

2007 SOCIAL RESPONSIBILITY UPDATE

January 23, 2009

Gap Inc. communicates progress to its various stakeholders through our website (www.gapinc.com), biennial Social Responsibility Reports, formal stakeholder sessions and ongoing stakeholder outreach, dialogue and partnerships.

This update builds on the strengths of the company's 2005-2006 Social Responsibility Report, and includes the most recent results of the company's efforts to improve factory working conditions, reduce our impact on the environment, support our employees and invest in our communities:

Supply Chain: Through our comprehensive factory-monitoring and labor-standards program, we strive to make garment factories better places to work. In 2007, we continued our outreach and collaboration with stakeholders globally on a variety of projects and initiatives to improve the lives of factory workers. Our monitoring team continues to help facilitate the sustainable, long-term capacity of our supplier partners. Some examples of our liaison work with vendors and factories in 2007 include freedom-of-association awareness in key markets, a water-quality program in laundries, our continued roll-out of environmental management systems training and our vendor ownership program, which helps our supplier partners in creating in-house compliance capacity and systems. These are examples of our continued work and commitment to help improve the factories and lives of those who produce our products.

- Gap Inc. has more than 80 full-time employees around the world who are dedicated to improving the lives of factory workers, and the conditions in which they work.
- In 2007, our Vendor Compliance Officers conducted approximately 4,000 inspections in more than 2,000 garment factories around the world.
- We continue to require that garment factories and subcontractors pass through our approval process before we place any production orders with them.
- We revoked our approval of 28 garment factories for compliance violations in 2007. This compares to 23 factory terminations in 2006.
- In addition, Gap Inc. is working in partnership with a coalition of organizations including As You Sow Foundation, the International Labor Organization (ILO) and International Labor Rights Forum (ILRF) to address the issue of child labor in Uzbekistan. We have taken measures to exclude Uzbek cotton from our merchandise and have notified our vendors that Uzbek cotton is prohibited in the production of our merchandise.

Environment: As we reported in our 2005-2006 Social Responsibility Report, we focus our efforts on the three major areas where we believe we have the greatest opportunity to affect change: Energy conservation, Cotton/sustainable design, and Output/waste reduction (ECO).

- **Energy Conservation.** We believe we have a responsibility to use energy wisely and efficiently. By working to reduce energy use in our stores, distribution centers and headquarters buildings, we can help reduce greenhouse gas emissions, a primary contributor to global climate change. Not only does increasing our energy efficiency reduce our environmental impact, but it's also good for our business.
 - Last year, we unveiled a one megawatt solar array at our distribution center in Fresno, California. The system is expected to generate approximately 1.9 million kilowatt-hours (kWh) annually – equivalent to the electricity required to power approximately 350 homes.
 - Over the past three years, Gap Inc. has replaced more than 16,000 light fixtures and implemented automated controls in our owned and operated distribution centers in North America. These efforts have resulted in a more than 50 percent reduction in energy consumption for lighting, while maintaining or improving lighting levels in the facilities.
 - Gap Inc. is also a participant in the U.S. Environmental Protection Agency's Climate Leaders program and has committed to reducing store energy consumption by 11 percent between 2003 and 2008. By the end of 2007, we reduced consumption by 12.7%.
 - The Old Navy brand "re-lamped" a majority of its stores with new Philips Energy Advantage Long Life bulbs. We expect to complete this process in early 2008.

- With more than 1,060 stores in North America, Old Navy's re-lamping work will make a significant impact in a number of ways.
 - Through energy savings alone, the new lights will pay for themselves in about two years and cut energy costs by 10 percent.
- **Cotton/sustainable design.**
 - Gap Inc. is a founding member of the Better Cotton Initiative, a multi-stakeholder effort to promote environmentally, socially and economically sustainable cotton cultivation practices globally. We are in the implementation phase, working on the ground in two regions.
 - All of our brands continue to include more sustainable fiber choices across their collections, including but not limited to the use of soy, bamboo, organic cotton and organic linen. For example, over the past few years our Gap, Old Navy and Banana Republic brands have offered customers several products made from 100% organic cotton. And in 2007 babyGap offered organic collections and sustainable products from toys to clothing and bedding.
- **Output/waste reduction.** We are committed to minimizing the amount of resources we use and reducing the amount of waste we produce through our daily business operations.
 - Promote Alternative Transportation. Gap Inc. has partnered with Zipcar, North America's largest car sharing provider, to offer free membership and discounts to Gap Inc. employees. Additionally, Gap Inc. has partnered with the San Francisco International Airport to promote the use of "green" rental cars, and encourage rental car agencies to increase their fleet of hybrid automobiles. This program is the first of its kind in the nation.
 - Composting. Our employees at headquarters, distribution centers and stores helped decrease waste by recycling approximately 498.6 tons of paper and 29.5 tons of beverage containers in 2007. Every year, we divert more than 50 tons of waste from landfills by composting waste in our Bay Area cafes, transforming the waste into nutrient-rich topsoil.
 - Recycling. In 2007, our Distribution Centers recycled more than 3.3 tons of waste.

Community Investment: With a particular focus on women in the developing world and underserved youth in the developed world, we're committed to supporting the communities where we live and work through grants, in-kind donations, community outreach and employee volunteer programs.

- **Youth in the developed world.** In 2007, we developed a signature program that exemplifies our efforts to truly engage our corporate assets in the community. This Way Ahead is a youth program that launched as a pilot in New York City in March 2007.

Taking a new approach to providing youth with practical work skills and training, we partner with The Door, a long standing New York City based organization, to deliver This Way Ahead. This program has four phases: 1) career assessment; 2) job readiness training for four months; 3) a Gap or Old Navy paid store internship for four months; and 4) follow-on support by the community partner for up to one year.

The program is unique in that it leverages the competencies of Gap Inc. and one of our community partners to help underserved youth plan for their futures through career preparation and personal development.

- **Women in the Developing World.** *P.A.C.E. (Personal Advancement, Career Enhancement):* The P.A.C.E program is primarily focused on female garment workers and aims to empower and build the education, life, and workplace skills of young women in the developing world. The program, fully funded by Gap Inc., was developed over a two-year period through an integrated partnership with ICRW (International Center for Research on Women), a local NGO in India and a local Gap Inc. vendor.

The P.A.C.E. program offers education in critical areas such as communication, problem solving and decision making, as well as health, financial literacy and government entitlements. The program launched in two sites in India in 2007.

The partnership between our vendor, ICRW (an international NGO), a local NGO and Gap Inc. is what has made this program successful and unique. All parties engaged in the intensive planning and development of the training curriculums and continue to support this program.

- **Additional Investments**
 - While we haven't tracked all of our time, 2007 was a record-breaking year with employees volunteering more than 250,000 hours of time.

- Our employees contributed approximately \$6.4 million in 2007 (including company match), an increase of approximately 21% over 2006. Also in 2007, Gap Inc. contributed approximately \$59 million in in-kind contributions and invested a little over \$11 million in cash.

Employees: We want to be a company where people can stretch their capabilities and build their careers in an environment that reflects and respects their values. With 150,000 employees around the globe, we place a priority on providing a supportive environment in which they can flourish. We are dedicated to creating a workplace in which the rights, needs and unique contributions of every employee are consistently respected. Just as we hold approved garment manufacturers accountable for complying with all applicable laws and treating workers with dignity and respect, we hold ourselves accountable as well, and our policies reflect that.

- **Policies**

- Our Code of Business Conduct helps ensure that we do business in a responsible way that is consistent with our values. A 24-hour confidential hotline allows employees and others to call anonymously if they suspect a violation.
- Gap Inc. is an equal opportunity employer.
- Our Zero Means Zero policy is our commitment to an environment free from harassment and discrimination.
- Under our open-door policy, employees are encouraged to raise questions, concerns or suggestions, and to reach out to managers, supervisors and our Human Resources team as needed. Again, a 24-hour confidential hotline allows employees and others to call anonymously

- **Benefits**

- Employee benefits range from a terrific merchandise discount to a gift-matching program for both charitable donations and volunteer time. Depending on employee status, they may also have access to medical, dental, vision, life and disability insurance as well as a 401(k) plan to those with one year of employment. This plan features dollar-for-dollar company matching contributions up to four percent of pay, with 100 percent immediate vesting. In addition, employees can participate in our Employee Stock Purchase Plan (ESPP) and purchase Gap Inc. stock at a 15% discount.
- In the United States, most benefits are available to employees on their first day and are extended to their eligible dependents, including children, spouses and same- or opposite-sex domestic partners. In other countries, similar benefits are offered depending on the benefit plan and location.

2007 Recognition & Awards

- For the third year in a row, Gap Inc. was recognized as one of the “**Top 30 Companies for Executive Women**” by the National Association of Female Executives (NAFE).
- Gap Inc. ranked 25th in CRO magazine’s “**100 Best Corporate Citizens**” list.
- 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. Thousands of companies were examined and less than 100 were selected. In addition, the Ethisphere Council gave Gap Inc.’s Code of Business Conduct an ‘A’ grade – the only retail company to receive this grade.
- Gap Inc. earned the Human Rights Campaign Foundation’s 2007 “**Best Places to Work for GLBT Equality**” seal, which denotes America’s best companies for gay, lesbian, bisexual and transgender (GLBT) workers. The seal is given to companies who score a perfect 100 percent on the Human Rights Campaign Foundation’s Corporate Equality Index which measures policies and practices implemented to promote fairness and equality in the workplace for GLBT employees.
- Gap Inc. was also recognized by the San Francisco Business Times as one of the **Top Corporate Philanthropists in the Greater Bay Area**.

Gap Inc. has been a signatory to the United Nations Global Compact since 2003 and actively supports its principles. Gap Inc.’s commitment to the UN Global Compact is stated on our website and in our 2003, 2004 and 2005-2006 Social Responsibility Reports. To better understand how Gap Inc. is working to uphold UNGC principles, please see the index in the 2005-2006 Social Responsibility Report.

We will next report on our progress for the years 2007-2008 by mid-year 2009. For more information about Gap Inc. and its commitment to social responsibility, please visit our website www.gapinc.com/socialresponsibility.