

Overview

Gap Inc. has been a signatory to the United Nations Global Compact since 2003 and actively supports its principles. Gap Inc.'s commitment to the UN Global Compact is stated on our website and in our Social and Environmental Responsibility Reports. Our current Social Responsibility Report (2007-2008) includes a statement of support for the UN Global Compact's ten universal principles from our CEO, Mr. Glenn Murphy, available [here](#).

Gap Inc. communicates its progress in achieving the ten principles of the UN Global Compact through its corporate [website](#), biennial [Social and Environmental Responsibility report](#), formal stakeholder sessions, and ongoing stakeholder outreach, dialogue and partnerships. To better understand how Gap Inc. is working to uphold the UN Global Compact Principles, please see page two of the [2007-2008 Social Responsibility Report](#).

This update builds upon the information that was provided in Gap Inc.'s 2007-2008 Social Responsibility Report, and includes updates on our efforts to: continually improve factory working conditions; diminish our environmental impact through developing robust sustainability objectives and practices; foster a positive and equitable work environment for our employees; work to ensure our employees and our business partners strictly adhere to anti-corruption practices as defined by the UN Global Compact and our own Code of Business Conduct; and invest in our communities through Gap Foundation.

Progress on our efforts for the years 2009-2010 will be contained in our upcoming Social and Environmental Responsibility Report, scheduled for release during the summer of 2011. For more information about Gap Inc. and its commitment to social responsibility, please visit our [website](#).

Supply Chain

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

Gap Inc. has also developed and implemented its first ever Human Rights Policy. This policy reflects Gap Inc.'s longstanding commitment to a public policy in support of human rights. Gap Inc.'s Human Rights Policy supports the principles contained within the Universal Declaration of Human Rights (UDHR); the UN Global Compact; the OECD Guidelines for Multinational Enterprises; and the fundamental labour

principles that protect workers' rights, which are defined in the ILO's Declaration on Fundamental Principles and Rights at Work.

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

- Gap Inc. has a global team of approximately 70 full-time staff who are committed to helping to improve the lives of factory workers and conditions in which they work; for more information click [here](#) and [here](#).
- In 2008, our Monitoring and Vendor Development team visited and audited 98.9% of our branded supplier factories active for a full year (1016 factories visited out of 1027 active for the year). In 2009, that figure was 98.4 % (716 factories visited out of 728).
- An ongoing requirement for factories and sub-contractors is to undergo our evaluation and approval process before production can be placed.
- In 2009, we updated our factory ratings system to make our system more comprehensive; for more information click [here](#).
- In 2010, we developed our first ever Human Rights Policy; for more information click [here](#).
- In addition to our robust approval, monitoring and capacity-building measures, Gap Inc. continues to collaborate with stakeholders in addressing human rights and labour rights issues. Below are some examples:

- Working to prevent Uzbek cotton from entering our supply chain while at the same time working to end the practice of child labour in the harvesting of the cotton; for more information click [here](#).
- Our collaboration with ITGLWF in Peru in helping resolve a Freedom of Association issue; for more information click [here](#).
- Our continuing work in addressing child labour and the need to assure the fair treatment of women working in the handwork sector by working with a broad array of organizations like the United Nations Global Initiative to Fight Trafficking (UN GIFT), Bachpan Bachao Andolan (BBA), a child-advocacy group in India, the Self-Employed Women's Association (SEWA), labour unions, government, similar brands/retailers and others; for more information click [here](#).

Environment

Our environmental sustainability efforts are focused on where we can have the greatest impact, and fall into three main issue areas: Energy Reduction and Conservation; Sustainable Design; and Output/Waste Reduction. Gap Inc. believes that an important aspect of being responsible means using energy wisely, and reducing our consumption of it wherever we can. Today, our focus on reducing our energy consumption applies to our owned and operated facilities, which means our stores, our corporate facilities, and our distribution centers. Our Sustainable Design focus refers to our brands' efforts to include sustainable and environmentally-friendly fabrics and manufacturing processes into the creation of our garments, as well as our efforts to incorporate more environmentally sustainable design principles and materials into the construction of our stores and headquarters buildings. Lastly, our Output/Waste Reduction goals are focused on increasing our recycling and composting efforts at our corporate facilities and stores, and working with suppliers to ensure they are also diminishing their environmental impact.

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

- From 2003 to 2008, we've reduced our greenhouse gas emissions by 20%, exceeding our EPA Climate Leader's goal by 11% over that 5 year period.
- In 2009 we completed an environmental footprint for all of our owned and operated facilities, details of which will be included in our 2009-2010 Social and Environmental Responsibility report.
- We've seen a decline in our average U.S store energy consumption from 27.48 KWT/SQFT in 2008 to 26.01 in 2009.
- Our store designers are pursuing Leadership in Energy and Environmental Design professional accreditation (LEED®), the nationally recognized standard for green building expertise, and currently await their final accreditation, for more information click [here](#).
- In Ft. Worth, Texas, our Old Navy store, #5785, awaits its final certification to become the first building for Gap Inc. to attain LEED Silver certification, a recognized industry standard for environmental design and sustainability in the United States; for more information click [here](#).
- At Banana Republic, our Energy Initiative which focuses on lowering the use of HVAC and lighting, has seen an 8% energy reduction in our U.S. stores. 364 U.S. stores have participated to date, and we have expanded the program into our Canadian operations; for more information click [here](#). And in 2008, Old Navy began replacing all of its in-store lighting with brighter, more energy-efficient, environmentally friendly lamps. This effort reduced energy consumed by lighting by more than 10 percent.
- We continue to see energy and cost reductions in our distribution centers by replacing older, less-efficient lighting with more energy-efficient ones. Since 2006, we've replaced more than 16,000 bulbs, saving 26,000 kilowatt-hours and over 2 million dollars annually; for more information click [here](#).

- Our recycling and waste-reduction programs in our North American corporate offices, distribution centers and stores have been effective in addressing waste. For example, in 2007 our recycling program contributed 49,166 tons of material and by 2008 it was reduced to 45,119, for more information click [here](#).
- Our Clean Water Program started in 2004 based on strict industry standards as set forth by Business for Social Responsibility, and in 2008 we introduced a new denim laundry policy to our suppliers requiring them to meet or show the intent to meet our wastewater quality guidelines; for more information click [here](#).

Community Investment

In our commitment to the communities where we live and work, our programs remain focused on empowering women in the developing world, and helping underserved youth in the developed world. Our strategy is built around two key aspects, namely, leveraging our company's assets and the "virtuous cycle." Beyond our monetary contributions, we believe we can affect change through leveraging the strength of our brands, our marketing expertise, vendor relationships, and most importantly, our employees and their commitment to change. Our "virtuous cycle" model is based on creating sustainable investments whereby all the stakeholders involved benefit and grow: our customers, our employees, shareholders, vendors and communities. In this way, we hope to create a model of lasting and sustainable investment, rather than one of charity.

- **Women in the Developing World.** In 2006, Gap Inc. created the Personal Advancement Career Enhancement program (Gap Inc. P.A.C.E. program) which helps female garment workers in developing countries advance beyond entry-level positions and fulfill their potential through education.

The program was piloted in India, one of our largest sourcing markets, and was created along with the International Center for Research on Women (ICRW) and our local NGO partner, Swasti Health Resources. We focused on a curriculum based on the needs at each participating factory location. In this case, the focus was two-prong, first on life skills (problem-solving, communications and decision-making as well as health, financial literacy and government entitlements); and the second phase of the program will focus on aligning technical training with the workers' learning abilities and technical potential, and this phase is currently in a pilot phase in India.

Due to the success of the pilot program in India the program is expanding to other factories in that country, and we have also expanded the program to Cambodia in partnership with CARE Cambodia where already 260 women are in its first class.

This program won the Financial Times Social Innovation Award in 2009 for the Most Strategic Philanthropic Program, and more recently, on March 8, 2011, we won ICRW's Champions for Change Award for Innovation.

- **Youth in the Developed World.** Developed in 2007 in partnership with The Door, a New York-based nonprofit, our **This Way Ahead** program exposes underserved youth to a range of work-related learning experiences including diversity, career-pathing, conflict resolution, decision-making and communication skills.

The curriculum was written by Gap Inc. employees and is delivered by our store management and The Door staff in four phases: career exploration, job readiness training, an internship, and follow-up support.

Each year, more than 100 youth participate in the program and compete for 40 internship positions in our Gap and Old Navy stores in Manhattan. Interns meet regularly with a supervisor who talks with them about their jobs and their educational and career goals.

We partnered with the TCC Group to help us further evaluate the program in order to recognize its strength and areas for opportunity, and after two years of evaluation: 1) we've learned that participants continue to build their confidence, improving their ability to more accurately self-assess their skills, learning how to get and keep a job; 2) our non-profit partners are growing their skills as members increase their understanding of what it takes to help youth succeed in the world of work and 3) our employees are developing their own skills through the program, generating increased levels of pride in the company they work for and enriching their experience at Gap Inc. This is all part of creating the "Virtuous Cycle."

Now in its third year, we've decided to expand the program to the San Francisco area in order to continue to serve youth in Northern California.

Employees

With approximately 135,000 employees around the world, Gap Inc. employees pride themselves on "wearing their passion." The workplace culture at Gap Inc. is one that embraces our employees' ability to grow and develop personally and creatively while at the same time work in a diverse and inclusive work environment. "Wearing your passion" is a bringing together of the diversity, commitment, integrity and energy of your employees in creating a culture that nurtures each employee to be their best. We offer competitive benefits, global career opportunities and programs to help our employees grow with us. We are also committed to operating our business in an ethical and legal manner, without exception. Our Code of Business Conduct is our foundation for promoting a responsible and ethical work environment.

- Our Gap Inc. Code of Business Conduct is our foundation for promoting a responsible and ethical work environment and is designed to prevent conflicts of interest by employees, ensure our compliance with laws and protect the company's information and assets.
- Internal training on our Code is provided for our employees to ensure they understand its content; new employees world-wide receive on-line trainings on the Code. Every 2 years, select management personnel globally are required to participate in an on-line refresher course on the Company's Code. Various groups of employees also receive compliance training on topics of non-discrimination, sexual harassment, wages and hours, workplace accommodations, anti-corruption and competition laws. Each year, our corporate compliance team conducts unannounced interviews with employees and vendors to assess whether business units understand our Code and know how to report code violations.
- Our commitment to diversity is reinforced by workplace policies that are essential to how we do business. Gap Inc. is an equal opportunity employer and our Zero Means Zero policy represents our commitment to a work environment free from discrimination and harassment of any kind.
- We encourage employees to report all violations or suspected violations of our Code of Business Conduct, discrimination or harassment to their supervisor or a Human Resources representative under our open-door policy. Employees may also directly email our Global Integrity & Compliance department or call the confidential Code of Business Conduct hotline. Our anti-retaliation policy protects individuals who report suspected violations.

Recent Recognitions and Awards

- **Newsweek** – Newsweek's 2009 “Green Rankings” list, an environmental ranking of America's 500 largest corporations, put Gap Inc. No. 38 overall and No.3 in the retail industry, citing our wastewater treatment at denim laundry facilities and our steps to promote sustainable agriculture for cotton.
- **Corporate Responsibility Magazine** – 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 in areas such as climate change, human rights and philanthropy.
- **Human Rights Campaign Corporate Equality Index** – In 2010, for the sixth year in a row, Gap Inc. achieved 100 percent on The Human Rights Campaign's Corporate Equality Index – a tool to rate major corporations on their treatment of gay, lesbian, bisexual and transgender employees, consumers and investors.
- **Time Magazine** – Gap Inc. ranked No. 23 in Time Magazine's 2009 “Responsibility Pioneers”, alongside mostly individuals and just three other companies who "are changing the world." Time

described our commitment to doing what's right: "At Gap, responsibility is in style. From 2003 to 2008, the retailer cut greenhouse-gas emissions 20%."

- **Women's Wear Daily** – In 2009, Gap Inc. was ranked among the top Ideal Employers chosen by undergraduates interested in the fashion, retail and apparel sector.
- **Ethisphere Magazine** – Gap Inc. was acknowledged as one of the "World's Most Ethical Companies" by Ethisphere Magazine, which recognizes companies for their commitment to ethical leadership and corporate social responsibility.