

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 most current Report (issued in September 2013) includes a statement of support for the UN Global Compact's ten universal principles from our former CEO, Mr. Glenn Murphy (our current CEO, Art Peck, took office at the beginning of the 2015 fiscal year), available [here](#).

Gap Inc. communicates its progress in achieving the ten principles of the UN Global Compact through its corporate website, biennial reporting on social and environmental impacts, formal stakeholder sessions, and ongoing stakeholder outreach, dialogue and partnerships.

This update builds upon the information that was provided in Gap Inc.'s 2011-2012 Social and Environmental Responsibility Report, and includes updates on our efforts to: continually improve factory working conditions; diminish our environmental impact through developing sustainability objectives and practices; foster a positive and equitable work environment for our employees; work to ensure our employees and our business partners strictly adhere to anti-corruption practices as defined by the UN Global Compact and our own Code of Business Conduct; and, invest in our communities through Gap Foundation.

Progress on our efforts for the years 2013-2014 will be contained in our upcoming Global Sustainability Report, scheduled for release later this year. For more information about Gap Inc. and its commitment to sustainability, please visit our [website](#).

LABOR AND HUMAN RIGHTS

Supply Chain Risk Management

Gap Inc.'s supply chain and sustainability strategy includes working with a consolidated vendor base and building closer relationships with suppliers. We believe focusing more on a core base of strategic vendors leads to enhanced levels of collaboration, ownership and investment that improve business performance and working conditions, while also minimizing risks.

We are in the process of developing a bi-annual risk assessment process to identify, evaluate and address social and business risks at the country and industry levels. This process uses a combination of data, risk indices and expert analysis to assess and respond to changes in countries' social, political, and regulatory environments.

Labor Rights

Gap Inc. has a [Code of Vendor Conduct](#) (COVC or “code”) that explicitly states that forced labor of any kind is strictly prohibited. All Gap Inc. branded apparel vendors must abide by this code. Our COVC and the enforcement behind it is an important mechanism that brings our Human Rights Policy to life within our supply chain. We have a Monitoring and Vendor Development team, comprised of approximately 50 people located in more than 20 countries, that monitors working conditions in these factories and works with management to help ensure that they abide by our code.

On January 1, 2012, California enacted a new law requiring companies of a certain size to publicly disclose the steps they are taking to identify and eradicate forced labor in their supply chains. Gap Inc. supported this legislation, and we see it as a policy lever that will assist in the global fight against human trafficking.

Myanmar

Following our recent decision to source product from Myanmar, we chose to submit the report, “[Gap Inc. Report on Responsible Sourcing in Myanmar](#)¹,” on a voluntary basis in order to address risks in our supply chain and help develop responsible sourcing practices in the country’s garment industry. Our due diligence, risk assessment and mitigation efforts and reporting related to our sourcing activities in Myanmar have been informed by the U.N. Guiding Principles.

Bangladesh

We continue to collaborate on improving worker safety in Bangladesh through our leadership role in the Alliance for Bangladesh Worker Safety (“Alliance”). We believe multi-stakeholder initiatives like the Alliance play a key role in effectively addressing complex issues in global supply chains and sustainability. The Alliance issued its [First Annual Report](#)² on progress and improvements in July 2014. More information about the Alliance’s ongoing efforts can be found [here](#)³ on its website.

ENVIRONMENT

We believe that what is good for the environment is good for business. In taking concrete steps to reduce our environmental footprint, we are contributing to the sustainability of our business by decreasing operational costs and establishing leadership. Here are the key updates on our progress in environmental stewardship:

Greenhouse Gas Goal

As part of our commitment to minimizing the environmental impacts of our activities, Gap Inc. announced in 2008 that it was committed to reducing greenhouse emissions by 20 percent by 2015. We are proud to say that we achieved the goal ahead of schedule in 2014.

Overall, we were able to reduce our greenhouse gas emissions by over 400,000 pounds since 2008. But we don’t plan to stop there. Even as we continue to grow and add stores, we commit to reducing our emissions output.

This means measuring and reducing our global impacts, and not only those that are U.S. based. Over the past two years, we have expanded our tracking and measurement of owned and

¹ http://photos.state.gov/libraries/burma/895/pdf/Gap_Inc_Myanmar_Public_Report-8_25_14FINAL.pdf

² <http://www.bangladeshworkersafety.org/en/190-the-alliance-for-bangladesh-worker-safety-annual-report>

³ <http://www.bangladeshworkersafety.org/>

operated energy consumption, greenhouse gas emissions to include our global facilities. This assessment of our global operations has allowed us to set a baseline for a new, forthcoming greenhouse gas goal.

Water Risk Mapping

We partnered with Conservation International in 2013 to understand freshwater risks and opportunities in our key sourcing countries. The risk assessment included five of our key sourcing countries, and covered criteria such as water quality, availability, and stress. We also engaged an independent third-party in 2014 to give us more detailed insight on risks at the water basin level in three of those countries: India, Vietnam, and China.

The results of the water risk assessment and mapping efforts have been used to help us develop improvement strategies at mills and laundries located in higher risk zones, and allow us develop closer relationships with these priority vendors.

Mill Sustainability Program

Our Mill Sustainability Program launched in 2013, and is an extension of our partnership with the NRDC on the 2009 Responsible Sourcing Initiative. The objective of the program is to establish a supply chain policy that sets clear expectations for environmental performance at the mills, with the goal of integrating these performance standards into our sourcing decisions.

In order to make this happen, we first established a baseline of environmental performance at 20 mills in 2013 and 2014. This was done in two ways: the selected mills completed a Higg Index self-assessment survey, which was developed by the Sustainable Apparel Coalition. An independent third-party auditor then completed its own assessment of the mills' environmental performance.

The baseline results are now being analyzed by a cross-functional working group that has been put in place to cover each of the five product categories that Gap Inc. sells. Next steps include the development of a set of ratings for environmental performance at mills of strategic importance, as well as an action model and standard sourcing approach for each of the product categories.

Higg Index Vendor Assessments

Gap Inc. was the first retailer to execute a large-scale rollout of the SAC's Higg Index 2.0 at the third-party vendors that make our branded apparel. In 2013, we collected environmental performance data from 109 vendors and 596 factories. We completed the Higg 2.0 rollout in 2014 by collecting responses from 259 vendors and 749 factories.

In 2014, Gap Inc. began working with a targeted group of seven vendors (representing approximately 50 facilities) in India to benchmark water use performance using the Facility Module. The results quickly highlighted those facilities using best water management practices, which Gap Inc. then shared anonymously with other participating facilities. With this information, vendors and their facilities are able to more clearly understand their performance relative to competitors and peers, and learn what measures other facilities are taking or investing in to reduce their environmental impact.

COMMUNITY INVESTMENT

We continue to focus our investments on creating opportunities for women in the developing world and underserved youth in the developed world, because we see the greatest potential for impact in these areas. Below is an update on the progress we have made in the last year:

P.A.C.E.

In 2014, we continued to leverage the power of our business to support the women who make our clothes through our P.A.C.E. Program (Personal Advancement & Career Enhancement). Launched in 2007, P.A.C.E. was designed to give opportunities to garment workers – opportunities to gain life skills and technical training. For the past eight years, we've watched thousands of women go through the program and come out stronger, more confident, and more experienced in the workplace.

As of 2014, 30,000 women have participated in the P.A.C.E. program. We are working to expand the scope of the program to include new training modules on topics such as security and safety, and water sanitation and hygiene (W.A.S.H.). We have also taken steps to bring P.A.C.E. beyond garment factory walls by expanding into the communities where the factories are located.

This Way Ahead

This Way Ahead is a program we created to give underserved youth a positive paid job experience. The program is led by employees in our Gap, Old Navy, and Banana Republic stores, who volunteer at least 40 hours over two months to teach job training workshops. Graduates of the workshops are given the opportunity to apply for an internship at one of our stores.

In 2014, This Way Ahead expanded to Houston, for a total reach of 4 cities in the U.S. (San Francisco, Boston, New York, and Houston) and 3 cities in the UK. To date, over 1,600 youth have participated in the This Way Ahead training program, of which 575 went on to intern in one of our stores.

EMPLOYEES

Minimum Wage

Gap Inc. raised the minimum hourly rate for U.S. employees to \$9 in June 2014, and will raise it again to \$10 per hour this year. We believe this investment will enhance our ability to attract and retain a skilled and engaged frontline talent who will strengthen and deepen relationships with our customers. This is benefitting 65,000 employees who work directly with our customers, in our stores, call centers and distribution centers.

Pay Equity

Gap Inc.'s founders, Doris and Don Fisher, built a company and culture with a long-standing commitment to the advancement and development of women. In 2014, we conducted an analysis to assess the relative pay of women and men who work at Gap Inc. around the world. This assessment determined that Gap Inc.'s female and male employees make the same pay for the same work, on average, globally.

ANTI-CORRUPTION

Gap Inc.'s [Code of Business Conduct](#) (COBC) is our foundation for promoting a responsible and ethical work environment, and helps us seek to ensure that our employees act in ways that reflect our company's integrity and values. All employees are required to take a COBC overview course after which they are required to agree to follow the company's Anti-Corruption Policy, U.S. Foreign Corrupt Practices Act (FCPA) as well as local anti-bribery laws.

RECOGNITION

- **Dow Jones Sustainability North American Index** – In 2014, Gap Inc. was recognized by the Dow Jones Sustainability Index - both the World and North America lists.
- **Ethisphere Magazine's World's Most Ethical Companies** – In 2014 and for the eighth year in a row, Gap Inc. was chosen as one of the World's Most Ethical Companies based on our commitment to grow our global business with high integrity and in a responsible way.
- **CRO Magazine "100 Best Corporate Citizens"** – In 2014 and for the ninth straight year, Gap Inc. made Corporate Responsibility Magazine's "100 Best Corporate Citizens" list at #3.