association for Female Executives (NAFE) for the third year in a row.

Gap Inc. received the fifth annual Professional Business Women of California (PBWC) Pacesetter Award for supporting the advancement of women in the workplace.

Gap Inc. was commended at the Sixth Annual Business Excellence Awards gala held by the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria in the category of Core Competency for its efforts in the business fight against AIDS through (PRODUCT) RED.

Gap Inc. received the Secretary of Labor's New Freedom Initiative Award for its support of Founders' Award winner Tina Petallides-Markou and her work with Abilities Inc.

2006/2007

Gap Inc. was a top-rated company among 37 UK retailers evaluated for the Labour Behind the Label's 2006 and 2007 reports.

The Ethisphere Council gives Gap Inc.'s Code of Business Conduct an 'A' grade – the only retail company to receive this grade. The Ethisphere Council is an exclusive group of leaders and practitioners who are raising the visibility of ethics and compliance and improving upon current methodologies.

Gap Inc. received an honorable mention for the Corporate Community Involvement Award, established in 1992 by The Volunteer Center. It is awarded to a Bay Area business that operates an outstanding employee involvement program.

Gap Inc. is listed on the following social investment indices: Calvert Social Index; FTSE KLD 400 Social Index (formerly Domini 400 Social Index); Dow Jones Sustainability Index; FTSE4Good Index.