

Gap Inc.
2011/2012 Social
& Environmental
Responsibility Report
Full Report

TABLE OF CONTENTS

	Pages
COMPANY	
CEO LETTER	5
OUR COMPANY	7
OUR LEADERSHIP	9
STAKEHOLDER ENGAGEMENT	11
REPORTING & MATERIALITY	13
HUMAN RIGHTS POLICY & CODE OF VENDOR CONDUCT	17
CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT	19
POLITICAL ENGAGEMENT & PUBLIC POLICY	22
CODE OF BUSINESS CONDUCT	24
PRODUCT SAFETY	26
HUMAN RIGHTS	
OPERATING CONTEXT & STRATEGY	28
UN GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS	32
WORKING WITH FACTORIES	34
MONITORING & REMEDIATION	37
CAPACITY BUILDING	41
BANGLADESH FIRE AND BUILDING SAFETY	43
FREEDOM OF ASSOCIATION	48
FORCED LABOR	51
CHILD LABOR	53
PURCHASING PRACTICES	56
GOALS	58
DATA	60
ENVIRONMENT	
OPERATING CONTEXT & STRATEGY	75
OUR FOOTPRINT	78
ENERGY AND CLIMATE	80
WATER	82
WASTE	86
PRODUCT	88
GOALS	90
DATA	92
EMPLOYEES	
OPERATING CONTEXT & STRATEGY	98
DIVERSITY AND INCLUSION	99
CAREER DEVELOPMENT	101
RECOGNITION	103
BENEFITS AND REWARDS	104
GOALS	108
DATA	110

TABLE OF CONTENTS

	Pages
COMMUNITY	
OPERATING CONTEXT & STRATEGY	119
PARTNERSHIPS	121
VOLUNTEERING	122
YOUTH	124
ADVANCING WOMEN	126
GOALS	129
DATA	131
APPENDIX	
PUBLIC REPORTING WORKING GROUP STATEMENT	136
INDEPENDENT COMMENT FROM SHIFT	138
GRI-G4 CONTENT INDEX	140
RECOGNITION	145

Company Full Section

In 2004, Gap Inc. issued our first Social Responsibility report.

We have approached each report in the same way – a candid, open assessment of our progress as a company and as a collaborative partner to address the complex issues of operating a global business in a responsible, ethical way.

I am proud of our achievements as a business, and I'm equally proud of how we do business. At Gap Inc., we are deeply committed to social and environmental responsibility, and to ensuring that each day, we live up to the values on which the company was founded in 1969. That's why this report is so meaningful to me and to our company's more than 135,000 employees.

In the two years since our last Social & Environmental Responsibility Report, Gap Inc. has made great strides in our mission to *"be the world's favorite for American style."*

Our portfolio of brands now includes Gap, Banana Republic, Old Navy, Athleta, Piperlime, and our newest brand, Intermix. With stores in about 50 countries, we expanded our presence in China, opened Athleta stores throughout the U.S., launched Old Navy in Japan, its first location outside North America, and introduced Gap to South America. With each step we take to expand our business, we ensure that our social and environmental policies and our cultural heritage of community investment and support are integrated into each store and country.

Wherever they're located, our brands, stores and employees around the world are bound together by our promise, as voiced by our co-founder, Don Fisher, to *"do more than sell clothes."*

Our employees embrace our philanthropic heritage by investing their time and contributions in our communities. In 2012, more than 70,000 employees volunteered about 460,000 hours. Along with a company donation of more than \$1 million in funds and clothing following the devastation of Superstorm Sandy, employees are building Habitat for Humanity houses for those who lost their homes.

To address social and environmental issues, we've strengthened partnerships in the belief that our combined efforts and resources can lead to comprehensive answers to multifaceted issues. We continue to press for greater accountability across all industries as a strong supporter of the United Nations Global Compact and its ten guiding principles.

Over the years, we've entered and invested in a number of countries and we're gratified to be part of their success stories. One example is our partnership with the International Labour Organization Better Work Program to support vendor compliance with labor standards and laws, which launched in Cambodia in 2004, and has expanded to Haiti, Indonesia, Jordan, Lesotho, Nicaragua and Vietnam.

In Bangladesh, where recent tragedies underscore a country safety record that is unacceptable, we are dedicated to investing the time, effort and funding to bring about lasting change for garment workers. Gap Inc. was one of the first companies to implement our own four-point fire and safety program in the Bangladesh factories that make our products. Through a collaborative process, led by former U.S. Senators George Mitchell and Olympia Snowe, Gap Inc. and leading retailers and apparel companies founded the Alliance for Bangladesh Worker Safety, making a commitment to a binding, five-year fire and safety initiative that provides a \$45 million worker safety fund, in addition to the more than \$100 million in access to low-cost capital being offered by some companies in order to ensure that safety remediation at factories they work with is done in a timely manner. We acknowledge there is more work to be done, but believe these two initiatives represent an important step forward in helping to achieve sustainable reform in the country's garment industry.

Our conviction that advancing women advances the world is reflected by the 20,000 female garment workers who have completed training through the Gap Inc. P.A.C.E. (Personal Advancement, Career Enhancement) program since 2007. By 2015, we're committed to 10,000 new participants.

As part of our ongoing sustainability strategy, we continue to explore ways to reduce our environmental footprint. Our Mills Engagement Program, developed in conjunction with the Natural Resources Defense Council, is a clean-water initiative aimed at establishing standards to mitigate the environmental effects of dyeing and finishing facilities. After reducing our greenhouse gas emissions by 20 percent from 2003 to 2008, we're taking the next step by pledging to reduce GHG emissions by another 20 percent, based on our 2008 levels, by 2015.

On this website, we share recent achievements to build upon for the future, areas that need greater attention, and the tangible goals we are working towards to improve the lives of those who work at and with Gap Inc., and the communities in which we do business. I invite you to read through our report, and learn, in more detail, about our social and environmental responsibility efforts.

Thank you for your time and your interest.

Sincerely

Glenn Murphy

Key Takeaways:

- *Gap Inc. has embarked on a global growth strategy to position the company as the world's favorite for American style.*
- *A core tenet of our global expansion is ensuring that we grow in a way that supports people, communities, and our environment.*

Gap Inc. is one of the world's largest specialty retailers, with more than 135,000 employees and 3,400 stores in 47 countries as of the end of 2012. Headquartered in San Francisco, California, our family of brands includes Gap, Banana Republic, Old Navy, Piperlime, Athleta, and Intermix. We aspire to be the world's favorite for American style, and our global growth strategy over the past two years reflects that ambition. Our net sales for fiscal year 2011 were \$14.5 billion, and were \$15.7 billion for 2012.



2012 milestones

- 45 Gap stores in China
- 300 franchise stores globally
- Banana Republic flagship store on the Champs Elysees in Paris
- Our first international Old Navy store in Tokyo
- Our very first Piperlime store, in New York City
- 35 Athleta stores in the United States
- Acquisition of the multi-brand luxury retailer Intermix

In October 2012, we announced a new global brand structure designed to fuel our company's long-term growth. With the start of the 2013 fiscal year, the company brought together our North American, International, Online, Outlet, and Franchise divisions under a single global executive for each of its Gap, Banana Republic, and Old Navy brands. In addition, Gap Inc. formed a new Growth, Innovation, and Digital team to build on our online and technology advances.

Our evolving global business strategy aligns with our social and environmental responsibility efforts in significant ways. One prime example is the shift we began making in 2012 to a sourcing strategy centered on category management. By sourcing across brands in shared categories such as denim and knits, we are putting greater emphasis on creating deeper relationships with our vendors worldwide. We have found that such relationships support our efforts to improve working conditions, as we can help vendors implement—and own—solutions to such issues. Social and environmental responsibility is one of several key criteria we are using in our partnerships with vendors

to implement category management and support our global growth strategy.

In 2012, Yahoo! Finance recognized our positive momentum by awarding its first ever “Company of the Year” award to Gap Inc. A key aspect of our performance in 2012 acknowledged by the award was our ongoing commitment to social and environmental responsibility. As stated by Yahoo! Finance, Gap Inc. “wants to be known as a corporation with a conscience—and it walks the walk.”

While we are proud of what we achieved in 2012, we recognize that with growth and opportunity come greater challenges, wider impacts, and a heightened focus on more deeply incorporating social and environmental responsibility into our core business. We know that we must continue to adapt and innovate if our business is to thrive. This report covers how we are doing so in a way that carefully considers our impact on people, communities, and the environment.

Key Takeaways:

- *Strong corporate governance is a fundamental part of how our company operates, including the role it plays in overseeing our social and environmental responsibility efforts.*
- *Gap Inc.'s Social and Environmental Responsibility team is comprised of proven leaders and passionate individuals who have experience working for non-governmental organizations, apparel factories, trade unions, socially responsible investment firms, government, and other companies.*
- *The team works closely with departments across Gap Inc., which helps drive integration of our values into our core business.*

Gap Inc. Board of Directors

We believe that strong corporate governance goes hand-in-hand with good management. A well-managed company delivers better business results and, ultimately, greater shareholder value. For us, good governance begins with a strong Board of Directors that has an independent perspective on the business and oversight of company management, including our social and environmental responsibility efforts.

As of the end of our 2012 fiscal year, our board had ten directors, nine of whom are independent, including a 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 the composition of our board 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](#).

Gap Inc. Social and Environmental Responsibility leadership

Our Social and Environmental Responsibility Department is directed by knowledgeable leaders with proven track records in business and sustainability.

Bobbi Silten, Senior Vice President of Global Responsibility at Gap Inc. and President of Gap Foundation, oversees our Social and Environmental Responsibility department. Bobbi reports to Eva Sage-Gavin, Executive Vice President, Global Human Resources and Corporate Affairs, who reports to Gap Inc. CEO Glenn Murphy. Gap Inc.'s Board of Directors oversees our company's social and environmental responsibility efforts, receiving annual updates from Bobbi.

Our Social and Environmental Responsibility team is comprised of people with diverse backgrounds and skill sets who have worked for non-governmental organizations, apparel factories, trade unions, socially responsible investment firms, government agencies, and other companies. We believe that bringing together people of varied backgrounds and perspectives helps spur innovation and foster accountability, allowing us to better analyze, understand, and address the social and environmental issues we face.

Our organizational structure also requires particularly close collaboration across key departments at Gap Inc., which is why our Social and Environmental Responsibility department works in close partnership with our Supply Chain, Corporate Affairs, Legal, and Gap Foundation teams, among others. Many of those teams include sustainability professionals who are helping our company integrate our efforts across all facets of our operations.

S&ER Department	Number of full-time employees
Leadership and administrative support	2
Monitoring and Vendor Development	48
Fire and Building Safety	2
Strategic Planning and Communications	4
Environmental Affairs and Brand Engagement	4
Global Partnerships and Public Policy	6
Social and Community Investment	4
Gap Foundation	12
Total	82

Note:
As of end of fiscal year 2012

Key Takeaways:

- *Our partnerships—with non-governmental organizations, multi-stakeholder initiatives, trade unions, and others—are a key driver of our progress on social and environmental responsibility.*
- *Working with diverse groups and organizations not only helps us make a greater positive impact, it also supports our business by providing valuable perspective to make smarter and more informed decisions.*

In our 2003 Social Responsibility Report, the first ever published by Gap Inc., we stated:

We are convinced that collaborative, multi-stakeholder engagement is the only way to create sustainable change industry-wide.

Ten years ago, such a perspective was not necessarily an obvious one. But after more than a decade of action, we have benefited from the value this approach creates. We continue to be inspired by the new, innovative partnerships that span industries and sectors, and we believe that networks of collaboration will be a driving force in addressing the urgent social, environmental, and economic challenges of the 21st century. Collaborative engagement continues to be a guiding principle of both our business strategy and our social and environmental initiatives.

While Gap Inc. has an experienced team of people working in our Social and Environmental Responsibility department, it is impossible for them alone to effectively identify, understand, and address the varied issues facing workers, their communities, and the environmental impacts of the products we source. Working with others is critical to ensuring we are focused on the right issues, in the right places, with the right approach. Partnership is also a primary source of innovation for addressing social and environmental issues.



We are partnering with the Natural Resources Defense Council (NRDC) to address mill sustainability.



We work with CARE International and the International Center for Research on Women (ICRW) to help female garment workers succeed in work and in life through the Gap Inc. P.A.C.E. program.



We are active members of the Ethical Trading Initiative and Social Accountability International, both alliances of companies, trade unions, and non-governmental organizations working to improve the lives of workers who make consumer goods.

Through various types of partnerships—with labor rights organizations, environmental groups, multi-stakeholder initiatives, community-based organizations, trade unions, industry associations, investors, academics, factory owners

and managers, workers, shareholders, governments, and other companies—we are better able to make sense of the universe of issues we proactively seek to address. Working with such diverse groups and organizations not only helps us make a greater impact on key social and environmental issues, it also helps our business operate in a smarter, more informed manner.

Stakeholders help us create value by providing:

- Expert perspectives on material issues, as well as our strategies and goals for making an impact while helping ensure accountability for our actions and for the actions of others in our industry.
- The increased influence to make greater impact and the partnership to address systemic issues through industry-wide solutions when appropriate.
- Insight into local communities where we source products and assistance in implementing and evaluating programs.

We are involved in many forms of engagement and partnership. Through formal memberships in multi-stakeholder initiatives such as Ceres, the Ethical Trading Initiative and others, we are able to address systemic social and environmental issues that require a broad set of actors from many sectors. On a less formal basis, we partner with key labor rights organizations or environmental groups to address singular issues that require remediation. The nature of our engagement depends on the demands of a given issue.

We also contribute to collective efforts in a variety of ways. We believe that being an effective contributor to any multi-stakeholder effort requires knowing when to lead, and when to follow. We are at the forefront in several collective efforts, and we have also followed other companies and stakeholders when their expertise and assets are better suited to take the lead.

While we prefer to address social and environmental issues in partnership with others, there are rare occasions when we believe that independent action is the most effective way to get a project off the ground. For example, in 2012 we began implementing our own Fire and Building Safety Action Plan in Bangladesh. Since that time, we have joined with other leading apparel brands and retailers, fire and building safety experts, the Bangladeshi government, policy makers, and leading non-governmental organizations to address fire and building safety in Bangladesh through the Alliance for Bangladesh Worker Safety.

Key Takeaways:

- *By providing an account of our business, our social and environmental impacts, our ongoing challenges, and where we are headed, we are in a stronger position to create positive change.*
- *To help ensure that our reporting continuously improves and meets our stakeholders' expectations, we regularly assess which issues are most important to our company, our stakeholders, and society at large. In 2012, we conducted a materiality assessment of our sustainability initiatives. The issues covered in this report were found to be "highly or moderately material" from a sustainability perspective.*

Why we report

Our 2003 Social Responsibility Report was recognized in its time as a first in the apparel sector for its honesty and overall transparency. One of our goals with that initial report was to shift the debate on working conditions away from whether there were urgent labor rights issues in apparel factories, toward a constructive dialogue on how to fix them. It was not a risk-free decision at the time, but it proved to be a valuable one. Based on that experience, we have learned just how valuable reporting is—both as a process and in outcome.

Since that inaugural report, we have continued to build our reporting on the principles of transparency, accountability, and honesty. We believe the value of reporting can only be fully captured when it frankly discusses successes and failures, challenges and opportunities.

How we understand and use these reports can have widespread 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 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 ongoing questions raised by a report such as this one. —2009-10 PUBLIC REPORTING WORKING GROUP Statement

Over the past decade, we have derived greater value from each subsequent report. By providing a public account of our business, operating context, and social and environmental impacts, we have become a better company. Reporting generates tangible value for our company by:

- Building trust with stakeholders, which helps us collaborate to address issues.
- Contributing to a broader culture of accountability and responsibility across Gap Inc.
- Providing a platform for us to set public goals, enabling us to stay focused and enlist help in achieving them.
- Giving us the opportunity to reflect on lessons learned and incorporate those learnings into our programs.
- Keeping our executives and board members up-to-date on changes in the sustainability landscape, which informs our business strategy and enhances its implementation.

Several of our advances in reporting are the result of broader evolution in the reporting landscape. The innovative efforts of the Global Reporting Initiative (GRI) to create and disseminate a global framework for sustainability reports have helped shape our own efforts. We are pleased to include a GRI G4 Content Indices in this report.

Concurrently, the work by the International Integrated Reporting Council (IIRC) to advance integrated reporting

has also helped mature the reporting landscape. While we do not have immediate plans to release an integrated financial and sustainability report, we continue to monitor how this framework evolves. We are committed to using the reporting approach that brings the greatest value to our company and our stakeholders.

Scope

We publish a new Social and Environmental Responsibility Report every two years, while updating our data annually. In our view, biennial reporting is an appropriate timeframe given the systemic and global nature of the issues our company seeks to proactively address. It also allows us to devote the optimal allocation of resources to doing and communicating.

The scope of our 2011-12 report covers our efforts companywide and globally, across our Gap, Banana Republic, Old Navy, Piperlime, and Athleta brands. Our acquisition of Intermix on December 31, 2012, and the role this brand plays in our overall social and environmental responsibility efforts, will be included in our next report. Unless otherwise noted, data in this report relates to Gap Inc.'s fiscal years 2011 and 2012, which ran from January 30, 2011, to February 2, 2013.

Materiality

We regularly review the universe of issues we could report on in order to focus on those most important to our company, our stakeholders, and society at large. In 2012, we conducted a materiality assessment of our sustainability initiatives that found the issues we cover in this report to be “highly or moderately material” from a sustainability perspective.

In our sustainability reporting, we define materiality by the degree to which an issue is significant to society and our interested stakeholders, and the degree to which it is relevant to Gap Inc.'s scope of operations and ethical commitments. As part of our assessment, we analyzed indicators from key frameworks, indexes, and surveys including those from the Global Reporting Initiative (GRI), the Dow Jones Sustainability Index, Corporate Responsibility Officer, Ethical Trading Initiative, Social Accountability International, As You Sow, and Free2Work.

We then rated each issue according to its aggregate score along each of the following dimensions:

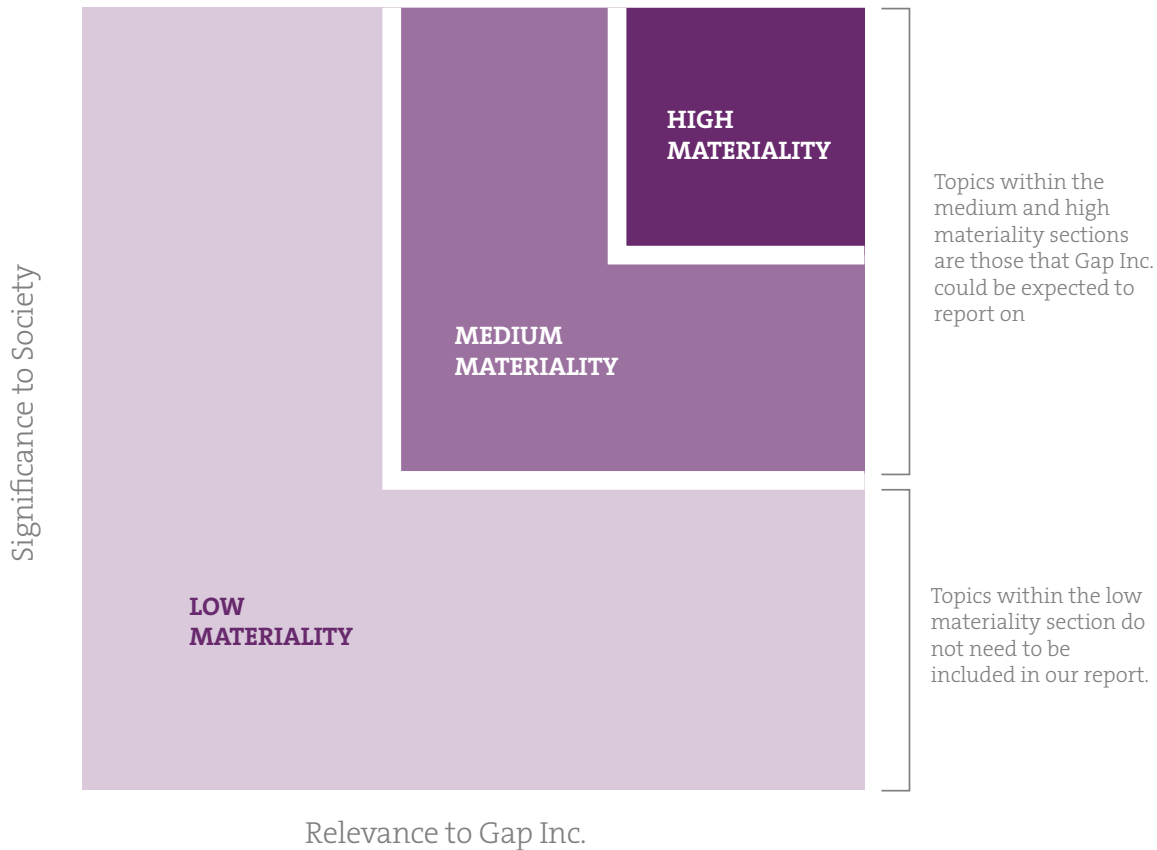
Significance to society:

- Awareness of issue
- Significance to key stakeholders
- Evidence and impact of issue
- Industry and peer response

Relevance to Gap Inc.:

- Potential short- and long-term business impacts
- Ethical relevance and policy commitments

- Peer-based and social norms
- Stakeholder activity and reputational risk



Our assessment revealed that while we had been appropriately focusing our previous reporting on material issues, we were not sufficiently emphasizing our goals or our strategies to achieve them. In this report, we aim to address this by more clearly discussing our strategies, and by ensuring that our goals are easier to find on our website.

This assessment reconfirmed the enormous value that stakeholders contribute to our efforts. By keeping in close, direct contact with stakeholders from across the social and environmental responsibility spectrum, we are better able to proactively address the issues that most urgently demand our attention. While conducting a materiality assessment is a valuable exercise, there are no greater assets in identifying “what matters” than having an internal team with deep social and environmental expertise, and the external relationships and partnerships we build with experts around the world.

Stakeholder review of our reporting

We could not have produced this report without the help of our stakeholders. The Public Reporting Working Group (PRWG) was instrumental in providing feedback on content, insights into our overall message, and perspective on our data and progress, including areas where we need to do more. This group—comprised of experts on social

and environmental issues from a number of non-governmental organizations and socially responsible investment firms—has been collaborating with us for more than ten years in our work to achieve greater transparency and sustainability.

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 Investments
- Ruth Rosenbaum—Executive Director—Center for Reflection, Education, and Action
- David Schilling—Director of Human Rights and Resources Programs—Interfaith Center on Corporate Responsibility

Included with the release of every Gap Inc. Social and Environmental Responsibility Report is a statement drafted by the PRWG that offers its assessment of our report in the context of our social and environmental responsibility efforts. The PRWG does not assure data or audit results.

Experts at [Ceres](#) also reviewed and gave input on our report. In the years since we first partnered with Ceres in 2007, the organization has provided valuable guidance and held us accountable on evolving our environmental initiatives. We are grateful for their help in offering critical feedback on this report. The Ceres staff members who reviewed this report are:

- Andrea Moffat—Vice President, Corporate Program—Ceres
- Kristen Lang—Senior Manager, Corporate Program—Ceres

Additional reporting

In addition to our public report, we provide regular, separate reports on our social and environmental progress to the Carbon Disclosure Project, the Clinton Global Initiative, the Ethical Trading Initiative, Social Accountability International, and the United Nations Global Compact (UNGC). Providing these issue-specific reports to key stakeholders helps focus and advance our work with them to continually improve our social and environmental responsibility efforts.

Supplier Reporting

In early 2013, we began the process of more explicitly encouraging our branded apparel suppliers to issue public sustainability reports. Just as we provide transparency in our own Social and Environmental Responsibility Report, we believe that it is good practice for our apparel suppliers to provide reporting for their interested stakeholders. To that end, we sent a letter to all suppliers making Gap Inc. branded apparel encouraging them to issue public sustainability reports. We provided information on how to report, where to find additional resources, and whom to contact at Gap Inc. should a supplier want to learn more about reporting processes. We also informed our suppliers that public sustainability reporting earns best practice credit on our Code of Vendor Conduct ratings.

Key Takeaways:

- *Gap Inc. created its Human Rights Policy in 2010. The policy underscores our longstanding commitment to respect and promote fundamental human rights in every aspect of our business, including our wholly owned operations and across our branded apparel supply chain.*
- *Our Code of Vendor Conduct seeks to safeguard workers' rights in the factories where Gap Inc. products are made. We have a dedicated team of approximately 50 people within our Social and Environmental Responsibility department who focus on its enforcement.*

Gap Inc. seeks to ensure that the people who work at our company and in our 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, despite the systemic inequities around the world. As part of upholding this belief, we have a Human Rights Policy at Gap Inc. to help promote equality and respect the rights of our employees, and the workers in our supply chain.

Our Human Rights Policy applies globally within our wholly-owned operations and across our branded apparel supply chain. It highlights our commitment to respect fundamental human rights throughout these operations, as well as our intent to promote human rights within our sphere of influence. For example, we have direct influence over how we respect the human rights of our employees, moderate influence in the factories where our garments are produced, and less influence over human rights issues that may occur farther upstream in our supply chain, such as the labor conditions where raw cotton is harvested. Our policy recognizes and draws upon the United Nations Guiding Principles on Business and Human Rights, as well as other recognized international policy frameworks.

Enforcing our Code of Vendor Conduct (COVC) is one of the most powerful ways for us to bring our Human Rights Policy to life. Our COVC seeks to safeguard workers' rights in the factories where Gap Inc. products are made, and approximately two-thirds of our Social and Environmental Responsibility department are responsible for its enforcement. This team also helps drive our collaboration with organizations such as Better Work, a partnership between the International Labour Organization and the World Bank Group.

Gap Inc. Sandblasting Policy. In 2011, we implemented a policy banning sandblasting in our supply chain. Sandblasting is a finishing technique that is used to achieve a “worn” look for new denim. It is potentially harmful because the sand used can cause silicosis and other respiratory illnesses if not handled in accordance with proper safety protocols. Upon investigating this issue and listening to stakeholder concerns, we agreed that sandblasting posed too great of a potential health risk to workers. Our policy includes not just sand but also all types of abrasives, including aluminum oxide, aluminum silicate, silicon carbide, copper slag, and garnet. Our Monitoring and Vendor Development team enforces the policy globally.

Our ongoing practices to advance human rights in our supply chain go beyond enforcement alone. We pursue strong remediation and capacity building in apparel factories by conducting worker trainings, participating in multi-stakeholder initiatives, and forging partnerships with expert stakeholders and suppliers to address specific human rights issues.

We believe that the value of a policy lies in the action and behavior it spurs. We continue to look for new and better ways to develop practices across our business operations and supply chain that support our Human Rights Policy and our Code of Vendor Conduct. To read more about how our efforts have evolved since we began this work nearly 20 years ago, please read the Operating Context and Strategy article in our Human Rights section.

COMPANY | HUMAN RIGHTS POLICY & CODE OF VENDOR CONDUCT

We are committed to staying on top of important changes taking place in the broader business and human rights landscape. We support the UN Guiding Principles on Business and Human Rights, and have followed its evolution under the leadership of John Ruggie. As a part of our effort to better understand how we can integrate the Guiding Principles into our policies and programs, Gap Inc. asked Shift to review our Social & Environmental Responsibility report and offer reflections on the implications of the UN Guiding Principles for our efforts to respect human rights in our global supply chain. Shift is a leading non-governmental organization that works with governments, businesses, and stakeholders to put the UN Guiding Principles into practice. To learn more, please visit the UN Guiding Principles article in this report.

Key Takeaways:

- *Forced, child, and trafficked labor are unacceptable practices that are not allowed to be used in the production of any Gap Inc. product.*
- *To address this urgent issue, in 2012 we monitored 96.4 percent of the factories that produce our branded apparel, and we partner with expert stakeholders including the Interfaith Center on Corporate Responsibility, the Not For Sale Campaign, the Responsible Sourcing Network, and the UN Global Initiative to Fight Trafficking.*

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.

Under no circumstance is it acceptable for child, forced, or trafficked labor to be used in the production of any Gap Inc. product. We believe that no person should be subject to a situation where basic needs and fundamental rights are denied.

Our efforts to address human trafficking in the apparel industry are guided by our Human Rights Policy, which is founded on the principles outlined in the United Nations Universal Declaration of Human Rights (UDHR) and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work (often referred to as the “ILO Core Conventions”). Our policy applies to both our wholly owned operations and our branded apparel supply chain.

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.

The United States’ Victims of Trafficking and Violence Protections Reauthorization Act (TVPRA) of 2000 defines human trafficking as:

“Any recruitment, harboring, transportation, provision, or obtaining of a person for labor services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.”

We have additional requirements designed to protect foreign contract workers employed by vendors. We monitor how foreign contract labor is used at factories producing Gap Inc. branded apparel to help ensure that people are free to work as they choose. On the ground, our Social Responsibility Specialists have a deep knowledge of the issue from interviewing workers, gaining their trust, and learning over time which agents and factories have good or bad reputations and practices.

The majority of our Social Responsibility Specialists are locally-hired and speak the local languages in the regions where they work. In 2012 alone, our team monitored more than 923 active, full-year factories, seeking to ensure adherence to our COVC. Comprehensive data on our monitoring can be found in the Human Rights data section of this report.

Our efforts to address human trafficking are not limited to our factory monitoring and remediation program. For example, we are members of the multi-stakeholder network seeking to end forced child labor in Uzbekistan’s cotton sector. We have also supported handwork centers in Northern India where at-risk women can work safely,

and a regional education initiative that helps raise awareness of how to avoid traffickers.

Due to the complexity of this problem, we know that confronting it requires collaboration across industries and must include partnerships among the public, private, and nonprofit sectors. Accordingly, we have a long history of working with a number of entities that are actively addressing various facets of human trafficking problems, including the Interfaith Center on Corporate Responsibility, the Not For Sale Campaign, the Responsible Sourcing Network, and the UN Global Initiative to Fight Trafficking. We encourage you to visit their websites and review their initiatives to fight various forms of human trafficking.

Human trafficking is an issue that crosses nearly all sectors, and is an exploitative practice that occurs outside the production of goods. For the apparel sector, it will take a sustained and collaborative effort to bring an end to this global issue. We continue to work with NGOs, companies, and other entities to ensure that we are effectively contributing to the global fight against human trafficking.

Highlighted below are the five pillars of the California Transparency in Supply Chains Act, followed by the actions we are taking to address each one:

1. Company engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party.

In 2012, we monitored 96.4 percent of the active, full-year garment factories that produce Gap Inc. branded apparel. We verify our product supply chains through both unannounced and announced visits to measure factories' compliance with our Code of Vendor Conduct, which includes strict prohibition of "forced labor ... or involuntary labor of any kind." Most of Gap Inc.'s audits are conducted by our own internal team of Social Responsibility Specialists. A number of factories producing our branded apparel participate in the Better Work program, a collaborative factory monitoring initiative led by the International Labour Organization, which is currently operating in seven countries. Factories participating in Better Work are audited by specialists employed by the International Labour Organization.

2. Company conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.

Gap Inc. conducts both announced and unannounced audits in the factories we monitor. These audits are primarily conducted by Gap Inc. staff. Gap Inc.'s company standards on labor laws and human rights are outlined in our COVC and our Human Rights Policy. Our COVC, with which all facilities producing Gap Inc. branded product must comply, explicitly states that vendors must not use "forced labor ... or involuntary labor of any kind." Human trafficking and slavery fall under the category of "forced labor" and "involuntary labor." Our COVC further states that factories must allow "Gap Inc. and/or any of its representatives or agents unrestricted access to its facilities and to all relevant records at all times, whether or not notice is provided in advance."

3. Company requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.

Prior to accepting any order for Gap Inc. branded product, our suppliers are required to sign our Vendor Compliance Agreement and agree to be bound by our COVC. Gap Inc.'s COVC states that:

"Factories that produce goods for Gap Inc. shall operate in full compliance with the laws of their respective countries and with all other applicable laws, rules and regulations ... including those relating to labor, worker health and safety, and the environment."

In signing Gap Inc.'s Vendor Compliance Agreement, which also incorporates the COVC, Gap Inc. suppliers agree to comply with the following:

"All applicable laws, rules and regulations ... these laws include, but are not limited to, laws relating to the employment conditions of their respective employee such as: (1) wage and hour, labor, child labor, and forced labor requirements; (2) health and safety; (3) immigration; (4) discrimination; (5) labor or workers' rights in general; and (6) environmental laws and regulations."

4. Company maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.

Failure of employees to abide by Gap Inc.'s Code of Business Conduct can result in corrective action up to and including termination of employment. Failure of vendors to abide by Gap Inc.'s COVC and/or Vendor Compliance Agreement can result in corrective action up to and including the "termination of all existing and future business."

5. Company provides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.

Gap Inc.'s Monitoring and Vendor Development team works directly with factory management and workers in the factories we monitor. Gap Inc.'s COVC explicitly states that facilities 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 sometimes be exploited to create instances of indentured servitude for workers. Our Social Responsibility Specialists are trained to identify these potentially abusive situations.

Key Takeaways:

- *We participate in public policy dialogue on key issues that support our business strategies, including those aligned with our social and environmental responsibility efforts.*
- *We updated our Political Engagement Policy in 2012 to provide greater transparency about the political organizations, candidates, and industry organizations we support.*

We believe that it is important to participate in political and regulatory processes on issues that affect our business and community interests, and we work proactively to support our strategies through public policy and government advocacy. This includes providing our perspective on social and environmental responsibility issues that are aligned with our company values.

In 2011–12, we lent our voice to a number of public policy issues, including:

- **Environment:** We are members of **Ceres' Business for Innovative Climate and Energy Policy (BICEP)** coalition, a group of more than 20 public and private companies seeking to help pass meaningful energy and climate change legislation that is consistent with BICEP's core principles.
- **Community:** We served on the White House Council for Community Solutions, an initiative established by President Obama to provide advice to the President on the best ways to mobilize citizens, nonprofits, businesses, and government to work more effectively together to solve specific community needs. The focus was creating pathways to education and employment for opportunity youth. We also joined the White House initiative Skills for America's Future, a bipartisan public-private partnership focused on workforce development and job placement for community college students.
- **Trade:** We support trade policies that are consistent with our values and enhance the free flow of goods globally. In 2011 and 2012, we supported enactment of free trade agreements with Colombia, Panama, and South Korea. We believe that free trade, when legislated responsibly, can spur innovation, growth, and economic development through job creation and the expansion of responsible business practices. Consistent with these beliefs, U.S. Secretary of Labor Hilda L. Solis appointed a Gap Inc. representative to serve on the U.S. Department of Labor's National Advisory Committee for Labor Provisions of U.S. Free Trade Agreements in 2011.
- **Tax:** We worked on the passage of e-fairness legislation in California, which was signed into law in 2011. This law requires out-of-state retailers to collect tax on sales made to California customers. We are supporting a similar solution at the federal level.
- **Benefits:** In 2012, we signed on to an amicus brief with the Ninth Circuit Court of Appeals, challenging the constitutionality of the federal defense of Defense of Marriage Act, alongside other leading companies such as eBay, Google, Microsoft, and Starbucks.

Our Political Engagement Policy plays a central role in our public policy efforts. We updated this policy in 2012 to provide greater transparency about the political organizations, candidates, and industry organizations we support.

Key updates to this policy include:

- Disclosing a list of the trade associations we support as members, along with our aggregate contributions to them.
- Revising our Candidate Approval Guidelines to expressly include consideration of impacts on our company's reputation.

- Clarifying the types of issues on which Gap Inc. may lobby.

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 2011-2012 U.S. election cycle, the GPAC contributed approximately \$7,000 in 2011 and \$25,000 in 2012 to federal candidates in both the Republican and Democratic parties.

We also made \$10,600 in corporate contributions in 2011, and \$15,000 in 2012. All corporate political contributions are made at the state and local levels in compliance with our corporate governance practices and applicable laws.

In our commitment to transparency throughout our public policy and government affairs activities, we update this information annually on our corporate website.

Key Takeaways:

- *Our Code of Business Conduct is Gap Inc.'s foundation for promoting a responsible and ethical work environment, helping to ensure that our employees' actions reflect our company's integrity and values.*
- *The greatest value of our Code of Business Conduct lies in its implementation, and we provide a variety of training approaches to make sure it is understood and adopted by our employees around the world.*

Our co-founder Don Fisher once said, "The thing I'm the most proud of is the integrity of the company." His words continue to reflect and inspire the way we do business.

The Gap Inc. Code of Business Conduct (COBC) sets forth the company's expectation that our employees embody our "Do: what's right" value and act with integrity in all that they do. It 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.

Our Global Integrity and Compliance Department manages our COBC program, led by Gap Inc. General Counsel and Chief Compliance Officer Michelle Banks, who reports directly to Gap Inc.'s Chairman and CEO.

Among other things, the COBC informs our employees on how to prevent conflicts of interest, support compliance with the law, and protect the company's information and assets. We encourage employees to "Speak Up!" if they see improper conduct or behaviors. The Global Integrity and Compliance Department provides other necessary leadership, processes, policies, and tools to ensure that our employees act with integrity.

We approach our COBC program as a dynamic structure. As we continue to expand globally, we are constantly seeking to ensure that our program is attuned to the ever-changing internal and external business and legal environment. The COBC program is implemented in a way that translates effectively into local contexts and accounts for cultural differences as needed. Much of this work begins with educating our new employees on our expectations with respect to how they act and what filters they use when making decisions.

Key aspects of how we implement our COBC include:

- Within 30 days of their initial hire date, all employees worldwide are required to take a COBC overview course.
- We provide compliance training to various targeted employee audiences on topics of non-discrimination and harassment, wage and hour compliance, workplace accommodations, anti-corruption, competition law compliance, and data privacy and security. Our Global Integrity and Compliance team also conducts general in-person training sessions through the year. In 2012, we launched a new learning portal that gives our employees (and their managers) direct access to their online learning history and upcoming mandatory trainings.
- We provide a variety of online self-help tools for compliance education and communication, 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 and Compliance team conducts over 100 interviews with employees and selected vendors. These interviews allow us to gauge how well our employees understand our COBC, remind our employees and vendors of their responsibilities and our expectations as to how we engage with each other, and ensure that employees know how to report COBC violations.
- Senior-level employees must certify their COBC compliance annually and are briefed on relevant compliance or integrity topics to raise awareness.

- We encourage employees to “Speak Up!” and report suspected or alleged violations to their supervisor or a human resources representative, email our Global Integrity and Compliance department at global_integrity@gap.com, or call a confidential, third-party hosted hotline available 24/7 to all employees worldwide, with interpreters available in multiple languages. In 2012, we launched a new web-reporting tool, www.speakup.gapinc.com, with the same third-party provider, giving employees across the globe even more ways to confidentially report their concerns. All allegations are taken seriously, appropriately investigated, and resolved. Our anti-retaliation policy protects individuals who report suspected violations.
- Each year, we solicit nominations from our employees across the globe for the Fisher Award for Integrity. The award is named in honor of our co-founders, Don and Doris Fisher, and is given to an employee who has embodied our integrity value of “Do: what’s right.”

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

In addition to the Global Integrity and Compliance Team, we have a Corporate Compliance Committee of senior cross-functional leaders. This committee meets quarterly to provide program guidance, offer insights into the business that may impact the COBC program, and raise overall awareness of the COBC within the Company. A committee of the Board of Directors also receives updates on the compliance program at least semi-annually. The Board of Directors also receives periodic education on compliance and integrity-related topics.

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

Key Takeaways:

- *Customer safety is a priority for our company, and we have a rigorous testing process in place to help ensure the safety of our products.*
- *We maintain a restricted substance list to further ensure customer safety by dictating which chemicals cannot be used in the production of our clothing.*

Product safety is a top priority for Gap Inc. We take pride in designing and selling clothing that meets or exceeds safety and regulatory requirements in the markets where our products are sold. Our corporate Product Safety team and global Product Integrity teams work to ensure that our branded products are made to strict safety standards, employing safety ‘checkpoints’ such as design engineering assessments and laboratory testing during development and production phases. 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.

Restricted Substance List

From fabric dyeing to creating unique garment finishes, chemicals are used throughout the production cycle of most garments. Knowing that certain chemicals can be harmful to consumers, in 2008 we developed a Restricted Substance List (RSL) that dictates which chemicals must not be used to produce our clothing.

We base this list on both existing and developing legislation as well as toxicity risk assessments. As part of our ongoing monitoring process, we have an independent, accredited third-party lab test for restricted chemicals in our finished products. If products do not meet applicable legal chemical requirements and regulations, they will not be sold or must be remade to meet our compliance standards. If a supplier’s product is shown to have elevated levels of these chemicals, we provide test results and guidance to help the supplier remediate its usage of these chemicals and educate the supplier on our chemical policy.

Human Rights

Full Section

Key Takeaways:

- *We are in the process of evolving our human rights strategy to build on the best of what we have done in the past while addressing our current operating context and changing business environment.*

The landscape has changed

Since Gap Inc. began to focus on social responsibility in the mid 1990s, the business and human rights landscape has evolved significantly. Over the past two decades, leading companies have exponentially expanded their efforts to embed human rights practices into global supply chains.

We have also seen the global pace of production accelerate, supply chains become more disaggregated, competition in the apparel industry intensify, and demand for lower-cost, faster fashion rise rapidly. These pressures have made it more challenging to ensure that workers in diverse regions—with differing laws, cultures, and economies—work in safe and fair conditions.

Many companies have recognized that acting responsibly is now a basic expectation, and that lapses bring significant risk to their reputation and ability to operate. Leading companies are going beyond solely mitigating risk to considering how improved working conditions can benefit all stakeholders, giving everyone involved the incentive to sustain better practices and build on them in the future.

More frameworks and policies are now in place to support progress, such as the United Nations Guiding Principles on Business and Human Rights and the California Transparency in Supply Chains Act (CATSCA). The stakeholder community has evolved its own tools to advance change, with enhanced strategies to monitor and motivate responsible corporate behavior.

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				

These changes represent progress. Yet we are aware of the complex issues that remain—many of them systemic and deeply rooted. Recent tragedies have occurred in apparel factories in Bangladesh and Pakistan that underscore the urgent need to dramatically improve working conditions and worker safety in some regions. Creating change in this context will require local and national governments, more companies, and the industry as a whole to take substantive action. Many existing efforts—factory monitoring and capacity building among them—will also have to be carefully analyzed and improved in order to achieve their ultimate goals.

Several major trends are influencing the conditions in which clothes are made. These include:

- Insufficient building safety and fire safety preparedness in apparel factories in some markets, particularly Bangladesh. Paired with this is a lack of governmental oversight and accountability with regard to the implementation of building codes and fire safety regulations.
- Demand for fast fashion, which can lead to additional pressure on conditions inside factories. As retailers face pressure from their customers to constantly deliver on trends, management faces faster turnaround times, which can subsequently lead to workers facing longer hours and other potential issues.
- Lack of meaningful consumer awareness and action around these issues. Consumers have the opportunity to take a more active role in “voting with their dollars” and support companies that have effective human rights practices in place.
- Increasingly complex and fragmented supply chains, which can have the dual effect of making workers more vulnerable to macro-economic trends while diminishing the ability of brands and retailers to assert influence.
- Great variability by country. In some countries, we are seeing efforts to vertically integrate aspects of the supply chain, which can insulate workers from the negative impacts of fluctuations in the global economy. For example, China and India not only have cut-and-sew capabilities, they also spin raw cotton into yarn and manufacture fabric in mills. Other countries, such as Cambodia, remain heavily invested in the cut-and-sew tier, leaving them more vulnerable to the purchasing behaviors of major apparel companies. Also, because Cambodia’s manufacturing sector is based almost exclusively on assembling garments and leverages competitive labor as its “value add,” the country is particularly sensitive to wage issues.

For global companies such as ours, the evolving business landscape is becoming more complex as we balance the needs and desires of our customers, investors, business partners, governments, and civil society. These varying stakeholders and their diverse priorities make it challenging for business to satisfy everyone. Despite these challenges, we are constantly working to identify the issues that are most relevant, and seek to identify where we can impact changes in policy, practice, or both. We are committed to operating responsibly, and we also recognize that what it means to be a leader in that capacity is shifting. It is not enough to think only of our own behavior; we must also contribute to moving the industry forward. In some cases, this may mean taking the first bold step on an issue, while in others it may mean partnering within a broader coalition to drive industry-wide change.

Respecting human rights in the apparel industry will require thoughtful action by more companies. While many in the industry are working both individually and collectively to bring about change, many others are not. We encourage everyone in our sector to join the broad effort to advance equality and respect for human rights.

Our strategy starts with a new vision

Having sought to improve working conditions in the apparel sector for close to 20 years, we draw on valuable experi-

ence to inform our future direction. In 2012, we began to review our initiatives, strategies, and partnerships focused on improving working conditions in our supply chain. We took stock of what we have accomplished, where we have fallen short, and where we believe we must go.

As part of this initiative, we have created a new Social and Environmental Responsibility vision for Gap Inc. to “Raise the bar by creating value for all.”

In the context of human rights, this means we aspire to improve working conditions for garment workers by demonstrating how doing so can benefit all stakeholders—from workers being promoted more quickly and receiving higher wages, to factory managers becoming more efficient and thereby profitable, to customers knowing that their clothing is made by people who are treated fairly. It also means that we will help set a new standard of responsibility in the areas where we choose to lead.

Our vision compels us to continue investing in credible human rights due diligence processes as described in the UN Guiding Principles on Business and Human Rights, while forging a strategy in which improving human rights becomes a driver of business success. Along the way, we will aim to convert challenges into opportunities and to advance equality through innovation and growth. This vision requires focus; we will not succeed if we fail to prioritize. We believe that it is better to do fewer things very well than it is to be merely adequate at many.

We believe that the key to sustainable change lies in creating value, rather than just protecting it. By seeking to develop mutually beneficial practices that create value for a broader set of actors—our company, garment workers, vendors, and other stakeholders—our efforts will become more sustainable and scalable.

Evolving our human rights strategy

We know that our vision is only the starting point for change. Its value will be measured by the actions it drives and the impact it achieves over time. As such, we are in the process of translating our vision into an evolved human rights strategy that maintains the best of what we have done in the past and builds on it to fully account for our current operating context and changing business environment.

We are basing our human rights strategy on our experience, expertise, impacts, influence, and partnerships, and are guided by our history of:

- Marrying policy and practice: We have a Human Rights Policy and a Code of Vendor Conduct that we enforce through our Monitoring & Vendor Engagement team in conjunction with business units across Gap Inc. and with external stakeholders.
- Collaborating and innovating to scale solutions: We were a founding member of the International Labor Organization’s Better Work program, and are now members of its Advisory Council.
- Being transparent about what works and what does not: We have been reporting on our social and environmental impacts since 2003.
- Investing where we can achieve the greatest impact: We have focused our efforts on the cut-and-sew level, where we have the most influence.
- Contributing to public policy: When relevant, we work to advance Gap Inc.’s human rights strategies through public policy and government advocacy.

HUMAN RIGHTS | OPERATING CONTEXT & STRATEGY

- Identifying opportunities to both respect human rights and advance our business: We seek to develop models of change that create shared value for a broader set of stakeholders.

We are committed to a human rights strategy that builds on what has worked over the past 20 years, addresses what has not, delivers new solutions, and enhances measurement systems that assess our progress and impact. In many cases, this means collaborating with peers who are striving to make the same improvements and changes that we are, as we know there remain significant opportunities to improve factory practices and working conditions. We look forward to working with others who share our commitment in order to change the way the sector operates and create a new norm of responsibility.

We are focusing our human rights strategy on two key areas: 1) Vendor Engagement and 2) Fire and Building Safety in Bangladesh.

Our Vendor Engagement efforts seek to build sustainable human rights practices in garment factories by demonstrating the value we can create for a broad set of stakeholders by investing in workers' well-being and rights, vendor capacity building, and factory monitoring and remediation. We are in the process of implementing a case management approach to Vendor Engagement, moving beyond the "one size fits all" approach that has driven many industry efforts to date. These tailored programs are being rolled out in factories that are either of strategic importance to our business or that have repeated compliance issues against our Code of Vendor Conduct (COVC). Our new sourcing strategy will also help advance our Vendor Engagement efforts. Centered on category management, this new strategy calls for sourcing based on companywide product categories such as denim or knits. This approach emphasizes collaboration—across brands, geographies, our internal teams, and other stakeholders throughout our supply chain. In addition, this approach will help us build closer relationships within our vendor base that support both our business success and our ability to improve working conditions.

For more information on our Vendor Engagement Program, please visit the Monitoring and Remediation and Capacity Building portions of this report. To read a case study about how shared value can work in the factory setting, please see the story on our Gap Inc. P.A.C.E. program in the Advancing Women section of this report.

Our efforts to improve fire and building safety in Bangladesh began with our own internal program in 2012, when we began conducting fire safety assessments at the factories we contract with in the country. To carry out this work, we hired a team led by one of the world's foremost fire safety experts, [Randolph W. Tucker](#) of the engineering firm ccrd, who sits on the Board of Governors at the National Fire Protection Association. We also hired a team of structural engineers from the firm Walter P. Moore to help us assess the structural integrity of these facilities.

While implementing our own program, we also worked with other leading apparel brands and retailers to help create the [Alliance for Bangladesh Worker Safety](#), a comprehensive, multi-stakeholder approach to addressing fire and building safety in Bangladesh. This five-year agreement is designed to fundamentally improve worker conditions in Bangladesh through comprehensive factory inspections, safety training and readiness, worker empowerment initiatives, and financial assistance to factories and affected workers in Bangladesh. The initiative will not only bring together retailers and brands that play a substantial role in Bangladesh's garment industry, but will be structured—via a system of specific benchmarks and incentives—to ensure that the Bangladeshi government has a vested interest in reinforcing positive change through good governance and the rule of law. For more information on this effort, please visit www.bangladeshworkersafety.org, and to learn more about our efforts in Bangladesh, read the Bangladesh Fire and Building Safety article in this report.

HUMAN RIGHTS | UN GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS

In 2013, Gap Inc. asked Shift to review our Social & Environmental Responsibility report and offer reflections on the implications of the UN Guiding Principles on Business and Human Rights (Guiding Principles) for Gap Inc.'s efforts to respect human rights in our global supply chain. Shift is a leading non-governmental organization that works with governments, businesses, and stakeholders to put the UN Guiding Principles into practice.

The Guiding Principles provide an important framework for how companies should identify and address their human rights impacts. Shift's review of our policy and programs was based on documents and interviews with key staff, and did not involve an assessment of activities on the ground. Shift provided us with several insights that we will consider as we continue to evolve our human rights strategy. Select learnings include:

- The emphasis that the Guiding Principles places on a company first understanding where it has impact and then considering how to address those impacts based on its unique levers of influence. This is consistent with the approach that we have taken to address human rights issues in our cut and sew facilities (where there are significant impacts and we have some influence) and in addressing Uzbek cotton (where there are significant impacts but we have less influence). Shift recommends that Gap Inc. further review the potential for significant impacts throughout our apparel and non-apparel supply chain, even where influence may be less obvious.
- The importance of integrating worker perspectives into our Monitoring and Capacity Building programs. We rely on local staff (who understand the local language and customs) in the countries where we source to help ensure we are interpreting and incorporating worker perspectives into how we address human rights issues. Shift also noted the importance of integrating broader stakeholder concerns into our Risk Assessment processes.
- Our continued use of root cause analysis, which helps us understand the underlying causes of poor working conditions, and analysis of how our own actions, such as purchasing practices, may at times contribute to negative human rights impacts.
- Support for our effort to further develop our materiality assessment approach, while urging us to more carefully consider how we fully reflect the severity of impacts on affected stakeholders in that approach. We will continue to fulfill the Guiding Principles expectation that, as a company with potentially significant impacts, we formally report on how we address our human rights impacts.
- The importance of maintaining operational-level grievance mechanisms, as a means for affected stakeholders to raise concerns about a company's impacts in order to seek remedy. Shift noted our respect for and efforts to support workers' freedom of association as important contributions to this. They also noted that we should continue to build on lessons learned from previous experiences in engaging credible third parties to help establish and operate effective grievance mechanisms.
- The urgent need to address fire and building safety in Bangladesh in a collaborative manner. Shift stated their regret that many North American brands and retailers felt it necessary to form an agreement separate from the European-driven Accord and stressed the need to avoid duplication, inconsistency or confusion. They noted that observers will ultimately look for the results that are delivered for workers. Shift also acknowledged that Gap Inc.'s focus on fire and building safety, worker empowerment, and freedom of association should contribute to tangible improvements on the ground. We are now advancing this through our participation in the [Alliance for Bangladesh Worker Safety](#).

HUMAN RIGHTS | **UN GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS**

You can read Shift's full review of our human rights practices and policies in the Appendix of this report. The scope of this review was focused exclusively on our supply chain, and does not represent a full assessment across our owned and operated facilities (such as stores or corporate offices). We see this review as a meaningful step toward better understanding how our efforts to respect human rights in our supply chain fit within the Guiding Principles framework.

Key Takeaways:

- *We strive to create long-term solutions—and advance both human rights and our own business goals—by addressing the underlying causes of human rights issues in the factories that make our branded apparel.*
- *We continue to go beyond monitoring to create innovative strategies grounded in partnership and shared accountability among companies, vendors, workers, and other key stakeholders.*
- *Monitoring is an essential strategy for improving working conditions, but it needs to become more consistent and effective throughout the apparel industry.*

As discussed in the Operating Context & Strategy section of this report, our business landscape has changed dramatically since we first sought to improve working conditions in our supply chain in the mid-1990s. So have the tools we use to create positive change.

We continue to focus our human rights efforts largely at the cut-and-sew level of the supply chain because we believe in investing where we have influence and can achieve impact.

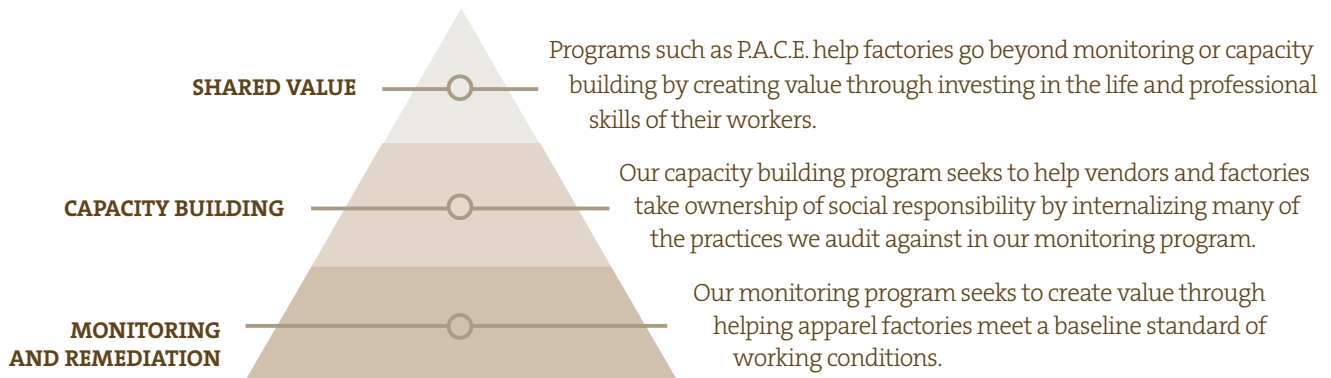
We have learned that monitoring and remediation are necessary, but they alone are not enough to create lasting change. While monitoring is an essential tool for developing a measureable baseline assessment and addressing the symptoms of poor working conditions, it cannot always adequately address the root causes of these conditions or form the basis for long-term solutions. What's more, as a policing model, monitoring will periodically fail because auditors simply cannot identify every problem all of the time.

Recently there has been increased public debate about whether monitoring is an effective way to improve working conditions in apparel factories. We believe that monitoring is essential, but we also believe that its execution needs to be more consistent across the industry; there is too much variation in the degree to which companies enforce their codes of conduct and invest in remediation. For more detail, please see the Monitoring section of this report.

We are working to create long-term solutions—and advance both human rights and our business goals—by addressing the systemic drivers of issues in the factories that make our branded apparel. We have gone beyond monitoring to create strategies that share accountability among companies, vendors, workers, and other key stakeholders. For example, in the late 1990s, we joined a new effort to improve labor standards compliance and transparency. The effort culminated in the creation of the Better Work program, a partnership between the International Labour Organization (ILO) and the International Finance Corporation (IFC, part of the World Bank Group). Better Work 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. Currently, we sit on the Advisory Board of Better Work representing U.S. buyers, and are committed to seeing this partnership grow beyond the seven countries in which it now operates. For more information on Better Work, please see the case study below.

Over the past ten years, these efforts have ranged from worker training on freedom of association to multi-stakeholder initiatives addressing a wide range of worker rights. While some efforts have generated promising results, others require further adjustment and innovation in order to make the greatest impact.

Our work with factories is based on a tiered approach, outlined below, which seeks to address the problems from multiple angles.



Shifting how and what we measure

We know that the tools we use could be enhanced to give us added insight into our human rights practices. Accordingly, we are seeking to improve how we measure the outcomes and impacts of our efforts, rather than measuring success by the number of activities we pursue or the degree to which we implement them. This is a shift in measurement that will take considerable innovation as we tackle complex questions about what constitutes impact. For example, is impact the absence of problems or crises? If impact is the creation of value, how do we define that value? Over the next two years, the answers to such questions will inform how we develop new measurement and analysis tools.

Case Study: Advancing industry collaboration and consistency

We are working with the Global Social Compliance Programme (GSCP) and other leading apparel retailers to create an industry-aligned approach to Social and Labor Management Systems that would seek to help vendors meet compliance requirements and engage in continuous improvement programs. This effort, known as the GSCP Social and Labor Management Systems Initiative, seeks to help vendors integrate social compliance into their daily operations in efficient, systematic ways.

The goal is to collaboratively develop guidelines that will reduce confusion and redundancies, while still allowing room for variations in different systems. We recognize that organizations such as the Business Social Compliance Initiative, Ethical Trading Initiative, Fair Labor Association, and Social Accountability International all bring unique value to this area, but we also believe that greater alignment among them would create added efficiencies.

This process is at an early stage, and we look forward to providing detailed updates in our next report.

Case Study: ILO Better Work program

For more than ten years, we have worked with other companies, governments, trade unions, non-governmental organizations, governments, and international institutions to advance the quality and consistency of monitoring.

HUMAN RIGHTS | WORKING WITH FACTORIES

One way we have sought to do so is by aligning industry-monitoring practices. We believe that, by helping to develop a consistent industry-wide approach to monitoring, we will be better equipped to advance equality for workers in the apparel sector. We aim to create a baseline standard that is easily understood by companies, vendors, factory managers, and workers so that efforts to improve working conditions will be more focused, inclusive, and successful.

In 2001, we helped form the International Labour Organization's (ILO) Better Factories Cambodia program, which has since expanded into the global Better Work program. This highly regarded partnership between the ILO and the International Finance Corporation (IFC) seeks to help governments, workers and companies achieve compliance with the ILO's core labor standards as well as national labor laws. In 2012, our Vice President of Social and Environmental Responsibility was elected to a two-year term representing U.S. buyers on Better Work's Advisory Committee.

In countries where Better Work programs are established, we subscribe to Better Work assessment reports and have stopped our own monitoring at Better Work's request. This allows us to deploy our internal monitoring team more strategically, with a focus on remediation and capacity-building efforts.

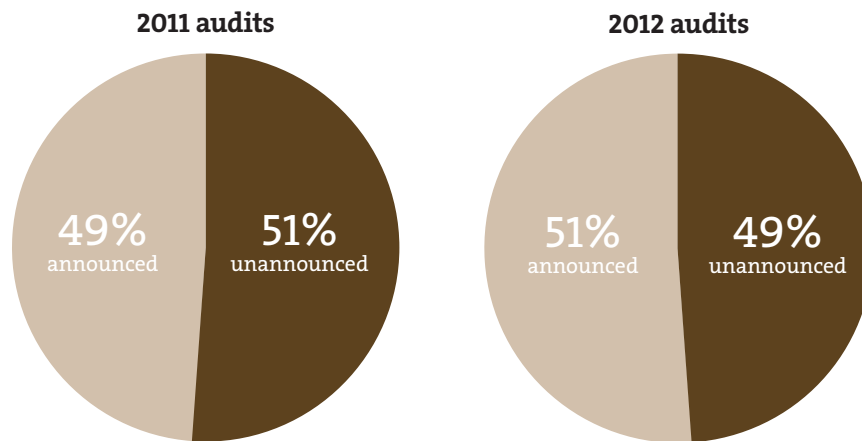
In 2011–12 Gap Inc. collaborated with Better Work in Cambodia, Haiti, Indonesia, Jordan, Lesotho, Nicaragua, and Vietnam to monitor more than 90 factories. The degree to which we rely on the Better Work program varies by country. For example, all of our branded apparel suppliers in Jordan, Lesotho, and Haiti participate in the Better Work program, whereas in Vietnam, Better Work monitored approximately 30 percent of the factories we source from over that time period.

Better Work and its members are committed to continually measuring the impact and efficiency of the program. Better Work publishes a Discussion Paper Series and the Better Work Impact Research to help inform its strategy and policy decisions. To read more about Better Work's evolution, challenges, and opportunities, please [click here](#).

Key Takeaways:

- *Monitoring continues to play a crucial role in helping us improve working conditions in the factories producing branded apparel for our family of brands.*
- *One critical feature of our approach is our in-house team of approximately 50 experts within our broader Social and Environmental Responsibility department, who are responsible for assessing working conditions in the factories that manufacture our branded apparel.*
- *At Gap Inc., monitoring does not mean visiting a factory once a year. It means conducting root cause analyses, implementing long-term remediation plans, and continuously evolving our approach to make it as comprehensive and effective as possible.*

Monitoring continues to play a key role in our strategy for working with factories. While we recognize that monitoring alone is not sufficient to reach all of our goals, it remains foundational to respecting human rights and improving working conditions in our supply chain, and is a key tool that helps us assess human rights risks through country, vendor, issue prevalence, and geographical lenses.



In 2011, we conducted 618 unannounced audits and 590 announced audits of suppliers that manufacture branded apparel for our brands. In 2012, we conducted 563 unannounced audits and 585 announced audits of suppliers that manufacture branded apparel for our brands.

While Gap Inc. does not own or operate any production facilities, in 2012, we monitored 96.4 percent of the active, full-year factories that produce our branded apparel, which included 923 factories in 32 countries around the world. Our monitoring program extends to all authorized sub-contractors at the cut-and-sew level. Our efforts to monitor all factories producing Gap Inc. branded apparel are complemented by a non-apparel policy that requires all suppliers of Gap Inc. branded product to sign a compliance agreement stating their commitment to abide by our Code of Vendor Conduct (COVC). In order 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 2005–06 report.

Our approach to monitoring relies on a number of tools and procedures that help us assess our human rights impacts. We assess working conditions throughout the entire duration of our relationship with a given vendor, and analyze current and emerging issues through the use of regional strategy maps, analysis of audit reports, compliance with our Code of Vendor Conduct, and evaluation of factory performance to inform where we allocate our resources, which requires close collaboration between our Social and Environmental Responsibility and Sourcing departments.

HUMAN RIGHTS | MONITORING AND REMEDIATION

Further, we understand the potential negative consequences of our own operational decisions (i.e. order changes), and are mindful of vendors’ capacities in our human rights risk assessment processes. Read more information on our purchasing practices in this section of the report.

Two key principles guide our approach to monitoring:

- We believe that what gets measured gets managed. We monitor factories against the consistent standards of our COVC, and we rate their performance over time so that we can more effectively address issues.
- We work to fix what we find. The value of monitoring extends far beyond uncovering problems; it includes all of the actions we take to facilitate remediation in a sustainable way.

Factory Ratings Components		Description	Ratings Impact
Issues	Non-key	Code of Vendor Conduct violations found at a factory. (i.e. Factory does not maintain copies of applicable laws)	-
	Key	Code of Vendor Conduct violations found at a factory with higher negative impact to the factory ratings than Non-key issues. (i.e. Factory limits or interferes with access to workers)	
Reoccurrence	Non-key	A non-key issue that was resolved is found again at the factory	-
	Key	A key issue that was resolved is found again at the factory	
Follow-up		If the issue is not resolved by the agreed upon resolution date, the factory rating will be negatively impacted	-
Best practices		Factories that implement best practices beyond our code or the local law (i.e. free daycare provided for all employees)	+

Our factory ratings are calculated using multiple inputs such as the type of issue found, the frequency of its occurrence, and the best-practice points given to factories that go beyond our COVC.

HUMAN RIGHTS | MONITORING AND REMEDIATION

We have gained valuable insights over nearly 20 years of monitoring the factories that make our branded apparel:

- A tailored approach to monitoring—based on the frequency of visits and the types of issues we focus on—is more effective than a one-size-fits-all model. Each factory may have unique issues driven by unique causes.
- Evaluating factory performance over time uncovers insights and trends that help us determine the optimal frequency and focus of our visits. This insight allows us to allocate our resources more strategically.
- Having an in-house team of experts to monitor factories gives us more control over the quality and consistency of monitoring, allows us to establish better relationships with workers and vendors, and most importantly, enhances our ability to remediate issues. Having an expert team also spurs innovation as our experienced field team works with our headquarters staff to reveal insights and new ways of addressing key issues.
- Locally and regionally hired team members are crucial to driving sustainable change because they speak the local language and understand the cultural, geographic, and economic issues specific to their regions.

Our monitoring program includes five stages:

1. *Approval.* Before any factory can manufacture apparel branded by Gap Inc., it must undergo an initial audit assessing its working conditions. Based on this 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. In 2011 and 2012, we approved a total of 137 factories and rejected 33.
2. *Monitoring.* We make announced and unannounced visits to conduct audits that assess factory performance against the standards outlined in our Code of Vendor Conduct. In 2011–12, approximately 50 percent of our visits were unannounced. We tailor the frequency of visits to a factory's unique needs. For example, a factory that is not performing well may require more visits than a high-performing factory.
3. *Rating.* Our Monitoring and Vendor Engagement team assesses factory performance during its audits, reviewing more than 700 indicators in the process. Our rating system places factories in one of four major color tiers: Green = Top Performer; Light green = Above Average; Yellow = Average; Red = Below Average. Rating factories is a rigorous process that requires careful decisions about the weight of various issues. For example, we define “key” violations, such as excessive overtime, as having greater negative impact on a factory's rating than “non-key” violations, such as first-aid kits not being fully stocked. We also award a limited number of best-practice points to encourage factories to go beyond basic compliance for initiatives such as offering leadership training to workers or issuing public sustainability reports.
4. *Remediation.* We emphasize remediation, and we do not allow Code of Vendor Conduct violations to go unaddressed. When we find violations, we work with factory management to agree on specific time-bound improvement plans. We monitor progress through follow-up visits and on-site meetings with unions if they are present in a factory. Because partnerships can often yield better results than one-sided approaches, we frequently work with other brands to remediate issues in shared factories. We also collaborate with local stakeholders to help identify and address factory issues when they may have more direct access and influence.
5. *Root cause analyses.* We conduct root cause analyses and review management systems to assess the underlying causes of ongoing violations. We believe that the most sustainable way to address problems over the long term is to help vendors understand the conditions that allow violations to recur.

ROOT CAUSE ANALYSIS DIAGRAM	
STEP BY STEP	CASE STUDY
<p>Step 1—Identify the problem. Root cause analysis is especially suited to issues that have occurred more than once, suggesting the need to address underlying drivers. Issues related to health and safety should be priorities and may be uncovered by consulting past audit reports. Looking beneath the surface is valuable even with potential new problems, and it has become an integral part of our work with factories. Increasingly, we encourage factory management to undertake this process themselves.</p>	<p>Workers at one factory were not using filter masks at a spot cleaning station. This issue recurred and posed a potential health and safety risk to workers. The reason for not wearing masks was unclear, calling for a deeper inquiry.</p>
<p>Step 2—Decide who needs to be in the room. One of the keys to productive analysis is making sure that the right people participate. For example, if the issue involves work hours, those responsible for a factory’s production should be part of the discussion; if the issue concerns broken lights, then the maintenance manager is more appropriate.</p>	<p>In the case of workers not using filter masks, a range of people were brought together to look at the issue from different angles: the production manager, maintenance manager, controller, and representatives of compliance and human resources.</p>
<p>Step 3—Ask “why” along with open-ended questions. A root cause analysis is a journey with no clear destination; questions often lead to more questions, and understanding is the ultimate goal. “Why?” is often the best route to success, as are open-ended questions that do not cast judgment or blame. What not to ask: questions that can be answered with a quick yes or no.</p>	<p>Why were workers not wearing filter masks? This initial question was broken down into a number of follow-ups: Why weren’t health risks reviewed with workers? Why didn’t they understand the need for masks? Why were spot cleaning stations located in places without ventilation? Why hadn’t management taken disciplinary action?</p>
<p>Step 4—Get to the bottom of the problem. Finding the cause of a problem requires persistence and open-mindedness. What lies beneath the surface can be unexpected or difficult to tease out, especially with sensitive issues. In addition, many issues have more than one driver, and it is critical to determine which drivers are most important.</p>	<p>Workers were not wearing their filter masks because they were uncomfortable and inconvenient to wear. But this was not the underlying problem. At root, workers did not understand the need to wear the masks. So they took what seemed like the easier path and chose not to wear them.</p>
<p>Step 5—Consider and select a solution. Once the cause of a problem is unearthed, creating a solution becomes more straightforward. Is the issue lack of awareness? A lapse by factory management? A missing procedure or technical problem? Effective solutions address more than just symptoms and are thus more comprehensive.</p>	<p>The factory undertook a thorough health and safety assessment and introduced an incentive program, awareness campaign, and worker training about the use of masks. We sought to balance the need to inform workers of the risks without causing alarm, while taking clear steps to ensure safety. For example, certain work areas would start requiring the use of protective gear.</p>
<p>Step 6—Implement and communicate. An improvement plan outlines who is responsible for taking action and when that action will be completed. In order to be most effective, such plans need to be specific and include buy-in from factory management. This is especially true because many issues include the need for cultural shifts within the factory.</p>	<p>The specific steps outlined above were documented in an improvement plan. The factory also implemented an awareness campaign for workers about filter masks, holding meetings and trainings. Corresponding health and safety signs were posted throughout the factory.</p>
<p>Step 7—Follow up. Since the goal of root cause analysis is to prevent issues from recurring, it is essential to track whether that goal has been met. Continuous self-assessment is an ongoing part of the process, and it may yield new insights into refining an improvement plan and making it even more effective.</p>	<p>An assessment found that workers gained new understanding of the importance of wearing filter masks and learned how to use them. In addition, the factory’s health and safety assessment uncovered the use of hazardous chemicals in certain areas, and these were removed in favor of safer substitutes.</p>

Key Takeaways:

- *Our capacity-building efforts focus on empowering suppliers to have a positive impact on working conditions in ways that create value for workers, communities, factories, and brands.*
- *We base this work on a model of continuous improvement, building on lessons learned and sharing this knowledge with our suppliers.*
- *Because challenges at different factories vary greatly, we are developing a tailored approach to make our capacity building even more effective.*

Because we know that monitoring is only one element of improving working conditions over the long term, we pursue additional strategies to achieve our human rights goals.

Our Vendor Engagement Program focuses on capacity building and improving management systems in our supplier factories. Based on a model of continuous improvement, our vision for this program is to empower suppliers to have a positive impact on working conditions in ways that create value for workers, communities, factories, and brands. Our intent is to leverage the Global Social Compliance Programme's Social and Labor Management Systems initiative. This industry-aligned approach seeks to help minimize duplication of compliance and capacity-building efforts while developing a common understanding and application of different brands' requirements that pertain to management systems.

A management system is defined by the Global Social Compliance Programme as “an operational set of policies and procedures that a supplier establishes to achieve and measure continuous improvement in working conditions. There are many types of management systems, but all share the common aim of improving efficiency and organizational performance through the application of appropriate policies and procedures.” We know that improving management systems can often help address the root cause of key issues. For example, if a factory can develop comprehensive planning schedules for its production lines, it will be better able to ensure that workers stay within the legal number of hours, reducing the chance of excessive overtime.

Created in 2008 in partnership with Verité and further evolved with Social Accountability International in 2011, our Vendor Engagement Program seeks to help vendors and factory managers:

- Detect and remediate specific human rights issues.
- Implement human resource management systems that help prevent issues from occurring in the first place.
- Engage stakeholders to create locally relevant solutions to key issues.
- Invest in their communities and their workers—both within and outside their work environment.
- Establish goals for social and environmental responsibility.

Gap Inc. has been implementing various capacity building programs for nearly ten years. Our approach is based on the idea that when social responsibility systems are run internally within a factory or vendor's operations, they will become more sustainable.

While we have not measured the impact of these various efforts in a quantifiable way, we have found that our existing “one size fits all” approach to capacity building has limitations. The challenges and opportunities for improve-

HUMAN RIGHTS | CAPACITY BUILDING

ment within a factory can vary greatly, which is why we are in the process of evolving our capacity building efforts toward a case management approach. We will be implementing tailored programs in factories that are either of strategic importance to our business or that have persistent compliance issues against our Code of Vendor Conduct (COVC). Our new sourcing strategy, which calls for working with fewer vendors in a deeper way, will help facilitate this work by supporting closer relationships that better meet the needs of individual factories.

With a case management approach in mind, we are in the process of designing and implementing a needs-based assessment to identify our vendors' capacity building needs. We are in the early stages of this new approach, and will continue to partner with the Global Social Compliance Programme to help ensure that our efforts complement other industry initiatives.

Key Takeaways:

- *Fire and building safety in Bangladesh’s ready-made garment industry is a key priority for Gap Inc., and we are working with a broad coalition of stakeholders through the Alliance for Bangladesh Worker Safety to address this urgent issue.*
- *We have formed an expert team focused on improving fire and building safety at the factories producing our branded apparel in Bangladesh. We are also providing training to help drive worker and management behavior changes to improve fire safety practices.*

In December 2010, a tragic fire broke out at the Hameem Group’s That’s It Sportswear factory in Dhaka, Bangladesh, taking the lives of 29 people and injuring more than 100 others. The factory was a supplier to Gap Inc. and several other major apparel brands and retailers. This tragedy affected all of us at Gap Inc. deeply, as a fundamental purpose of Gap Inc.’s approach to social and environmental responsibility is to ensure that factories producing our branded apparel maintain a safe working environment. Since that time, other tragedies have occurred in apparel factories in Bangladesh that further underscore the imperative for significant change. In 2012 and 2013, major industrial accidents occurred at two apparel factories, Tazreen Fashions and Rana Plaza, and while we did not source any products from either facility, we believe that all apparel brands and retailers who source apparel from Bangladesh have a role to play in bringing about real and lasting change for workers in the country’s ready-made garment sector.

For more information on how Gap Inc. is working with a broad set of stakeholders to address fire and building safety in Bangladesh, please visit the Alliance for Bangladesh Worker Safety website.

We recognize that change is urgently needed and we have marshaled our resources to respond as quickly and effectively as possible. Our strategy to improve fire and building safety in Bangladesh is focused on two key areas:

1. Improving fire and building safety across our entire factory base in Bangladesh, through extensive inspections and remediation plans.
2. Providing training to drive worker and management behavioral changes to improve fire and building safety practices.

We took action in October of 2012 and provided both funding and resources as part of the Gap Inc. Fire and Building Safety Action Plan. These commitments were taken one step further when we became a founding member of the Alliance for Bangladesh Worker Safety in July 2013. These two initiatives evolved from several years of intense negotiations with a number of stakeholders, and represent our company’s commitment to not only improving safety at the approximately 70 factories in Bangladesh where we do business, but also ensuring that our impact is broader than these factories.

History of engagement

Following the 2010 fire in Dhaka, we engaged in many months of discussions with labor rights groups on a path forward for fire and building safety in Bangladesh. Between the Summer of 2011 and the Fall of 2012, a team within Gap Inc. devoted hundreds of hours to help find a resolution through good faith negotiations with labor rights groups, during which we regularly communicated our belief that any final agreement must incorporate the principle of shared responsibility among a broad set of stakeholders, while also expressing concerns about the working document’s vague language regarding legal and financial liability that could potentially lead to unlimited exposure

HUMAN RIGHTS | BANGLADESH FIRE AND BUILDING SAFETY

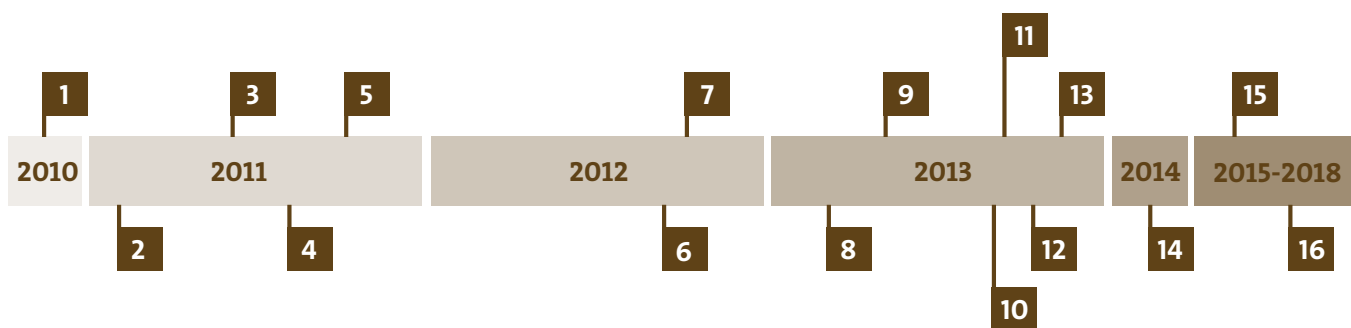
for our company. We worked closely with labor representatives and other stakeholders to develop specific language and concepts, work that was ultimately leveraged as the foundation for the Accord on Fire and Building Safety in Bangladesh that many European retailers endorsed.

Recognizing the importance of taking action with other retailers, Gap Inc. initiated the process that ultimately led to the five-year partnership with leading North American and other retailers as part of the before-mentioned Alliance for Bangladesh Worker Safety. It was announced in August 2013 that widely-respected former Representative Ellen Tauscher, who most recently served as high-ranking leader of the U.S. State Department, will serve as the independent chair of the Alliance.

The Alliance was developed on the principle of shared accountability among multiple stakeholders. It is important to note that the rapid growth of the local garment industry has far eclipsed the Bangladeshi government's capacity to monitor or enforce worker safety conditions. Our experience in other emerging markets has shown us that achieving meaningful progress will require a broad and robust level of engagement from the Bangladeshi government, as well as with the factory owners, non-governmental organizations, labor and civil society.

Our intention since the beginning of this multi-year process has been driven by our commitment to improve the working conditions at garment factories in Bangladesh. Our on-the-ground fire inspectors have already identified many improvements, such as the installation of sprinklers and fire doors in buildings, which are already being made. But, we know the power that can come when retailers take action together. As a company, we very much respect the labor rights groups who are working primarily with European retailers through the framework of the Accord, and hope that our path forward will be one where we work together to advance a shared agenda of creating a safer work environment in Bangladesh. It is our hope that all parties can commit to work together to ensure that efforts to improve fire and building safety in Bangladesh are aligned, compatible, and seek to avoid duplication wherever possible. The value of an initiative ultimately should ultimately be measured by the impact it achieves, and we will continue to report on the progress we make in the months and years ahead.

Bangladesh Timeline



1. December 2010: Fire at Hameem, Gap Inc. employees visit site and meet with local stakeholders in the days immediately following the fire
2. February 2011: Gap Inc. executives and S&ER experts visit Dhaka to meet with local stakeholders and industry partners
3. June 2011: Gap Inc. is the sole brand that agrees to redraft the "Joint MOU on Fire Safety" with international stakeholders
4. August 2011: Gap Inc. reconvenes brands to execute the worker humanitarian fund.
5. October 2011: Gap Inc. works with other brands and Hameem factory owner to deliver worker humanitarian fund (all 8 brands contribute)
6. September 2012: Gap Inc. negotiations with international NGOs and trade unions break down, primarily over the dispute resolution provision
7. October 2012: Gap Inc. launches its comprehensive 4-Point Plan to address fire and building safety in Bangladesh
8. February 2013: Formal expert fire and building safety inspections of all Gap Inc. approved factories begin

HUMAN RIGHTS | BANGLADESH FIRE AND BUILDING SAFETY

9. May 2013: Gap Inc. begins direct negotiations with IndustriALL and UNI Global—negotiations break down over the dispute resolution provision
10. July 2013: North American brands and retailers announce the creation of the Alliance for Bangladesh Worker Safety
11. September 2013:
 - Develop a “hotline” process—Sect.3.1
 - Engage 3rd parties to develop training program—Sect. 4.2(a)(ii)
 - Adopt training standards, curriculum—Sect. 4.2(a)(iii)
 - Adopt a common fire and building safety standard—Sect. 5.2(a)
 - Factory lists shared with FFC—Sect. 6.2(b)
 - Factory inventories complete—Sect. 7.2(a)(ii)
 - Available Alliance fire and building safety reports shared with FFC—Sect. 7.2(a)(iv)
12. October 2013:
 - Fire and building safety trainings begin—Sect. 4.2(b)
 - Identification of Worker Participation Committees—Sect. 4.2(b)(iv)
13. November 2013: Finalize protocols for reporting inspections—Sect. 7.5(b)
14. July 2014:
 - Achieve 100% inspections of Alliance factories—Sect. 6.2(c)
 - Train workers, management at 100% of Alliance factories—Sect. 4.1
15. July 2015: Achieve transition from individual company to Alliance Fire and Building Safety Training Program—Sect. 4.2(a)(vii)
16. ONGOING (through 5 years): Ongoing training, inspections, audits and verification, and public reporting

*Section numbers correspond to details in the Alliance Members Agreement

Gap Inc.’s Fire and Building Safety Action Plan

One of our core initiatives now underway in Bangladesh is a commitment to shoring up safety conditions at the more than 70 factories from which we source apparel. We were one of the first brands to launch a comprehensive fire and building safety plan in October 2012. We engaged a Chief Fire Safety Inspector, Fire Safety Team, and Building Safety Team to conduct fire and building safety inspections with formal remediation plans and accountability mechanisms. The cornerstone of Gap Inc.’s plan centered on fire and building safety inspections conducted by qualified and independent inspectors. We retained the services of Randolph W. Tucker, an internationally renowned expert on fire safety, as our Chief Fire Safety Inspector, and starting in January 2013, he began overseeing fire and building safety inspections of garment factories producing for our brands in Bangladesh. These fire safety inspections were based on national laws, internationally recognized workplace safety standards, and existing best practices in Bangladesh. We also retained the firm Walter P. Moore to help assess the structural integrity of the apparel factories from which we source in Bangladesh. As a fulfillment of our responsibilities under the Alliance, both inspection firms will continue to conduct these inspections on behalf of Gap Inc.

Other key aspects of Gap Inc.’s Fire and Safety Building Plan included providing vendors with accelerated access to capital for safety improvements, to assist factory owners in Bangladesh in making necessary fire and building safety upgrades. We also sought to implement a Worker Support Program to ensure that factory employees who were displaced from work because of required remediation work identified by our inspections were able to receive payment of up to one month’s wages for missed work days. We are also engaging with governments and the International Labour Organization (ILO) on various facets of our program.

Key aspects of Gap Inc.’s Fire and Building Safety Action Plan are now being executed through our participation in the Alliance for Bangladesh Worker Safety. By partnering with so many other leading apparel brands and retailers on this effort, we believe we will have far greater impact than we could by working independently.

The Alliance for Bangladesh Worker Safety

In July 2013, Gap Inc. signed an agreement to form the **Alliance for Bangladesh Worker Safety**. The Alliance originally brought together 17 founding brands that play a substantial role in Bangladesh's garment industry. There are now 20 members and that number is expected to grow. As a founding member, Gap Inc. joined other members to provide the funding necessary to support the specific programs of the Bangladesh Worker Safety Initiative. The agreement was created under the guidance of former Senators George Mitchell and Olympia Snowe of the Bipartisan Policy Center.

The Alliance was borne out of the belief that collaboration with safety experts, governments, multi-lateral institutions, non-governmental organizations, and workers, among others, is essential for creating long-term systemic change in the country. The Alliance has developed a measurable framework that will not only incentivize the Bangladesh government to shoulder the responsibility of actively enforcing compliance with labor standards and building and safety codes, but also provide technical and financial resources to bolster the nation's trained safety experts and civil engineers who can perform inspections and oversee required factory improvements.

This emphasis on capacity building goes hand-in-hand with a commitment from Alliance members to inspect and train 100% of their sourcing factories within the first year, and as of August 2013, at least \$45 million has been committed to the Worker Safety Fund (WSF). Further, some members are offering a combined total of over \$100 million in access to capital to assist those factories that they work with that might require additional resources to make safety upgrades. Further, as more brands and retailers join the Alliance, we anticipate the cumulative financial contributions will increase.

Key elements of the Alliance include:

- Empowering workers to take an active role in their own safety, and to be able to speak out about unsafe conditions without any risk of retaliation.
- Providing safety inspection, and safety and empowerment training for 100% of factories in the Alliance members' respective supply chains.
- Sharing information on training, current and future fire and building safety inspections and remediation actions.
- Establishing a common standard for safety inspections and safety and worker empowerment training.
- Independent monitoring and verification of the inspections and training.
- Inclusion of diverse stakeholders in decision making and collaboration in implementation.
- A Bangladeshi focus, with a framework that engages and builds capacity of key stakeholders, including the Government of Bangladesh and Bangladeshi industry.
- Commitment of substantial financial resources to accomplish these tasks, as well as encouraging and assisting in the establishment of sustainable mechanisms to meet these objectives.
- Commitments by some members to make low-cost capital available to factories in order to accelerate the pace of improvements. This program, to which some members have already pledged a total of over \$100 million, was created in response to priority requests from the Bangladesh Garment Manufacturers and Exporters

HUMAN RIGHTS | BANGLADESH FIRE AND BUILDING SAFETY

Association and the Bangladesh Knitwear Manufacturers and Exporters Association.

Key elements of our Fire and Building Safety Plan will help us fulfill our responsibilities as a part of the Alliance. Like many other retailers, our efforts to address this issue predate the creation of the Alliance, and we feel we have a great deal to share with and learn from others as we move forward. For additional and updated information on our efforts to address fire and building safety in Bangladesh, please visit the following sites:

- [BangladeshWorkerSafety.org](https://www.BangladeshWorkerSafety.org)—The website for the Alliance for Bangladesh Worker Safety.
- [WeAreCommitted.com](https://www.WeAreCommitted.com)—A Gap Inc. blog that shares key updates on Bangladesh fire and building safety, as well as information on additional efforts we undertake to improve working conditions in our supply chain.
- [GapInc.com](https://www.GapInc.com)—Our corporate website, which includes a section dedicated to press releases and key updates on our efforts to improve fire and building safety in Bangladesh.

Key Takeaways:

- *Our Code of Vendor Conduct explicitly supports freedom of association and the rights of workers to “lawfully and peacefully associate, organize or bargain collectively.”*
- *These rights allow workers to find a common voice and provide them with a framework for engaging with management on fair wages, sufficient benefits, and the right to do their work in fair and decent conditions.*
- *We use a wide range of approaches to ensure that the rights of freedom of association are respected, from supporting open dialogue between factory workers and managers to partnering with workers’ rights groups and trade unions when appropriate.*

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 the right to collective bargaining. Our Code of Vendor Conduct (COVC) 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. It provides workers with an important framework for engaging with management on their rights to receive fair wages, sufficient benefits, and the ability to do their work in fair and decent conditions. While management in some factories may provide excellent workplaces and engage with their employees through a variety of channels, we believe that freedom of association can serve as an important pathway to help workers achieve better working conditions.

The extent to which freedom of association rights are upheld and respected varies from country to country. In many regions of the world, social protections, civil society, and governmental institutions remain underdeveloped, and 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 help ensure that their rights are respected. We support open and productive dialogue between factory workers and managers—two groups with a history of mistrust and poor communication in many developing countries. When appropriate, we seek to help bridge this divide while ensuring that freedom of association is respected both in principle and in practice. In some cases, we also partner with workers’ rights groups and trade unions. We find that dialogue among factory management, labor groups, and workers can help in addressing issues when challenges arise. It can also lead to improvements in other aspects of factory conditions.

While our approach may sound simple in theory, it is often difficult to initiate a constructive labor relations dialogue among groups with conflicting points of view. In many cases, it is an achievement even to foster an environment in which a productive dialogue can take place.

Case Study: Fostering consensus and dialogue in Cambodia’s garment sector

It is reported that more than 1,800 trade unions represent garment workers in Cambodia, covering approximately 370 factories. Many factories have more than one union; some have more than ten unions in a single facility. The high number of unions in the country increases the complexity of addressing freedom of association and

HUMAN RIGHTS | FREEDOM OF ASSOCIATION

collective bargaining issues. The challenges are compounded by the government's inconsistent enforcement of the country's labor laws.

In 2011 and 2012, a series of strikes occurred in Cambodia's garment industry, mainly driven by workers demanding increases in wages and benefits. Gap Inc. sourced from several of the factories affected by these strikes. Sometimes management would negotiate an agreement with the most representative union, only to have another union initiate a strike with slightly higher demands in an effort to win members.

As a result of the strikes, the Garment Manufacturers Association of Cambodia and the eight major union confederations and federations (representing a majority of the unions officially registered with the Cambodian government) negotiated a Memorandum of Understanding. It went into effect on October 3, 2012, and is in effect for two years. In coordination with other key buyers in Cambodia, Gap Inc. played an active role in helping foster the negotiations that led to its creation.

The Memorandum of Understanding has several key consequences:

- Encouraging the use of Collective Bargaining Agreements (CBA) to protect the rights of both workers and factory owners.
- Addressing the complexities of having so many unions in a single facility by mandating that the union representing the most workers in a given facility will lead in CBA negotiations with the employer, thus representing all workers in a factory.
- Tasking an independent Arbitration Council to review and arbitrate labor disputes between workers and factory owners. The Arbitration Council was launched in 2003 with the initial assistance of the International Labour Organization (ILO) and in collaboration with tripartite stakeholders: the Cambodian Ministry of Labor, employers' associations, and trade unions.
- Agreeing that in the absence of a CBA, and when mediation fails to resolve an issue, both parties will accept the Arbitration Council's ruling as final and binding for all rights-related disputes.
- Creating a working group of representatives from trade unions and the Garment Manufacturers Association of Cambodia to address issues surrounding short-term contracts for workers.
- Initiating a national policy dialogue on productivity.

We are hopeful that this Memorandum of Understanding will help improve industrial relations and working conditions in Cambodia. Formalizing a dispute resolution process helps resolve urgent issues in a way that is transparent, collaborative, efficient, and respected both by unions and employers. We believe it is a credible platform for peaceful labor dispute resolution in Cambodia that benefits both workers and suppliers. It also opens a broader conversation about issues surrounding wages, productivity, benefits, and short-term contracts—all urgent issues that will help define the future of Cambodia's garment industry.

This experience helped reinforce several lessons we've learned over time, while leading to new insights:

- It is important to create an open, enabling environment for sometimes adversarial parties to engage in constructive dialogue. Providing the appropriate context is crucial for meaningful and effective industrial relations to occur.

HUMAN RIGHTS | FREEDOM OF ASSOCIATION

- Using peaceful means of dispute resolution, by supporting credible and independent organizations such as the Arbitration Council, can help bring stability to the complex relationships between unions and employers in certain markets.
- Even in difficult circumstances, it is often possible to reach a common goal by engaging a broad set of stakeholders, including the local government, trade unions, brands, industry associations, multi-lateral agencies, and non-governmental organizations.
- Most importantly, it takes continuous effort to achieve sustainable improvement.

Key Takeaways:

- *As we work to combat forced labor, we recognize that this human rights abuse can take many forms. Some are deeply entrenched in local contexts and customs, requiring extensive stakeholder networks to identify and address them.*
- *Through partnership and collaboration, we have taken a number of steps to address the exploitative practice known as Sumangali, which affects young women who work in fabric mills and apparel factories in Southern India.*

The International Labour Organization (ILO) estimates that more than 20 million people around the world are forced to work against their free will. This issue has received heightened attention over the past several years due to the innovative and diligent work of non-governmental organizations, governments, multi-lateral organizations, media, and companies.

At Gap Inc., we explicitly prohibit the use of forced labor in the making of our products through our Code of Vendor Conduct (COVC) and our Vendor Compliance Agreements. For information on how we monitor the factories making our branded apparel, please review the Monitoring and Remediation section of this report.

At the policy level, we are encouraged by the U.S. Department of State's ongoing commitment to address this issue through the Global Trafficking in Persons Report, which provides a meticulous analysis of the state of forced labor, human trafficking, and slavery worldwide. This important document serves as a baseline that helps dictate programmatic collaboration across sectors and diplomatic actions between governments aimed at addressing these exploitative practices.

In California, we welcome the California Transparency in Supply Chains Act (CATSCA), which requires companies of a certain size to publicly disclose how they are working to identify and eradicate forced labor in their supply chains.

At a more grassroots level, technologies such as the Free 2 Work application are helping consumers make informed decisions about supporting companies that address the issue of forced labor.

While these innovative strategies bring promise, there is more work to be done.

Based on our long history of actively addressing various human rights issues in our supply chain, we know that forced labor can take many forms. Some are deeply entrenched in local contexts and customs, and require extensive stakeholder networks to identify and address. We have developed such stakeholder networks in key sourcing regions around the world, and we partner with groups to address the issues we collectively seek to change.

Case Study: Forced labor in Southern India—the Sumangali scheme

One example of how we partner with and leverage our stakeholder network to address complex issues is the Sumangali scheme in Southern India. Sumangali is a practice that brings young women to work in fabric mills and apparel factories on the promise of decent wages, accommodations, and payment of a lump-sum amount at the end of a three-year contract. In some cases, this lump-sum payment is used as a dowry for marriage. The problem exists primarily in fabric mills in this region of India, where some mills are reported to pay below minimum wage, provide unacceptable living conditions, and force these women to work overtime.

The Sumangali scheme is a violation of our COVC, and we do not approve apparel factories that use this practice. Knowing that addressing systemic issues requires an industry-wide, locally inclusive approach, we took a leadership

HUMAN RIGHTS | FORCED LABOR

role in establishing an industry working group through the Ethical Trading Initiative. We helped bring together international brands and retailers, the local and national government, manufacturers and mills, non-governmental organizations, and trade unions to discuss the issue and identify a locally-driven way forward.

We also organized a meeting with Brands Ethical Working Group (BEWG) members and the Tirupur Exporters Association (TEA), which resulted in the formation of the Tirupur Stakeholders Forum (TSF). The TSF has since agreed on a set of guidelines for factories to help eliminate unacceptable employment practices. TSF members are now engaged in a dialogue that will hopefully lead to tripartite oversight of these guidelines by representatives from local non-governmental organizations, industry representatives, and trade unions.

Through these ongoing partnerships, we helped create an initial roadmap with the Tamil Nadu Working Group and the Ethical Trading Initiative to address the Sumangali issue. The roadmap is built on a three-pronged strategy:

1. Support leadership from within the local industry to accelerate change. Work with the Ethical Trading Initiative, the International Labour Organization, non-governmental organizations, and local government to develop locally based programs. The goals: to help suppliers develop better working conditions focused on increasing awareness of workers' rights, help develop worker-management dialogue, enable forms of worker representation and collective bargaining, regulate recruitment agents, and conduct hostel inspections.
2. Support local NGOs to educate local communities to aid in prevention. Implement an outreach and awareness plan at the community level in Tamil Nadu to highlight the problems associated with Sumangali schemes and brands' expectations toward their abolition. This includes setting up orientation and training for schools, teachers, parents, health workers, and factory managers to promote rights awareness for female garment workers in the region.
3. Support government involvement to aid enforcement. Work with suppliers (both fabric mills and apparel factories) and local government to create a supportive environment for female garment workers in Tamil Nadu—leveraging existing social service and nonprofit initiatives to ensure effective protection and support services.

This initiative will be implemented over the next three years. We advance it with cautious optimism, knowing that addressing human rights issues in local contexts with longstanding customs is both difficult and complex. Through partnership and collaboration, we are confident that positive change will help lead to more just and equitable futures for female garment workers in South India.

Key Takeaways:

- *We have a zero-tolerance policy when it comes to child labor and maintain a thorough remediation process in case of the rare instance when underage workers are identified in a factory producing apparel for one of our brands.*
- *We recognize that child labor is one of the most difficult human rights issues to remedy because it is so often driven by systemic issues related to poverty.*
- *The case studies below highlight some of these complexities and describe the steps we are taking to identify and address the root causes of child labor.*

Gap Inc. has worked to combat child labor in the apparel industry for nearly 20 years. Our position has not changed: Child labor is an unacceptable practice that violates our Code of Vendor Conduct and Human Rights Policy. However, taking a stand on child labor is the easier part of the equation. The more difficult part is creating solutions that not only remediate occurrences, but also help address their underlying causes.

In order to effectively combat child labor, we believe it must be understood in the context in which it occurs. It is one of the most difficult human rights issues to remedy because it is so often driven by systemic development issues related to poverty. Studies show that adolescents who work excessive hours or in hazardous conditions are far less likely to complete their education, which severely curtails their ability to escape poverty. In a very real sense, child labor is both a symptom and a cause of poverty.

Governments, multi-lateral institutions, and non-governmental organizations have all invested in efforts to address this issue, yet the International Labour Organization estimates that there remain over 200 million child laborers in the world today.

We value documents such as the U.S. Department of Labor’s List of Goods Produced by Child Labor or Forced Labor. This expansive document was created by the Department’s Bureau of International Labor Affairs (ILAB) to “develop and make available to the public a list of goods from countries that [ILAB] has reason to believe are produced by forced labor or child labor in violation of international standards.” It is updated annually, and provides consumers and companies alike with a thorough analysis of current trends in child labor and forced labor.

Based on our understanding of the underlying complexities of child labor, our threefold strategy addresses the issue at multiple levels:

1. Monitor the factories that produce our branded apparel—including sub-contractors. Our Social Responsibility Specialists visit factories, review age-verifying documents, and interview workers. When required, they help improve verification and records-retention systems so that factories can build their own capacity to identify and not hire underage workers.
2. Implement a comprehensive remediation plan if an underage worker is identified. On the rare occasion that an underage worker is found working in a facility that makes our branded apparel, that person must be immediately removed from the workplace, given access to schooling, paid an ongoing wage, and guaranteed a job at the factory upon reaching the appropriate age. The vendor responsible for this violation pays for the costs associated with this remediation, which provides further incentive for our suppliers to ensure that their age-verification systems are comprehensive and effective.
3. Work in partnership with stakeholders to identify locally relevant solutions. We work with local organizations

and development experts to address the root causes of child labor. Our partnership with expert groups in India, such as Bachpan Bachao Andolan (BBA), Society for Promotion of Youth and Masses (SPYM), and National Homeworkers' Group (NHG), are recent examples.

The approach we take depends on the local context and specific nature of the problem. While monitoring and remediation are crucial aspects of our strategy to address the issue of child labor, they alone are not always sufficient. The case studies below highlight the complexity and challenges of child labor and how we partner with others to create long-term sustainable change.

Case Study 1: The complexities of child labor in Cambodia's garment sector

Many people assume that child labor at the cut-and-sew level is driven by exploitative or irresponsible factory managers willfully hiring underage workers. Yet the reality can be much more complex. Underage workers sometimes go to great lengths to secure counterfeit documents that misrepresent their age because, in many developing countries, seeking employment before reaching a legal age can seem a more viable option than attending school.

In Cambodia, we have even seen instances of local governments helping underage workers attain legal documentation that misrepresents their age. The rationale is that, if these young people are able to migrate from rural areas to urban centers for work, they will be able to help support their families back home, thus helping to spur economic development in more isolated parts of the country.

This is a systemic problem—one that conveys the complexity underlying many human rights issues. In order to address it, we have worked to gain an in-depth understanding of the issues from multiple perspectives by consulting with a range of stakeholders. Following our outreach and analysis, we elected to communicate our position against child labor to the government of Cambodia, and we continue to work with the International Labour Organization, local stakeholders, and local and national government agencies in the country.

Case Study 2: Child labor in the cotton fields of Uzbekistan

Each autumn, more than a million children are forced to work in Uzbekistan's cotton fields, picking the cotton for export to international markets. One of the most troubling aspects of this exploitation is that the use of forced child labor is directly orchestrated by the national government, a practice that has been in place for decades.

While our company does not purchase raw cotton directly, we believe that apparel retailers who rely on cotton in their products have a role to play in addressing the issue.

Since we became aware of this crisis in 2007, we have been working to bring about a solution in partnership with an organized network of concerned stakeholders that include human rights experts, non-governmental organizations, trade unions, industry associations, socially responsible investors, and other global apparel brands and retailers.

In addition to participating in the stakeholder network, we have made it clear to our vendors that we expect their factories and fabric mills to avoid knowingly purchasing Uzbek cotton. We have also participated in meetings with the U.S. State Department and other government agencies to explore potential policy initiatives that would address the problem. And we have supported multiple complaints filed with the International Labour Organization, citing the

HUMAN RIGHTS | CHILD LABOR

Uzbek government's continued violation of international labor norms.

Despite the steps taken, we have received reports that the use of child labor persists in Uzbekistan's cotton fields. We will continue to work with the multi-stakeholder network seeking to end this practice, lending our expertise and voice where we can make an impact.

Key Takeaways:

- *We recognize that decisions made by production and sourcing teams at Gap Inc. can have significant impacts on workers in our supply chain.*
- *We continue to deepen our understanding of these impacts and work to incorporate this knowledge into our decision-making.*

The business decisions we make at our headquarters may seem far removed from working conditions inside supplier factories, but in fact these two realms are intricately linked.

For example, if we make a last-minute change to an order of 500,000 T-shirts, such as an alteration to the type of stitching used, the factories where we place our orders must ensure they have the right number of workers on hand to complete the order. If such a change is poorly planned or projected, this type of decision can mean that workers are pressed to work longer hours or lose their days off in order to meet shipping deadlines. Further complicating this issue is the dynamic between suppliers and apparel brands: Most factories manufacture garments for several companies at a given time, and some vendors are unwilling to disclose their full production capacity to companies such as ours.

As we work with factories to address issues outlined in our Code of Vendor Conduct, we seek to build our own knowledge of how our decisions affect theirs. This is one of our reasons for fostering a sense of partnership in our strategic relationships with vendors—because it helps both of us to improve. We are emphasizing vendor partnerships even more under Gap Inc.'s new sourcing strategy, which we began implementing in 2012. This strategy calls for working with a smaller, consolidated vendor base to facilitate deeper relationships. As we create benefits for a range of stakeholders, from factory managers to our own business, we create incentives for positive change and help ensure that this work is sustainable and enhanced over time.

In 2011, we created a Brand Integration and Vendor Performance project team at Gap Inc. to help our company better leverage vendor data to drive business decisions, including order placement. By assessing the drivers of vendor performance and deploying our expansive data on factory performance, the team sought to improve our own production management planning and identify where we can help improve management systems in our key vendors' factories.

To continue our progress in this area, we take a multi-faceted approach to improving our purchasing practices. Our Social & Environmental Responsibility team continues to pursue several initiatives, which include:

- Meeting regularly with strategic and low-performing vendors to assess their performance against our Code of Vendor Conduct and discuss how the timing and planning of our orders are affecting their workers.
- Meeting with leaders in the Gap Inc. Sourcing department to examine any issues related to working conditions that may have stemmed from our decisions at headquarters.
- Developing a virtual training tool that can be used by our employees globally to understand our company's social and environmental responsibility efforts, with a focus on how our purchasing decisions can impact local communities around the world.
- Training all new hires in inventory management, merchandising, production, and sourcing on the importance of responsible purchasing practices; and highlighting case studies and tools to ensure that factory orders are made with a full understanding of their potential impact on workers.

We still see opportunities to make our purchasing practices a stronger driver of both human rights and business

HUMAN RIGHTS | PURCHASING PRACTICES

success. As we continue to consolidate our supplier base and build long-term relationships with key vendors, we believe we will be able to innovate in ways that make our purchasing practices even more effective.

Current human rights goals

	Estimated completion date
70% or more of our factories in ILO Better Work markets participate in the ILO Better Work program.	2014
All factories Gap Inc. sources from in Bangladesh will comprehensive fire and building safety inspections by July 2014, and will have begun implementing remediation plans to ensure safety standards are met.	2014
Gap Inc. will build a team of dedicated vendor capacity building experts who will be fully trained and deployed by 2015.	2015

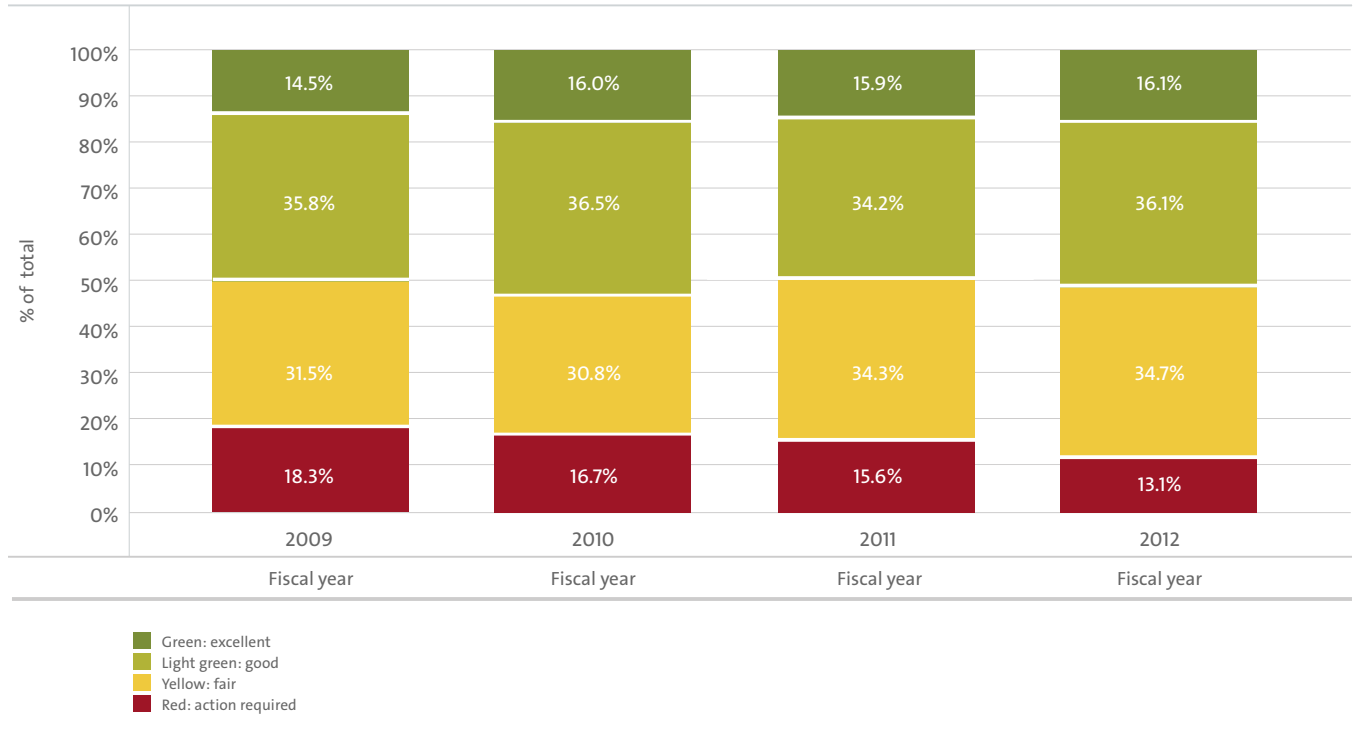
Completed human rights goals

	Completed date
Implement and evolve our Vendor Engagement 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

Human Rights Data

2009 - 2012 Factory ratings comparison

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. 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.



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 year or partial year. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

2012 Factory ratings by geographic region

Region	Number of factories	Action required (%)	Fair (%)	Good (%)	Excellent (%)
Greater China	343	22.4%	32.4%	34.4%	10.8%
North Asia	64	6.3%	42.2%	48.4%	3.1%
Southeast Asia	295	12.9%	30.2%	42.4%	14.6%
South Asia	332	8.1%	47.9%	35.2%	8.7%
Persian Gulf	1	100.0%	0.0%	0.0%	0.0%
North Africa & the Middle East	29	31.0%	41.4%	13.8%	13.8%
Sub-Saharan Africa	3	66.7%	33.3%	0.0%	0.0%
Europe	29	3.4%	24.1%	24.1%	48.3%
United States and Canada	33	1.3%	12.8%	30.8%	55.1%
Mexico, Central America & the Caribbean	78	0.0%	9.1%	24.2%	66.7%
South America	13	0.0%	30.8%	53.8%	15.4%
Total	1220	13.1%	34.7%	36.1%	16.1%

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 2012. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

2011 Factory ratings by geographic region

Region	Number of factories	Action required (%)	Fair (%)	Good (%)	Excellent (%)
Greater China	326	19.3%	35.6%	31.0%	14.1%
North Asia	75	14.7%	37.3%	44.0%	4.0%
Southeast Asia	297	12.5%	30.3%	39.7%	17.5%
South Asia	361	18.6%	41.3%	31.6%	8.6%
Persian Gulf	1	100.0%	0.0%	0.0%	0.0%
North Africa & the Middle East	31	41.9%	45.2%	3.2%	9.7%
Sub-Saharan Africa	3	0.0%	100.0%	0.0%	0.0%
Europe	28	0.0%	32.1%	35.7%	32.1%
United States and Canada	36	0.0%	11.1%	30.6%	58.3%
Mexico, Central America & the Caribbean	81	2.5%	17.3%	38.3%	42.0%
South America	16	12.5%	25.0%	62.5%	0.0%
Total	1255	15.6%	34.3%	34.2%	15.9%

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 2011. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

2012 Factory approval

Region	Number of new factories evaluated	Approved (%)	Not Approved (%)	Pending (%)
Greater China	65	52.3	23.1	24.6
North Asia	4	50.0	25.0	25.0
Southeast Asia	41	73.2	7.3	19.5
South Asia	49	85.7	2.0	12.2
Persian Gulf	0	N/A	N/A	N/A
North Africa & the Middle East	0	N/A	N/A	N/A
Sub-Saharan Africa	0	N/A	N/A	N/A
Europe	4	75.0	25.0	0.0
United States and Canada	10	90.0	0.0	10.0
Mexico, Central America & the Caribbean	16	93.8	6.3	0.0
South America	1	100.0	0.0	0.0
Total	190	71.4	11.5	17.2

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 2011. Partial-year factories include those that began or stopped working with Gap Inc. at some point during the fiscal year.

2011 Factory approval

Region	Number of new factories evaluated	Approved (%)	Not Approved (%)	Pending (%)
Greater China	71	78.9	19.7	1.4
North Asia	7	71.4	28.6	0.0
Southeast Asia	44	86.4	11.4	2.3
South Asia	50	82.0	18.0	0.0
Persian Gulf	0	0.0	0.0	0.0
North Africa & the Middle East	5	80.0	0.0	20.0
Sub-Saharan Africa	1	0.0	100.0	0.0
Europe	4	75.0	25.0	0.0
United States and Canada	8	100.0	0.0	0.0
Mexico, Central America & the Caribbean	22	95.5	4.5	0.0
South America	0	0.0	0.0	0.0
Total	212	83.0	15.6	1.4

Note:

Data represents apparel factory status as of 2/1/2012 for factories that went through our approval process in fiscal year 2011.

2012 Factory monitoring

Region	Active full year (# of factories)	Active full year visited (# of factories)	Percentage visited (%)
Greater China	262	262	100.0
North Asia	58	58	100.0
Southeast Asia	232	221	95.3
South Asia	265	265	100.0
Persian Gulf	1	1	100.0
North Africa & the Middle East	26	26	100.0
Sub-Saharan Africa	2	2	100.0
Europe	21	21	100.0
United States and Canada	20	20	100.0
Mexico, Central America & the Caribbean	60	37	61.7
South America	10	10	100.0
Total	957	923	96.4

Note:

Active full year denotes factories that Gap Inc. has approved and worked with for the full fiscal year 2012. Data includes factories producing Gap Inc. branded product that are part of our monitoring program.

2011 Factory monitoringa

Region	Active full year (# of factories)	Active full year visited (# of factories)	Percentage visited (%)
Greater China	253	251	99.2
North Asia	68	66	97.1
Southeast Asia	230	226	98.3
South Asia	281	281	100.0
Persian Gulf	1	1	100.0
North Africa & the Middle East	27	26	96.3
Sub-Saharan Africa	3	3	100.0
Europe	24	22	91.7
United States and Canada	28	26	92.9
Mexico, Central America & the Caribbean	57	57	100.0
South America	14	14	100.0
Total	986	973	98.7

Note:

Active full year denotes factories that Gap Inc. has approved and worked with for the full fiscal year 2011. Data includes factories producing Gap Inc. branded product that are part of our monitoring program.

HUMAN RIGHTS | DATA

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.

2012 COVC violations by region (chart I)

Compliance principle	Principle subsection	Compliance detail	Greater China 343 Factories	North Asia 64 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 2012. 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 2012.

2012 COVC violations by region (chart II)

Compliance principle	Principle subsection	Compliance detail	South Asia 284 Factories	Southeast Asia 328 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 2012. 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 2012.

2012 COVC violations by region (chart III)

Compliance principle	Principle subsection	Compliance detail	North Africa/ Middle East 28 Factories	Sub-Saharan Africa 3 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 2012. 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 2012.

2012 COVC violations by region (chart IV)

Compliance principle	Principle subsection	Compliance detail	United States and Canada 33 Factories	Mexico, Central America and the Caribbean 54 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 2012. 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 2012.

2012 COVC violations by region (chart V)

Compliance principle	Principle subsection	Compliance detail	South America 12 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 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 2012. 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 2012.

2012 COVC violations by region (chart VI)

Compliance principle	Principle subsection	Compliance detail	Europe 28 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	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 2012. 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 2012.

Environment

Full Section

Key Takeaways:

- *We believe the long-term viability of companies will depend on their ability to successfully operate in a world of finite natural resources.*
- *We are working to measure and reduce our environmental impacts to protect natural resources, lessen risk, spur competitive advantage, and help drive innovation.*
- *We are strengthening our environmental strategy to focus more comprehensively on our supply chain to ensure that our company thrives in a rapidly evolving business environment.*

The landscape has changed

Our environmental initiatives are founded on the premise that we live in a world of constrained, finite natural resources, and that the long-term viability of companies will depend on the ability to do more with less.

Climate change and water scarcity have become significant risks for many industries, and they are increasingly affecting companies' ability to operate. We recognize that in order to meet the environmental challenges of the 21st century, innovations will be required across all sectors.

As we continue to expand into new and emerging markets, environmental issues are presenting both new risks and opportunities, making our focus on environmental impacts all the more critical. These issues are global in nature; climate change and water scarcity do not observe national borders. Nor do environmental issues exist in a vacuum —environmental sustainability and human rights are deeply intertwined. In order to meet these global and systemic challenges, companies such as ours must enact programs that address the comprehensive and interconnected nature of sustainability issues.

Many trends are shaping the way companies mitigate risks and address opportunities:

- Innovations in product development and operational efficiency.
- Changes in the availability of the resources needed for companies to make their products.
- Increased investor and consumer demand for sustainable practices and products.
- Measurement and awareness of environmental impacts that can help drive innovation and efficiency.
- Changes in the regulatory environment that require companies to mitigate their environmental impacts.
- Increasing transparency in the global marketplace, and the ability of technology to highlight impacts that were not previously clear.

At Gap Inc., our objective is to measure and reduce our impacts on the environment in order to protect natural resources, lessen risk, spur competitive advantage, and help drive innovation. We seek to do so in a way that creates value for a wide range of stakeholders—from communities in the developing world to customers, employees, shareholders, and others affected by our business. Over the last ten years, we have made companywide advances in the following areas:

- Supporting public policies that address the causes and effects of climate change.
- Measuring our environmental footprint in our owned and operated facilities, as well as our supply chain.

ENVIRONMENT | OPERATING CONTEXT & STRATEGY

- Reducing our energy and water use, and working with our supplier partners to reduce their own.
- Reducing the waste we generate in our own operations, and diverting more of it from landfill.
- Advancing water quality and conservation initiatives in our supply chain.
- Collaborating with stakeholders and experts to make progress toward our goals.

While we are proud of the progress we have made through our portfolio of environmental initiatives, we feel a sense of urgency to do much more. Today’s environmental challenges demand collaboration and smart risk-taking, two central principles of our approach.

Our environmental strategy to date has stemmed from carefully analyzing our environmental challenges as a global apparel retailer and taking action in the areas where we have the greatest opportunity and influence to create change. For example, while we have more direct control over our store and facility construction and our product and packaging design, we have less control over suppliers in our supply chain.

Our environmental strategy continues to be informed by the Gap Inc. Environmental Council, which is comprised of senior executives across our company. Established in 2008, the Council acts as an internal think tank with the mission to improve how our company uses resources and to reduce our environmental impacts. The Council meets quarterly to:

- Identify and prioritize opportunities with our brands to support our environmental initiatives.
- Engage and influence senior leadership to make decisions and execute on environmental priorities.
- Share best practices across our brands and functions, and inform and involve employees on priorities and activities.

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.

Now, with more advanced tools and experience to guide us, we are bolstering our environmental strategy to focus more comprehensively on our supply chain and ensure that our company thrives in this evolving context.

“Companies are now operating in a world where the climate is changing, the global population is growing and the demands for energy, water and other natural resources are greater than ever before. We need businesses to accelerate their actions to address these constraints. Gap Inc. is starting on this journey by acknowledging the interconnectedness of environmental, social and business sustainability, and how critical these issues are for its business success. The expectations are high for Gap Inc. to demonstrate results.” – Ceres

Our strategy starts with a new vision

Our evolving strategy is based on our new vision for social and environmental responsibility at Gap Inc. to “Raise the bar by creating value for all.” This means we will seek to reduce our environmental impact and spur sustainable innovation in a way that benefits a broad group of stakeholders, including workers, communities, consumers, employees, and our company.

Our evolving environmental strategy leverages our strengths and requires partnership with stakeholders to address the issues most important to our company and society. It allows us to more closely measure our environmental impacts and the return on investment of our initiatives. We will continue to align our environmental initiatives with new opportunities for our business, and to build on the steps we have taken so far.

We are also working to more deeply integrate our human rights programs and our environmental initiatives. For example, we recognize that access to clean water is a fundamental human right as outlined in the United Nations’ Resolution 64/292, which recognizes “the human right to water and sanitation, and [acknowledges] that clean drinking water and sanitation are essential to the realization of all human rights.” As we move forward, we will be building on our longstanding commitment to human rights through our efforts to minimize and improve our environmental impact.

As we evolve our environmental strategy, we continue to implement key initiatives to reduce our impacts on the environment. Please see the following sections of this report for more information on each:

- **Our Footprint:** Learn how we measure and analyze our environmental footprint—both within our owned and operated facilities and across our supply chain.
- **Energy and Climate:** We have sought to reduce our GHG emissions since 2003, and are on our way to meeting our ambitious GHG reduction goal by 2015.
- **Water:** Water quality and usage are significant issues for Gap Inc., which is why we are partnering with expert stakeholders such as Conservation International and the Natural Resource Defense Council to address them.
- **Waste:** Business units across Gap Inc. are working together to reduce waste in our headquarters offices, stores, and distribution centers.
- **Product:** We are a founding member of the Sustainable Apparel Coalition. Having piloted the Higg Index, we are now exploring how we can integrate sustainability standards, programs, and policies throughout the design and production process.

Key Takeaways:

- *Acting on our belief that what gets measured gets managed, we continue to create a detailed assessment of our environmental footprint.*
- *We began our footprint assessment with our owned-and-operated facilities and are now expanding our analysis to our supply chain, focusing on cut-and-sew vendors and fabric mills.*
- *The information we collect not only improves our own operations, but it also helps our strategic vendors identify operational and technological improvements to increase efficiency, achieve cost savings, and develop more environmentally responsible practices.*

We firmly believe that what gets measured gets managed. Our overarching goal is to minimize environmental impacts, which requires us to first understand them.

In 2009, we completed our first assessment to establish the baseline needed to set energy and waste reduction targets for our owned and operated facilities. We began with facilities and stores in the U.S., which account for approximately 70 percent of our company’s sales, and where we believed we could most quickly maximize our impact. Based on this assessment of our energy and water use, and waste generated, we set an absolute goal to reduce greenhouse gas (GHG) emissions 20 percent in the U.S. by 2015 using a 2008 baseline.

Based on the more detailed footprint assessment we began in 2012, we are in the process of developing an overall waste strategy and ambitious waste goal. This new goal will seek to improve our business practices and processes to minimize our waste production in our supply chain, our owned and operated facilities, and through the end of our products’ lifecycle. For more information on our waste reduction efforts, please visit the Waste section of this report.

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)

In 2011 and 2012, we went beyond assessing our owned and operated facilities to launch a project that establishes a baseline measure within our supply chain. This pilot phase, which involved a group of key suppliers, sought to assess several key environmental categories at the cut-and-sew level of our supply chain, including energy use and GHG emissions, water use and management, waste management, and environmental policies and reporting. We examined the geographical location, size and operations of each facility together with the type and volume of products each facility manufactures for our company.

We launched this pilot phase at the cut-and-sew level with two objectives: First, we sought to understand and quantify key environmental impacts along our supply chain so that we could help drive improvements. Second, we wanted to gather information that would help our strategic vendors and factories identify operational and technological improvements they could implement to increase efficiency, achieve cost savings, and develop more environmentally responsible operations and practices.

Overall, 234 factories in 21 countries participated in this environmental footprint assessment. We are now analyzing the results and developing reduction and efficiency targets.

ENVIRONMENT | **OUR FOOTPRINT**

Through our partnership with key stakeholders such as the Natural Resources Defense Council (NRDC), and through our initial footprint assessments, we have also found cost-saving and innovation opportunities at the fabric mill level of our supply chain. For more information on how we seek to improve the overall sustainability and efficiency of strategic fabric mills, dyehouses, and garment-finishing facilities in our supply chain, please visit the Water section of this report. We look forward to reporting on our progress in our next report.

Key Takeaways:

- *Climate change has the potential to negatively impact our business, and we believe that companies have an ethical responsibility to address this societal challenge.*
- *We have been working to reduce our GHG emissions since 2003. Our current goal is to cut absolute emissions 20 percent by 2015 in the U.S., based on 2008 levels.*
- *Because a significant portion of the emissions related to our business come from operations throughout our supply chain, we are committed to developing a reduction strategy that addresses this risk. In 2012, we held Green Manufacturing Workshops for some of our key vendors.*

We know that climate change has the potential to impact our business. In fact, we have likely already experienced it. In 2010, cotton prices hit a nearly two-decade high, which put significant pressures on the apparel industry. Volatile climate patterns in key cotton-producing regions played a role in these price increases, and these climate patterns may have been caused, at least in part, by climate change. Droughts in some regions, combined with floods in others, contributed to the instability in the cotton markets, and posed challenges for our supply chain.

In late 2012, we selected a new data provider to help us store, manage, and analyze our energy and GHG-related data. This new enterprise data management system will help us systematically track all relevant energy usage and emissions and allow us to better understand how we can continue to reduce our impact in this key area.

We believe that companies have an ethical responsibility to address climate change. For this reason, we have worked to reduce our GHG emissions since 2003. Our first goal: to reduce emissions 11 percent per square foot between 2003 and 2008 in our U.S. operations. We exceeded that goal by achieving a 20 percent reduction per square foot during that time period. Following this achievement, we set a more aggressive goal to cut absolute emissions 20 percent by 2015, based on a 2008 baseline. We continue to measure both our absolute and per-square-foot emissions (or emissions intensity) to gain the most accurate assessment of our impact. To ensure that we meet our goal, we have created a Sustainable Building and Operations Working Group to develop and execute our reduction plan. The group is comprised of leaders from approximately 20 cross-functional departments at Gap Inc., including our Brands, Construction, Real Estate, Operations, and Supply Chain.

Emissions source	Scope 1		Scope 2	Total scope 1 & 2	Scope 3		Total scope 1, 2 & 3
	Stationary combustion	Mobile combustion	Electricity		Upstream Transportation*	Business travel**	
2010	24,661	722	495,078	520,461	43,428	9,646	573,535
2011	23,665	439	467,756	491,860	47,388	10,607	549,855
2012	18,395	502	429,865	448,762	53,808	14,195	516,765

We plan to report more comprehensively on our progress in 2015 (our target year) and are on track to achieve our goal as a result of deep cooperation and collaboration with business partners throughout the company. For example, working with our energy procurement and store design and operations teams, we have launched several pilot projects to explore the potential for light-emitting diode (LED) technology to lessen our use of electricity in lighting our stores—the single biggest users of electricity among our owned and operated facilities.

In our distribution centers, we have also identified opportunities to reduce energy costs and emissions through greater energy efficiency. In 2012, we launched a partnership with one of our vendors, GE, to conduct energy and waste “Treasure Hunts” in our distribution centers. We assembled a team of subject matter experts made up of service providers, engineers, energy consultants, motors, lighting and HVAC experts, and matched them with the distribution center’s management, operations and maintenance staff. Over the course of two full days, the team evaluated several opportunities to reduce energy usage and incorporate waste management best practices at our distribution center in Fresno, California. Acting on our findings from this process, we have achieved an average reduction in energy usage of 17 percent, and cost savings of close to 30 percent in the distribution center. Based on this success, we recently completed an additional Treasure Hunt at our distribution center in Ohio and are expanding this initiative to our distribution center in Gallatin, Tennessee.

In support of our broader environmental strategy, and our efforts to reduce GHG emissions as much as possible, we are working with **Ceres**, one of our key stakeholders and an organization with which we have been engaged since 2007. Ceres has been working to help us create and implement a Climate and Energy Policy to inform our company’s energy procurement and our position with respect to climate change and its impact on our business. This policy is under development, and we look forward to sharing more details in future reports.

Gap Inc. served on the City and County of San Francisco’s business committee to shape the city’s Climate Action Plan. We supported the City and County of San Francisco’s greenhouse gas emissions reduction strategy, working with a group of stakeholders to help reach San Francisco’s shared goals.

We also actively support efforts to pass smart, comprehensive climate and energy legislation. We are members of **Ceres’ Business for Innovative Climate and Energy Policy (BICEP)** coalition, because we believe that diverse business perspectives are vital to solving America’s climate and energy challenges. The coalition’s goal is to work directly with key allies in the business community, and with members of Congress, to pass effective energy and climate change legislation that is consistent with BICEP’s core principles. For more information on Ceres and BICEP, please visit www.ceres.com/bicep.

Because a significant portion of our overall GHG emissions comes from operations throughout our supply chain, we have a long-term commitment to develop a reduction strategy that addresses this risk. As we further reduce our energy footprint in our owned and operated facilities, we continue to look for ways to best extend those efforts to our global operations and suppliers.

Since 2009, and as a part of our work with the Natural Resource Defense Council’s (NRDC) Responsible Sourcing Initiative, we helped to identify and work with mills and dyehouses to implement several energy-saving measures.

In 2012, we began conducting Green Manufacturing Workshops for some of our key vendors. This training focused on resource efficiency—primarily reducing our energy use and water consumption—and shared information on environmental data management and environmental best practices. Workshops were conducted over the course of 14 sessions held in Vietnam, Indonesia, India, Cambodia, and Sri Lanka. In total, 285 individuals were trained, representing 139 vendors to date. We plan to continue rolling out these workshops in key sourcing countries, and are committed to enhancing and evolving the curriculum to ensure it covers the most important environmental issues to our suppliers, our stakeholders, and our company.

Key Takeaways:

- *Water issues significantly impact people and communities around the world; they also pose risks to our business, and can affect our global cotton supply chain.*
- *We are currently conducting a water risk assessment in partnership with Conservation International, with the ultimate goal of developing supplier engagement strategies for freshwater conservation.*
- *We launched our Water Quality Program in 2004, establishing requirements for all denim laundries that do business with Gap Inc. More recent water initiatives include our Mill Engagement Program, which brings our efforts deeper into our supply chain.*

The related issues of water scarcity and water quality affect people and communities around the world in acute ways. They can also pose real risks to our business. For example, both droughts and floods have increasingly interrupted the global cotton supply, causing volatility in commodity markets with serious implications for apparel supply chains and our business. In addition, increasing water shortages and/or restrictions on water consumption could affect our ability to operate in certain regions.

In 2011, Gap Inc. contributed to the development of [Ceres' Aqua Gauge: A Framework for 21st Century Water Risk Management](#). Ceres' report provides a broad overview of how competing freshwater demands and limits to supply are beginning to affect corporate financial performance in a range of industrial sectors. This impressive tool helps companies develop management systems to deal with the risks associated with water, and our Environmental Affairs team is using it as we build out and implement our own water strategy.

The sustainability challenges we face, and the economic opportunities in meeting them, require profound changes in the way business does business. Water is core to economic and community vitality and is an issue that we often take for granted. Gap Inc. recognizes that the global water crises will require collective action and is demonstrating leadership through aggressive commitments like the zero discharge of hazardous chemicals by 2020.

Addressing its impacts on water quality and scarcity worldwide will require Gap to innovate, increase transparency and partner with its suppliers to improve their own water practices. Ceres looks forward to working with Gap Inc. in the years ahead to find and implement solutions to this critical issue—driving change across the apparel industry and beyond. — Ceres

We are working to address the issues where we have the most direct influence, focusing our efforts on denim laundries and fabric mills. In denim laundries, garments are finished using large amounts of chemicals and water. In fabric mills, the dyeing and finishing processes also use significant amounts of dyes, chemicals, water and energy.

We launched our Water Quality Program in 2004 to monitor denim laundries' wastewater discharge, requiring all laundries producing for Gap Inc. brands to adhere to a set of industry-leading guidelines on water quality. In 2010, we standardized these guidelines as a requirement for doing business with our brands. All denim laundries producing Gap Inc. branded denim are required to meet our water quality guidelines. We continue to measure progress against strict industry guidelines, which include standards for overall water temperature, color gradations, and chemical makeup.

We are also implementing a Mill Engagement Program to raise the bar for social and environmental practices in fabric mills in ways that will benefit the environment, communities, workers, fabric mills, and Gap Inc. This stage of

the apparel manufacturing life-cycle represents significant opportunity for reduction of our products' environmental footprint.

The goals of the Mill Engagement Program are to:

- Build a better understanding of the fabric mills in our supply chain. Because we currently do business directly with cut-and-sew vendors rather than procuring fabric from mills, our relationships with mill suppliers are indirect.
- Create policies and incentives to ensure that mills adhere to common social and environmental performance standards.
- Fully integrate the Mill Engagement Program into our standard supply chain practices.

Our Mill Engagement Program emerged from our cross-brand collaboration with BSR through the Apparel Mills & Sundries working group, and from our partnership with the Natural Resources Defense Council (NRDC) over the past several years. In tandem with the NRDC, we seek to establish standards to improve the environmental performance of dyeing and finishing facilities through reductions in water, energy, and chemical use. This effort is an extension of the NRDC's Responsible Sourcing Initiative, which we helped create in 2009.

Our best practices are focused on being basic, widely applicable, low-cost, often ignored, and with short payback periods

1. Leak detection, maintenance, housekeeping

Cost: Small

2. Reuse cooling water

Cost: Small

3. Reuse condensate

Cost: Moderate

4. Reuse process water

Cost: Small to Moderate

5. Recover heat from hot water rinses

Cost: Moderate—Highest

6. Pre-screen coal

Cost: Moderate

7. Fix/maintain steam traps

Cost: Small

8. Recover heat from smokestacks

Cost: Moderate

9. Insulate pipes/valves/flanges

Cost: Small

10. Optimize compressed air system

Cost: Small

**The payback periods for our best practices are all less than a year
This list courtesy of NRDC*

To date, we have partnered with five mills in our supply chain through our collaboration with the NRDC and BSR's Mills and Sundries Working Group, and are planning to extend this partnership to approximately 15 more mills over the next three years. Over time, we also plan to establish a Preferred Mill Program. This program will require the implementation of measurement technologies at key mills and monitor investments in cleaner production technologies.

In addition to our partnerships with the NRDC, we have launched a global water risk and opportunity assessment of our supply chain. We intend to develop supplier engagement strategies that will provide incentives and guidance for freshwater conservation. Our immediate focus is to engage fabric mills and denim laundries. These facilities play a critical role within our supply chain and create its most significant water impacts and dependencies.

In 2013, we are partnering with Conservation International to conduct national-level assessments of freshwater risk for key sourcing countries. Understanding our exposure to global water risks, and identifying both risks and opportunities related to water, are crucial first steps in prioritizing and focusing our water strategy. Based on the findings of the mapping exercises and supplier assessments we are doing through our work with the NRDC, we will develop a broader roadmap for engaging fabric mills and denim laundries across our supply chain.

Case Study: Zero Discharge of Hazardous Chemicals (ZDHC), a 2020 Roadmap

We are working toward further reducing the use of hazardous chemicals in the manufacture of our products, and are committed to working toward zero discharge¹ by 2020.

We believe that collaboration is an important path forward in order to work toward the zero discharge of hazardous chemicals by 2020. While we believe it is important that we work toward these goals as a company, we recognize the inherent limitations of any single company seeking to effect lasting change in the global apparel sector. Based on this belief, we joined the Zero Discharge of Hazardous Chemicals (ZDHC) Programme. We see the need for the collective action of brands and the factories that comprise their respective supply chains to drive substantive and sustainable improvements. Collaborating with other global brands and retailers allows us to advocate together for enhanced chemical management and cleaner production, with unified environmental requirements to suppliers around the world.

We are also working with a broad array of committed ZDHC stakeholders including chemical suppliers and associations, environmental and social NGOs, textile industry associations, academics, policy makers and manufacturers. Our hope is that the shared responsibility of all key stakeholders in this important effort will provide greater transparency, expedited chemical management efforts and the eventual elimination of hazardous chemical discharge within the apparel sector.

As part of our participation in the ZDHC Programme, we have made the following commitments:

- **Eliminating Hazardous Chemicals:** We support the goal of eliminating the industrial releases of hazardous chemicals into the environment, as reflected in the Joint Roadmap². We acknowledge and understand the seriousness of the problem of hazardous chemicals and commit with other member companies toward the goal of zero discharge of hazardous chemicals for all products across all pathways of release (discharges, emissions and losses) in our supply chains (with a full life-cycle perspective) by 2020.
- **Actionable Timeline:** We agree to the content, actions and timelines outlined in the Joint Roadmap. We will work collaboratively through an active engagement with identified stakeholders.
- **Policy Changes:** We commit to support policy and wider systemic change in order to achieve this 2020 goal. This commitment includes investment in industry and government collaborations in order to evolve the current state of science and technology and develop systemic changes across the industry.
- **Transparency:** We will drive toward innovative solutions for transparency in chemical management disclosure. We believe that the elimination of hazardous chemicals needs not only collaboration and partnership with our industry peers, but also a holistic and integrated approach. We will apply value-chain as well as life-cycle thinking and innovation towards the development of integrated chemicals management. In order to achieve our goal toward zero discharge of hazardous chemicals by 2020, mechanisms for disclosure and transparency about the hazardous chemicals used in our global supply chains are important and necessary.
- **Role of Vendors:** To make this commitment a reality, Gap Inc. will continue to work with our approved vendors

¹ Zero discharge means the elimination of all releases, via all pathways of release (i.e. discharges, emissions and losses, from our supply chains and our products). In light of the increasing sophistication of analytical tools and methods, references to “elimination” or “zero” must be understood as “not above background concentration” rather than “not detectable.” Our commitment is to work toward the elimination of hazardous chemical releases that can be measured by modern scientific methodology and instruments.

² Available at: <http://www.roadmaptozero.com/joint-roadmap.php>

ENVIRONMENT | WATER

in phasing out hazardous chemicals within their facilities. We will accelerate the phase out of the highest priority hazardous chemicals.

Achievement of this ambitious 2020 goal requires the collective action of the apparel industry and other stakeholders. We understand that this is a global undertaking that will take the commitment of many, and will require the sharing of best practices and the implementation of practical solutions. We believe that together, we can make significant improvements.

Key Takeaways:

- *With more than 3,000 stores around the world, in addition to our office buildings and distribution centers, we see enormous opportunity to reduce our environmental impact while generating cost savings.*
- *We are creating a waste strategy that will minimize our waste production both upstream and downstream.*
- *We are partnering with other retailers to help scale waste-reduction efforts, in part by facilitating recycling in mall store environments and introducing lease templates that support our environmental goals.*

Our 2010 footprint assessment highlighted a significant degree of influence on the amount of waste in our owned and operated facilities—and a large opportunity to reduce our impact on the environment while generating cost savings. With more than 3,000 stores around the world, in addition to our office buildings and distribution centers, minimizing waste output is not a simple task, and it requires more than a singular approach.

We are headquartered in San Francisco, which has committed to be a zero-waste city by 2020. We are doing our part to help achieve this target by greening all of our office buildings in the city. Most recently, we “greened” our largest San Francisco building through a series of adjustments to the way our employees sort and dispose of their waste—resulting in a 75 percent diversion rate.

While we have a high degree of control over reducing waste in our office buildings and distribution centers, reducing waste at the store level is often more challenging. As tenants in shopping malls and other retail locations, we often have less influence over the key infrastructure and processes required for comprehensive waste reduction programs. Some of our stores are located in areas that lack a basic municipal recycling infrastructure.

Despite these challenges, we are in the process of forging a comprehensive waste strategy and accompanying goal that will minimize our waste production both upstream and downstream.

Key elements of our waste strategy will include:

- Determining data collection capabilities and best practices within the retail industry.
- Collaborating with cross-functional partners within Gap Inc. and across our family of brands to address waste generation and encourage diversion.
- Identifying metrics to track progress and create systems and processes to collect data in alignment with our business partners.
- Partnering with vendors and stakeholders to implement our waste diversion programs.
- Creating an enterprise-wide waste management policy.
- Reporting publically on our progress.

We are also partnering with other retailers through industry groups such as the Retail Industry Leaders Association (RILA) and the Professional Retail Store Maintenance Association (PRSM) to facilitate recycling in mall store environments and establish lease templates that support our environmental objectives. Through our work with RILA, we have created and are working to finalize a “green lease,” which will enable our Real Estate teams to include terms in our lease agreements to establish recycling infrastructure and energy efficiency priorities in our stores. With PRSM, we have implemented demonstration projects in partnership with Sears stores to recycle plastic shipping material.

ENVIRONMENT | WASTE

For more information about how we are working to identify waste reduction and efficiency opportunities in our distribution centers, please see the “Energy and Climate” section related to the Treasure Hunts underway in partnership with GE.

Key Takeaways:

- *We are a founding member of the Sustainable Apparel Coalition, a network of brands and stakeholders creating common metrics and approaches to reduce the social and environmental impacts of apparel and footwear.*
- *Gap brand piloted the Higg Index, a tool that enables footwear and apparel companies to evaluate material types, products, facilities, and processes based on a range of environmental and product design choices.*
- *We have created a Sustainable Fiber Toolkit for designers and merchants across our brands to highlight the environmental and social impacts of natural, manufactured, and alternative fibers.*

As a retail apparel company, we are committed above all to producing great products for our customers. We believe that creating socially and environmentally responsible products is central to this commitment. Simply put, we want to provide our customers with products they feel good about wearing.

Whether we are addressing fire and building safety in Bangladesh, freedom of association issues in Cambodia, seeking to ensure water quality at denim laundries in Mexico, or reducing water use in fabric mills and dyehouses in China, these initiatives are all part of a broader effort to provide a product portfolio that is socially and environmentally responsible.

What constitutes a responsible product? For the apparel sector, one of the most critical next steps will be developing an agreed-upon standard. As a founding member of the Sustainable Apparel Coalition (SAC), we have an extraordinary opportunity to help drive such progress.

The SAC seeks to identify common metrics and approaches to reduce the social and environmental impacts of apparel and footwear products. Like the SAC, we recognize that the environmental and social challenges in apparel supply chains affect the entire industry, reflecting systemic issues that no one company can solve on its own. Working with other brands and key stakeholders within SAC, we are committed to improving the environmental and social performance of the industry as a whole.

The Higg Index 1.0 is an indicator-based tool for footwear and apparel that enables companies to evaluate material types, products, facilities, and processes based on a range of environmental and product design choices. The Index asks practice-based, qualitative questions to gauge environmental sustainability performance and drive behavior for improvement. It is based on the Outdoor Industry Association’s Eco Index and Nike’s Apparel Environmental Design Tool, and has been enhanced through rigorous pilot testing.

In 2012, Gap brand piloted the Higg Index, testing four high-volume products that we produce each season. Our Social and Environmental Responsibility department led the pilot in close partnership with our Sourcing, Marketing, Transportation, and Product Integrity teams.



WISE WASH

Another avenue by which we are advancing product sustainability is through Gap brand’s Wise Wash denim. Wise Wash refers to a manufacturing process that uses low-impact manufacturing techniques, consuming less energy and water than conventional wet processing. On average, Wise Wash jeans use 25 percent less water, electricity, and chemicals. We launched this line of denim in Fall 2012 with eight men’s and eight women’s washes, and are currently evaluating how we can most effectively scale this program.

ENVIRONMENT | PRODUCT

Using the three core modules of the Higg Index—Brand, Product, and Facility—this initiative helped us better understand where we should focus our efforts at the design, manufacturing, packaging, and end-of-life stages of our supply chain. For example, we learned that initiatives such as Wise Wash, which promotes water and energy savings, can significantly improve our score if they are scaled across all products in a given category. The Facility module of the Higg Index helped us benchmark sustainability practices across facilities, though activities at this stage, we learned, have little impact on a product's score. And finally, optimizing modes of transportation away from air freight and toward less impactful methods of transport such as rail can also have a positive impact on our Higg score. While many of the insights gained may seem like common sense, such a systematic analysis provides an essential method to measure, prioritize and assess a product's environmental impact in a way that can be consistent across our industry.

As a result, we are exploring a number of next steps, including efforts to:

- Integrate sustainability standards, programs, and policies throughout the design process.
- Partner more closely with suppliers in order to report more accurately on manufacturing processes.
- Engage in and communicate select initiatives to consumers over the long term.

We are also working with the SAC to help establish key performance indicators for measuring the social impacts of clothing. Based on our experience in seeking to improve working conditions in our supply chain, we know how difficult—and essential—such measurement can be. We look forward to launching the social and labor indicators as part of the Higg Index in 2013.

As a result of our Higg Index pilot, we recognized the need for and have created a Sustainable Fiber Toolkit for designers and production teams across our family of brands. Because sustainable fiber selection and processing can be a confusing process of navigation, interpretation and trade-offs, we have sought to analyze and understand the environmental and social impacts of each fiber that our brands use. The Sustainable Fiber Toolkit is designed to offer Gap Inc. brands an objective overview of sustainable fiber and processing information and ideas while ultimately empowering them to define what designing for sustainability means to them and their customers.

Our Sustainable Fiber Toolkit provides:

- An overview of the environmental and social impacts of natural, manufactured, and alternative fibers.
- An overview of the environmental and social impacts of different manufacturing stages, including dyeing, printing, bleaching, and garment washing.
- Information on sustainable fiber options and processes that our designers may have not yet explored.
- Suggestions on how to source fabrics to optimize the sustainability benefits of each fiber, while also providing information on sustainability opportunities at each stage of an apparel product's lifecycle.
- Innovative scenarios and ideas related to sustainable design and manufacturing that are intended to inspire individuals to develop ideas of their own.

We plan to leverage the Toolkit to help drive awareness and education throughout the organization as a useful way to serve our company's environmental goals, our brands' design needs, and our customers' preferences.

Current environment goals

	Estimated completion date
Complete supply chain water mapping and create a supply chain water strategy.	2014
Reduce absolute GHG emissions 20% by 2015.	2015
Partner with 20 key fabric mill suppliers to establish social and environmental responsibility standards and improve performance.	2015
Work towards zero discharge of hazardous chemicals in our supply chain by 2020, through our partnership in the ZDHC 2020 Roadmap.	2020
<i>*Due to current changes in how we are collecting environmental data, and changes in the service providers we work with, our previous goals on environmental data will be revised, with new, related goals being announced in our next report.</i>	

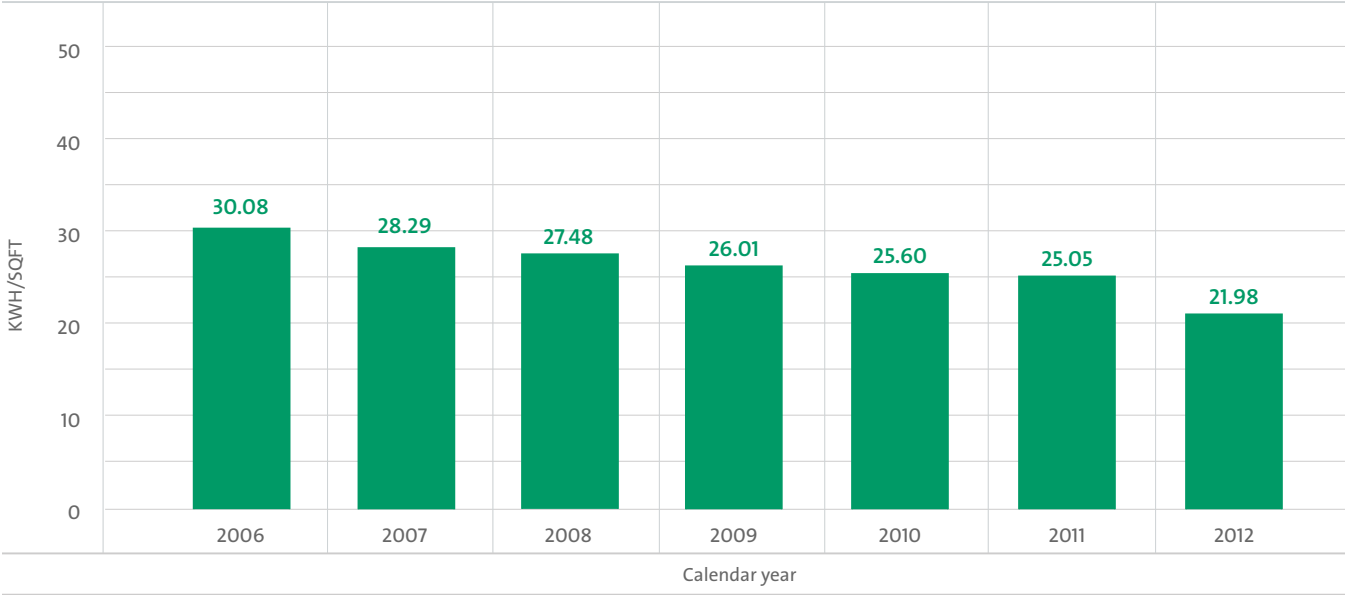
Completed environment goals

	Completed date
Continue to pilot waste management and recycling initiatives at the store level.	2012
Complete supply chain footprint assessment.	2012

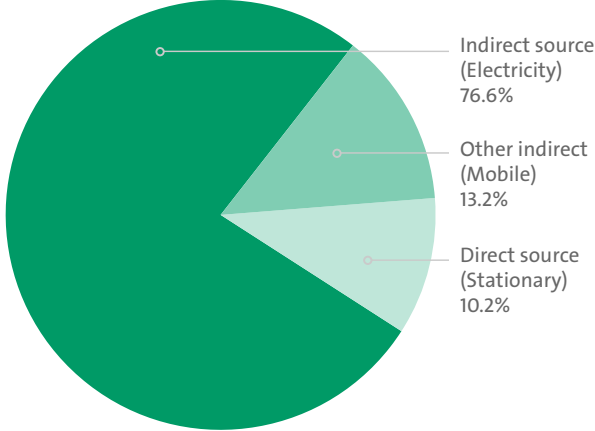
Environment

Data

2006 – 2012 U.S. Energy consumption



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)

2010 - 2012 U.S. Energy consumption by operation



2010 - 2012 GHG emissions

Emissions source	Scope 1		Scope 2	Total scope 1 & 2	Scope 3		Total scope 1, 2 & 3
	Stationary combustion	Mobile combustion	Electricity		Upstream Transportation*	Business travel**	
2010	24,661	722	495,078	520,461	43,428	9,646	573,535
2011	23,665	439	467,756	491,860	47,388	10,607	549,855
2012	18,395	502	429,865	448,762	53,808	14,195	516,765

2004 - 2012 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
2011	93	77	16
2012	72	65	7

Employees

Full Section

Key Takeaways:

- *Achieving our company’s mission to be the world’s favorite for American style depends on our ability to attract, develop, and retain the best talent in our sector.*
- *Many of our employees joined Gap Inc. and choose to stay here because of our company’s promise to “Do more than sell clothes.”*

While our employees are united by a shared mission to be the world’s favorite for American style, what guides and inspires us is a promise to do more than sell clothes. Don and Doris Fisher founded the company on a commitment to service and responsibility that remains core to attracting and retaining the best talent in our sector today. This commitment permeates virtually all aspects of our company—from our efforts to improve working conditions in our apparel supply chain to supporting volunteerism, helping our employees make an impact in the communities where they live and work.

Our company culture is a reflection of the values that Don and Doris have instilled in the company since its founding in 1969.

Think: customers first
Inspire: creativity
Do: what’s right
Deliver: results

***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 broad set of perspectives.*

***Do: what’s right.** We treat every customer, supplier, and employee with respect and act with integrity.*

***Deliver: results.** We strive to provide a dynamic and inclusive work environment where employees thrive and generate top performance.*

In addition to our values and company culture, our deep commitment to fostering a diverse and inclusive environment, and developing and recognizing the accomplishments of our employees are what helps to keep our employees engaged and motivated. Each of the following sections outlines the unique ways in which we seek to do so:

- **Diversity and Inclusion:** To succeed in the global marketplace, we continue to develop a diverse employee base and an inclusive work environment.
- **Career Development:** We invest in our employees to help them realize their professional goals and lead successful lives.
- **Recognition:** Retaining the best talent in our sector comes from acknowledging our employees for their innovation, integrity, and responsibility.
- **Benefits and Rewards:** We provide our employees with a competitive combination of compensation, benefits, and rewards—all important to attracting and retaining the best talent.

Key Takeaways:

- *Our diverse and inclusive employee base helps foster a creative culture, drive innovation, and enable us to be more effective everywhere we do business around the world.*
- *We support a number of innovative programs that help incorporate diversity at all levels of our company, and we are always looking for new and better ways to build on our progress.*

At Gap Inc., employee diversity is integral to achieving our company’s global growth objectives. Collectively, our brands have a presence in more than 90 countries, and our diverse employee base enables us to be more innovative and effective in serving our customers around the world. Creating this environment requires everything from having the right policies in place, to implementing company-wide programs, to supporting employee driven initiatives.

Embracing diversity requires us to provide an open, inclusive, and respectful work environment, which comes to life through our Code of Business Conduct (COBC), including various employee policies and initiatives.

Our Code of Business Conduct sets forth the company’s expectation that our employees do what’s right, acting with integrity in all they do. It is our foundation for promoting a responsible and ethical work environment, and helps ensure that our employees act in ways that reflect our company’s culture of integrity and values.

Our comprehensive non-discrimination policy, known as “Zero means Zero,” helps ensure that our employees are able to do their best work in a productive, professional environment.

We also promote diversity at Gap Inc. through company-driven initiatives such as our ASCEND program, which recognizes diverse store leaders who demonstrate the capability, desire, and potential for career advancement. The program features a variety of Gap Inc.’s most successful leadership development trainings. Through ASCEND, we also provide mentoring programs that help employees to succeed and the company to build a pipeline of diverse leadership.

Many of our employees want to take their own initiative to embrace diversity and inclusion, and we believe in giving them the opportunity. Our Employee Resource Groups help foster a work environment where our employees and customers are treated with respect and cultural sensitivity. These groups are open to all employees and united by a common philosophy that diversity brings value to Gap Inc. Our four groups include:

- **African American Networking Group (AANG):** Established in 2000, AANG’s mission is to establish and maintain a network of African American employees that fosters professional development at all levels. The group also focuses on raising cultural awareness at Gap Inc. and volunteering in the community.
- **Asians Supporting Inclusion and Awareness (ASIA):** Established in 2011, ASIA’s mission is to create awareness and make an impact on the Asian/Pacific Islander community at Gap Inc. by providing an environment that gives our employees the opportunity for networking, professional development, community outreach, and sharing different cultures.
- **Gap Gay Employees, Allies & Resources (GEAR):** Established in 2006, GEAR’s mission is to create an inclusive and supportive environment at Gap Inc. for Lesbian, Gay, Bisexual, Transgender, Queer, and Ally (LGBTQA) employees while embodying Gap Inc.’s values. Our aim is to help Gap Inc. become the employer and retailer of choice for the LGBTQA community.

- **Honoring Our Latino/Hispanic Ancestry (HOLA):** Established in 2010, HOLA's mission is to empower our Latino/Hispanic employees to drive business and make a positive impact in our community. We support our members by creating meaningful networking opportunities and identifying creative ways to grow our business while celebrating our shared heritage.

For eight consecutive years, Gap Inc. has been recognized for supporting equality for LGBT employees, receiving a 100 percent rating on the Human Rights Campaign's Equality Index.

Our North American employees recently gave us promising feedback on our efforts to foster a diverse and inclusive work environment. According to our August 2012 employee opinion survey, 82 percent of employees believe that everyone has a fair chance to have a successful career at Gap Inc., regardless of their differences or background, compared to an industry average of 65 percent.

As we continue to expand globally, we will ensure that our diversity strategies address global issues and those specific to the countries where we operate. In some instances, this may mean expanding existing initiatives; in other instances, we will need to explore and address particular diversity and inclusion challenges that may differ from those we face in North America.

We're already taking steps to do so. For example, our Global Supply Chain team is committed to raising cultural awareness among our sourcing offices in Hong Kong, Seoul, and Delhi. These offices collaborate across geographies to create product for our brands. The Global Supply Chain team has held workshops to increase awareness and understanding of different cultures and communication styles. Through these types of development opportunities, we seek to promote a global, diverse, inclusive, and effective workplace.

Case Study: Results Only Work Environment (ROWE)

In 2011–12, several business units within Gap Inc. and at Gap brand adopted Results Only Work Environment (ROWE). ROWE is a corporate culture initiative designed to improve employee productivity, accountability, and engagement. It respects the value of our diverse employee base by empowering people to work in whatever way they are most productive. In a ROWE, the emphasis shifts from how work is done to the results delivered. Employees are held accountable for their specific piece of the business.

Several departments have made a successful transition to ROWE, empowering their teams and helping employees do their best work. We believe that ROWE will make teams more accountable for delivering results and empower employees to eliminate work that's not productive. As a positive byproduct of a ROWE, employees have more flexibility in their schedule, as long as their work gets done. We have had remarkable early success with this program and will continue to evaluate how we can expand it to help our employees thrive.

Key Takeaways:

- *We attract and keep exceptional talent by helping our employees realize their professional goals while finding personal fulfillment in their work.*
- *We use a 70–20–10 model of career development that offers our employees a diverse platform for growth.*

Career development at Gap Inc. begins with ensuring that our employees feel connected to our shared purpose and values and that they understand the role they play in helping Gap Inc. succeed. We offer employees a variety of experiences to grow personally and professionally.

Our approach to career development is based on a 70–20–10 model: Employees gain 70 percent of their learning and development through on-the-job experience, 20 percent through mentorships and collaboration, and 10 percent through courses and formal training.

The 70 percent on-the-job training may involve everything from daily activities to “stretch” assignments that place employees in situations outside their current realm of expertise and responsibility. As we continue to expand globally, we are committed to giving our employees even more opportunities to take on new roles and international assignments. The 20 percent portion may involve formal mentorships and coaching sessions, or collaborative projects that involve in-depth feedback from team partners. We encourage all of our employees to seek out mentors and work with them on a regular basis to pursue thoughtful career plans for their future with Gap Inc. Formal courses and training make up the other 10 percent of career development. For example, through our partnership with eCornell, employees can take interactive online courses from Cornell University in the areas of Management, Leadership, Financial Management, and Human Resources.

In addition to our 70–20–10 model, we offer a number of inspiring programs that help our employees achieve their full potential. Some examples of our training and career development initiatives include:

- Mindspark is a three-day, multi-sensory experience wherein 30–40 of some of our best and brightest employees work to develop innovative solutions for our most important business challenges. The creativity of participants is “sparked” by a variety of external stimuli such as thought leaders, industry experts, entertainers and designers who expand our spectrum of thinking. Mindspark builds innovation skills that can be used every day, while yielding new ideas that are relevant to our business.
- QUEST is a 12-month leadership program that provides focused, accelerated development in the areas of leadership, change, innovation, global mindset, business performance, strategic thinking, decision making and partnerships. Participants, with the full engagement of their leaders, apply lessons learned to their jobs through structured individual projects and pay it forward activities.
- Adaptive Leadership is a four-day development experience for select employees at Gap Inc. designed to build strategic capabilities needed individually and as an organization to help us achieve Gap’s vision to become the world’s favorite for American style, and develop strategies to win through our global brands structure.
- Our Field Apprentice Program brings field employees into our headquarters for five-week summer assignments. We encourage participants to share their perspectives with corporate teams. The program is proof that increasing communication between field and headquarters makes us more effective in achieving our business goals.
- Leading Leaders @Gap is a six-month development program that helps leaders of managers inspire people at all levels of the company to achieve exceptional results.

EMPLOYEES | CAREER DEVELOPMENT

- Gap Inc.'s Retail Academy offers employees a variety of development and training options, including e-learning, self-studies, classroom sessions, rotational training, business simulations, and multi-media presentations. All academy offerings are designed to help our employees grow, develop, and better understand how our retail business operates.

Gap Inc. employees are proud to be part of a company that places a high value on social and environmental responsibility; their words and actions tell us so. For many, these values enter into their choice to come and build a career here. We inform and engage them on how those initiatives relate to what they do—whether they work in Production, Store Design, or Inventory Management. We provide an orientation for new hires that introduces them to the social and environmental responsibility programs relevant to their roles and responsibilities.

Key Takeaways:

- *We recognize our employees for their exceptional work, and seek to ensure that outstanding contributions are recognized company-wide.*
- *The Fisher Awards, named in honor of Gap Inc.'s founders, recognize employees who exemplify Gap Inc.'s most important values.*

It's our job to make sure that our employees' good work is highlighted and rewarded. Gratitude and support are expressed openly and often—through informal and formal programs and practices including monetary awards, gifts, special recognition cards, emails, acknowledgement in large meetings, or just a few kind words in person.

We have several companywide recognition programs, including Applause and the Fisher Award:

- *Applause is our peer-based online recognition program.* It allows employees to create and send personalized recognition cards to team members for amazing performance. In 2011–12, our employees shared over 255,000 cards, highlighting how team members have represented and upheld our company's cultural pillars—Inspire: creativity; Think: customers first; Do: what's right; and Deliver: results.
- *The annual Fisher Award recognizes employees who exemplify our company's most important values.* Named for Gap Inc. founders Don and Doris Fisher, the award honors employees around the world who best fulfill their inspiring legacy. Employees may nominate teammates or themselves for living our founding values in the realms of Innovation, Integrity, Community, and Store Excellence.

Case Study: Profiles of 2011 & 2012 Fisher Award Winners

Chris Nicklo: Fisher Award Winner for Innovation

Location: San Francisco

Gap Inc. has always thrived on innovation. Doris and Don Fisher made sure it was part of the business foundation from day one. And now employees like Chris carry that torch every day.

Chris, VP of Marketing for Banana Republic, and members of his team were honored as the 2012 Fisher Award Winners for Innovation for fostering the brand's partnership with Virgin America. The winning team included Alejandro Alvarez (Director of Marketing), Charlotte Murphy (Associate Marketing Manager), Amanda Garrett (Manager of Public Relations), Jen Matic (Senior Director of Creative Marketing), Brent Kawahara (Senior Director of Product Management), Nicole Wiesmann (Senior Director of Design), Jennifer Lane (Designer), Josue Asselin (Senior Designer), and Rozh Roux (Senior Director of Tech Design/Patterns).

Working collectively across the brand in San Francisco and New York via the Marketing, Public Relations, Design, and Production functions, the team created a number of original successes, including the Holiday Gift Baggage giveaway in 2011, the in-flight 'Mad Men' fashion show, and the full redesign of Virgin's uniforms in 2012.

Fisher Award Winners for Store Excellence: Masaya Kurashima and Ai Fukaya

Location: Japan

Doris and Don's focus on the customer experience has always been paramount—which is why, every year, Gap Inc. recognizes employees for store excellence.

EMPLOYEES | RECOGNITION

In 2012, Masaya, a district manager for Old Navy, and Ai, a general manager for Old Navy, received one of those awards for being instrumental in launching Old Navy's first store outside North America in Odaiba, Japan. To introduce the new brand to Japan, they ran a pop-up store for three months, engaged in daily efforts to help customers become familiar with the brand, and searched for staff that embodied the brand's fun, family-friendly culture.

Through months of hard work and dedication, they helped the store deliver the best sales across all of Gap Inc. during its first six days of opening.

Fisher Award Winner for Community: Karen Barbarics

Location: Pennsylvania

Don and Doris Fisher have always made it a priority for Gap Inc. to be more than just a company. Their priority has inspired and supported employees like Karen to make a difference in communities around the globe.

In 2012, Karen, a general manager for Gap, earned the Fisher Award for Community for raising awareness about autism. When her son was diagnosed with the disorder in 2005, she had no resources to help him. After a quick Internet search, she discovered the organization Autism Speaks and decided to get involved. She founded the Lehigh Valley Walk in her community with an emphasis on educating others about autism. The success of the walk, which has raised more than \$3 million for Autism Speaks, has made it an annual event with about 10,000 participants each year.

Karen is also responsible for her in-store "Closing the GAP on Autism" campaign, which was held in 160 stores in the fall of 2011.

Fisher Award Winner for Integrity: Marla Debbaudt

Location: Michigan

Don and Doris Fisher grew a company on their belief that integrity shows—and Marla embodies that belief through her work as Director of Talent Management Operations. She earned the 2011 Fisher Award Winner for Integrity in recognition for carrying on one of the company's core values—"Do: what's right."

Marla's commitment to integrity came to light when she spoke up about a vendor conduct issue. Throughout her career, she has been a champion of implementing the Principles of Integrity courses, online trainings designed to help employees meet legal requirements and do what's right every day.

Key Takeaways:

- *We take a holistic view of compensation, benefits, and rewards to help our employees lead thriving, successful lives.*
- *We seek to offer qualifying employees a range of benefits including health insurance, life and accident insurance, disability insurance, retirement savings plans, employee stock purchase plans, paid vacation and holidays, product discounts, and transportation allowances.*

We believe in providing our employees with the resources they need to lead thriving, successful lives. That takes more than a paycheck. It requires that we take a holistic view of compensation, benefits, and rewards to meet our employees where they are, based on their needs. Recognizing the full spectrum and evolving nature of those needs is more crucial than ever to retaining the best talent in our sector.

Our global approach to benefits aligns employee needs with options available in each country to ensure that we are providing a comprehensive benefits package. Specific benefits vary by employees and region, but we seek to offer qualifying employees health insurance, life and accident insurance, disability insurance, retirement savings plans, employee stock purchase plans, paid vacation and holidays, product discounts, and transportation allowances.

We also aim to provide our employees with the resources to make informed decisions about meeting their personal needs and those of their family members. For example, in the United States, we work with a team of health care advocates who help employees select the benefits that are best for them, ensure that claims are correctly processed, and navigate care options.

We believe that providing access to affordable health care benefits is vital to recruiting and retaining a thriving employee base. We offer competitive benefits including medical, dental, and vision to all employees classified as full-time, and we extend those benefits to their spouses and dependents. In several countries, the benefits also apply to qualifying same-sex domestic partners. In 2012, comprehensive transgender benefits became part of our health plan in the United States. We also provide wellness clinics, on-site flu shots and biometric screenings, flexible and affordable weight loss programs, and subsidized yoga, Tai Chi, boot camps, and negotiated rates for gym memberships in some U.S. locations.

In several countries, our health care benefits also apply to qualifying same-sex domestic partners, extending from policies we have had in place for a number of years to support LGBT employees. In 2013 we saw the Supreme Court of the United States strike down the federal Defense of Marriage Act as unconstitutional. The Court's ruling now allows our married LGBT employees to enjoy equal rights to benefits and obligations under federal law that are based on one's marital status. In 2012, we signed an amicus brief with the Ninth Circuit Court of Appeals, challenging the federal defense of DOMA, alongside other leading companies such as eBay, Google, Microsoft, and Starbucks.

For part-time store employees in the U.S., we offer National Health Access (NHA), which provides a variety of health care options ranging from discounts on medical and health costs to major medical insurance. We also offer Retiree Health Access to our retired employees in the U.S.

Our Gap Inc.-sponsored health plans in the United States met many requirements of the Patient Protection and Affordable Care Act (PPACA) before it was passed in 2012. For many years, we have offered health care plans with no pre-existing condition limitations, no lifetime maximums, and free preventive care.

EMPLOYEES | **BENEFITS AND REWARDS**

We provide competitive financial benefits, which play an essential role in attracting, rewarding, and retaining the talented people who want to build long-term careers at Gap Inc. In the United States, our GapShare 401(k) Plan offers dollar-for-dollar company match contributions of up to 4 percent of base pay, with 100 percent immediate vesting for all employees who are over 21 and have worked at least 1,000 hours of service.

We also provide support to our employees in the United States when significant emergencies or natural disasters strike. Through our Individual Disaster Relief Support Plan, we offer continued pay, allowances for severe home damage, clothing, food, temporary housing, and/or cash to employees facing emergencies or crises.

Case Study: Gap Inc.'s Japan Disaster Relief Efforts

Our employees were deeply affected by the devastating earthquake and tsunami that occurred in Japan in March 2011. Following the disaster, we moved quickly to identify how Gap Inc. could help:

- Gap Foundation made a \$200,000 grant to Global Giving to provide emergency and disaster support and services, including food, water, medical supplies, and other immediate needs.
- Gap Inc. collected and matched donations from our more than 135,000 employees worldwide through an online system.
- Gap Inc. donated \$1.1 million (USD) of clothing in Iwate, Miyagi and Sendai.
- Gap brand North America created exclusively designed T-shirts to sell online and in 12 U.S. flagship stores, with profits directed to relief efforts.
- In Japan, we provided each Gap store with a donation box at the register, and all customer donations were given to the Red Cross in Japan.

Case Study: Contributing to the rebuilding effort after Hurricane Sandy

In late October 2012, Hurricane Sandy ravaged the Caribbean, Mid-Atlantic, and Northeastern United States, leaving widespread damage in its wake. The storm's impact on everyday life was profound, and for many of us at Gap Inc., it was deeply personal.

During the storm, our top priority was ensuring that our employees were safe and accounted for. Our company has guidelines in place to provide relief and financial support to employees who have been affected by any disaster. Depending on the severity of impact, our support ranges from cash for basic necessities to short-term hotel stays for employees whose homes have been destroyed and/or are unlivable.

Our second priority was to identify how we could most effectively contribute to the rebuilding process. Immediately after the storm passed, Gap Inc. committed to donating more than \$1 million to help the victims of the storm. We started by asking the American Red Cross (ARC) how we could support its efforts. ARC sent us a list of needed items, and our first delivery of clothing reached New Jersey four days after Sandy hit. In total, we gave new clothing valued at \$315,000, which was distributed by the Salvation Army and the Red Cross in the communities hardest hit by the hurricane. We subsequently donated an additional \$400,000 in cash to support the Red Cross recovery work.

EMPLOYEES | **BENEFITS AND REWARDS**

Our commitment to assisting in the rebuilding effort continues. Gap Foundation is leveraging its longstanding partnership with Habitat for Humanity, whose affiliates in New York and New Jersey have identified families living at or below the poverty level and whose homes were severely damaged. We have committed to providing Habitat for Humanity with \$350,000 to help develop and implement comprehensive neighborhood revitalization strategies, prioritizing homeowners with the greatest vulnerability and need.

We are engaging our employees to help see this project through, and we are exploring opportunities for Gap Inc. employees to assist with home construction as volunteers in the regions where our grant is focused.

Current employee goals

	Estimated completion date
Continue to build a globally effective, more agile organization by increasing the development of global leadership skills, and the enhanced utilization of metrics to manage talent and evaluate HR programs and processes.	2014
Become a more globally effective organization by moving to a global brands structure and providing leaders the opportunity to develop and grow through an array of international assignments by 2014.	2014
Maintain and assess high levels of employee engagement through a more effective and frequent monitoring process to collect employee feedback by 2014.	2014

Completed employee goals

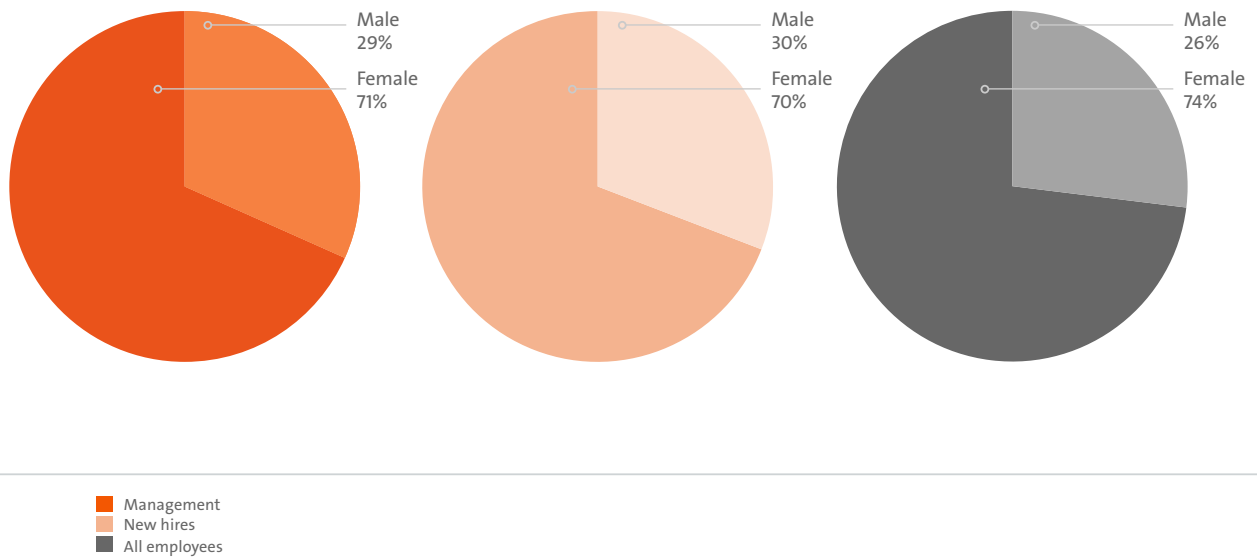
	Completed date
Continue to build a globally effective organization through succession planning and career growth, with a majority of director and above positions filled by internal talent and an increase in international development assignments.	2012
Continue progress on our diversity and inclusion efforts 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.	2012

Employees

Data

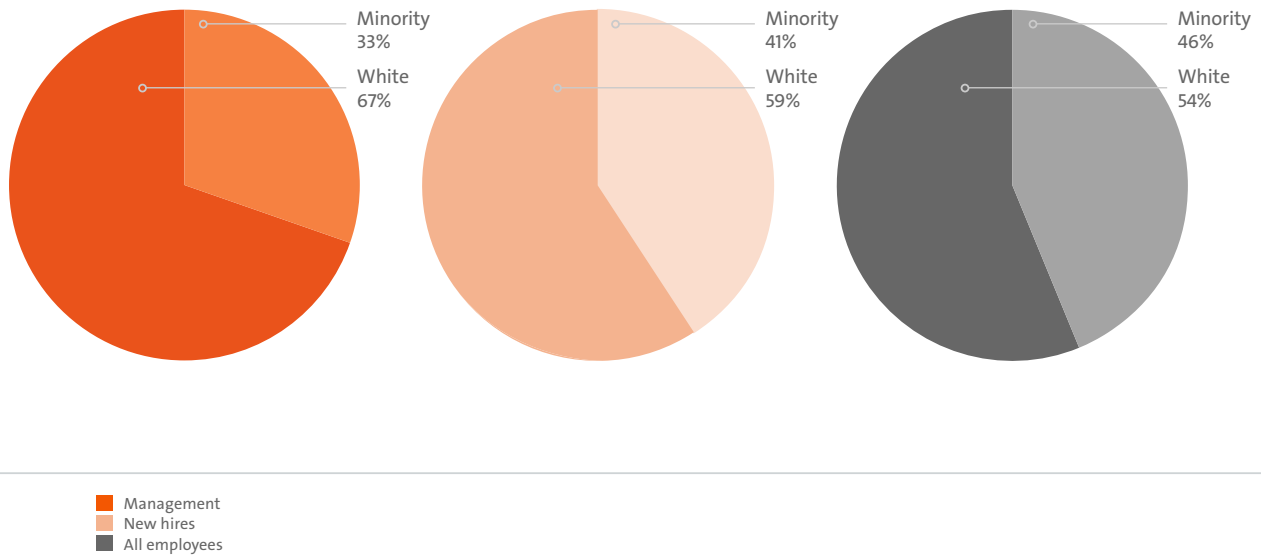
2012 North American gender demographics

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



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

2012 U.S. Ethnic demographics



Note:

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.

2012 Health & wellness benefits

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.

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, medical benefits abroad and business travel <p>Lifestyle benefit</p> <ul style="list-style-type: none"> • 24/7 Nurseline service • Health risk assessments • Cancer care support • Onsite fitness programs (at some corporate locations only, full time/part time employees) • Employee Assistance Program (EAP) Life Resources (All U.S. employees who are classified as full-time, their dependents and any other household member are eligible) 	<p>Available to all employees classified as full-time, effective on date of hire or change status.</p>	<ul style="list-style-type: none"> • Gap Inc offers a Health Reimbursement Account with a medical plan which includes first-dollar preventative care. The HRA is funded by the company, and provide the ability to roll over dollars to the next plan year. • 80% of Benefit eligible employees participate in Gap Inc. medical plans. • Gap Inc. also offers coverage to same- and opposite sex domestic partners. • In 2012, Gap Inc. paid approximately 78% of the costs of health care coverage for eligible U.S. employees and 71% of costs for eligible U.S. employees' spouses and dependents.
<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.

2012 Financial health 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.

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 participate in GapShare's 401(k) plan in 2011 80% of eligible employees participate in GapShare's 401(k) plan in 2012
<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 2011, 7264 employees participated in ESPP purchasing 1,301,166 shares of company stock. In 2012, 6926 employees participated in ESPP purchasing 960,930 shares of company stock.
<p>Disability</p>	<p>Available to employees classified as full-time.</p>	<ul style="list-style-type: none"> The STD Plan benefits are paid by Gap Inc. and replace 60% of your base wages for up to 180 days. The STD Plus Plan pays 65% of your base wages tax-free for a maximum of 180 calendar days (six months). The LTD Plan pays 55% of your base wages (less income you receive from other sources) to a maximum benefit of \$25,000 per month. The LTD Plus Plan pays 65% of your base wages tax-free.
<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>All full-time and part-time employees are eligible</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.

2012 Work-life balance & lifestyle programs

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.

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>There are two main PTO programs:</p> <p>Plan Year Allowance PTO Plan - employees have unused PTO hours reset to zero each July.</p> <p>Protected States PTO Plan - employees roll over accrued PTO each year.</p>	<p>All employees classified as full-time are eligible for holiday pay and PTO on date of hire.</p>	
<p>Wellness programs:</p> <ul style="list-style-type: none"> Weight Watchers Smoking cessation Onsite health assessments 	<p>Available to all employees classified as full-time.</p>	<ul style="list-style-type: none"> 3,300 employees participated in these programs in 2012. 616 Employees participated in Weight Watchers. Total Reimbursement was approximately \$51,000. 2,141 Employees participated in Healthcare Screenings and Flu Shots.
<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"> 36,000 employees took advantage of this pre-tax benefit in 2012. 2012 Pre-Tax contributions: \$3,905,640 2012 Employee Savings: \$1,562,256 2012 Program Sponsor Savings: \$298,791
<p>Tuition reimbursement:</p> <ul style="list-style-type: none"> Gap Inc. employees can be reimbursed upto \$5,000 per year for approved job-related academic courses. 	<p>Available to all employees classified as full-time, with one year of service.</p>	<ul style="list-style-type: none"> Approximately 1,160 employees take advantage of this benefit each year. Total reimbursed for employees: \$1,100,265. Average reimbursement per employee: \$1,760
<p>Employee merchandise discounts</p>	<p>Full-time and part-time employees are eligible.</p>	<ul style="list-style-type: none"> Employees received approximately \$100.5 million in savings on merchandise purchased in 2012.

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.

2012 New parent support

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.

Program description and coverage	Eligibility
Adoption assistance reimbursement program	Available to employees classified as full-time.
Weight Loss Subsidy	Available to employees at certain locations.
Childcare support	Available to employees classified as full-time in New York and San Francisco headquarter offices.
Healthy pregnancy program pre-natal risk assessment service	Available to employees enrolled in UnitedHealthcare.
Parental Bonding Leave. (baby bonding / paternity / adoption leave)	Available to all full-time employees .
Phase out/phase back program to assist new parents.	Available to all employees classified as full-time.
Infertility benefits	Available to all employees classified as full-time, enrolled in a United-Healthcare plan with one year of service.
Transgender benefits	Available to employees enrolled in UnitedHealthcare.

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

2012 Community investment 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.

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 2011, Gap Inc. contributed \$2.4 million to thousands of nonprofits via Gift Match. In 2012, Gap Inc. contributed \$2.3 million to thousands of nonprofits via Gift Match In 2011, more than 4,600 employees participated in Gift Match. In 2012, more than 4,300 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 2011, Gap Inc. contributed nearly \$308,000 to organizations via Money for Time. In 2012, Gap Inc. contributed nearly \$291,000 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 2011, Gap Inc. contributed more than \$240,000 in Board Service grants. In 2012, Gap Inc. contributed more than \$275,000 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 2011, Gap Inc. and Gap Foundation contributed nearly \$855,000 in Field Team Grants to organizations across the US and Canada. In 2011, Gap Inc. and Gap Foundation contributed \$933,000 in Field Team Grants to organizations around the world.

Note:

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

2012 Workplace health & safety data

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.

	Retail stores		All other locations		Total	
	2011	2012	2011	2012	2011	2012
Number of Gap Inc. employees	95,888	86,369	8,230	11,793	104,118	98,162
Workers' comp claims	1,688	1,474	147	180	1,885	1,654
Time loss claims	200	177	50	28	197	205
Hours of exposure	84,022,098	81,640,115	12,761,651	13,682,314	96,783,749	95,322,429
Rate of injury per 200,000 hours worked	4.02	3.61	2.30	2.63	3.90	3.47
Safety/injury incident reports	6,858	7,101	591	386	7,449	7,487
Occupational injury-related fatalities	0	0	0	0	0	0
Experience modification factor	N/A	N/A	N/A	N/A	0.87	0.74

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

Community

Full Section

Key Takeaways:

- *Communities around the world face a variety of pressing challenges and emerging opportunities. Gap Inc.'s community investment programs seek to apply outcome-driven, results-oriented thinking to confront the challenges and maximize the opportunities.*
- *Since our founding, Gap Inc. has leveraged our company strengths to address critical community needs.*
- *We focus our community investment efforts on expanding opportunities for youth and women. We seek to create a virtuous cycle that produces long-term solutions for everyone involved.*

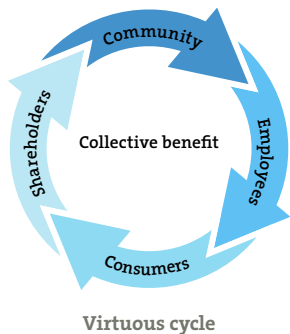
Communities need investments that go deeper than grants alone

Communities across the United States and around the world are facing new and complex challenges. In the decade between 2000 and 2010, the income and wealth of the average family fell for the first time since World War II.¹ Individuals and families are working harder than ever to stay afloat, and the nonprofit organizations addressing the most critical community challenges are serving more people than ever—only with fewer staff and resources. Fueling sustainable community change requires more than grant-making. It calls for a new way of doing business that engages more deeply in community—with the innovative thinking to solve problems, fill local needs, and create opportunities for communities to reach their full potential.

Contributing to the strength of the communities in which we operate has been central to the way Gap Inc. has done business since we opened our first store in 1969. We know that when communities thrive, business thrives. We believe that the best way to support the communities where we live and work—and ensure the long-term health of our business—is to apply the same strategic business thinking we use in the boardroom to find solutions to social challenges in communities around the world.

In 2006, Gap Inc. refocused our community investment strategy to build on two principles:

- *We develop community partnerships that leverage our company's core strengths.* As a global company, we look at the full spectrum of our assets and abilities, and apply them to make the greatest possible impact in addressing local needs. This means we don't just write checks. We enlist our globally recognized brands, marketing expertise, vendor relationships, and more than 135,000 talented employees to foster positive and sustained social change. This commitment and business-oriented approach are reflected in every step of Gap Inc.'s community investment strategy—from needs assessment to design to implementation.



- *We seek to create a sustainable, virtuous cycle.* When we invest in an organization or a community, we strive to ensure that our programs go beyond a one-time benefit. We work to initiate a cycle that creates value for everyone involved: the community, customers, employees, vendors, and shareholders. When everyone supports a shared purpose and derives a meaningful benefit, this cycle gains momentum and continues to benefit all for the long term. Every local investment Gap Inc. makes—from helping to expand the capacity of our community partners to offering employee expertise—aims to advance this broader long-term vision.

The strength of a community rests in its ability to help residents reach their full potential. In 2012, Tufts University and the National Conference on Citizenship [published a report](#) illustrating that regions where residents were

¹ Pew Research Center: *The Lost Decade of the Middle Class*, August 2012.

COMMUNITY | OPERATING CONTEXT & STRATEGY

engaged and active in community affairs fared better during the recession. Moreover, the research showed that communities with a higher density of nonprofit organizations filling local needs were better able to weather the economic downturn than were regions with fewer social supports.

Given both the challenges and opportunities that families, communities, and the global economy currently face, Gap Inc. focuses our social investments on organizations that help residents achieve long-term success and independence.

Based on our company's strengths and the ways that our business connects us to the community, we believe we can make the greatest impact in two areas: helping young people in the developed world and women in the developing world realize a healthy, productive future.

- *Connecting youth.* When our employees share their professional experiences with underserved youth, the impact outlives the program. As young people learn how real-world career skills can expand their options as adults, they are encouraged to explore their own ambitions and envision a brighter future.
- *Empowering women.* When we partner with apparel vendors and organizations in the developing world to support personal advancement for female garment workers, the benefits extend beyond the individual. As women become more skilled at their jobs and begin to elevate their status, their families are lifted by their confidence and improved business skills, and the factories where they work become more productive.

We recognize that the challenges we are working to address are deep and complex, and they require long-term efforts to shift thinking and change behavior. Gap Inc. is committed to be an enduring partner that helps advance the sustained change that communities are seeking.

Key Takeaways:

- *Gap Inc. partners with community organizations that support underserved youth and help women advance by creating opportunities for them to grow personally and professionally.*
- *We support our partners by applying company strengths and resources that bring strategic value and lead to longer-term impact than grants alone.*
- *By working to understand our community partners' needs and applying the company resources to help meet them, we strive to fuel a virtuous cycle.*

Gap Inc.'s community partners are at the heart of sustained social change. No one is better equipped to understand and address the pressing needs of a community than the nonprofit and civic organizations that serve its most vulnerable residents. Yet as demand for social supports has grown, economic challenges have forced community organizations to do more with less. In response, we invest in local partners and help them increase their skills, capacity, and effectiveness.

In working with our community partners, we leverage company resources to make the greatest possible impact. We see the community organizations we support as more than grantees; they are our partners in this critical work. We collaborate with a diverse mix of organizations that have two things in common: a track record of strengthening communities and an innovative approach to tackling social challenges. Given the complexity of the issues that community organizations face—and the daily challenges of addressing the increased, often urgent, demand for services—the needs of nonprofits are ever-changing. We therefore focus less on what we want to give, and more on what our community partners tell us is needed in order to better serve their clients.

A Virtuous Cycle: Leveraging resources to drive leadership capacity among our partners

The thinking behind our approach is grounded in the notion that Gap Inc. and our community partners have a shared purpose, and our partners are on the front line of delivering on that purpose. Over the past few years, the nonprofit leaders with whom we collaborate have told us that they need to stretch limited resources to address an increased demand for services. Given their need to focus on immediate crises and the day-to-day operations of their organizations, they have little time to think about staff development, succession planning, or building the leadership skills of their teams.

In 2009, we launched the Gap Inc. Leadership Initiative (GILI) as a way to invest in our nonprofit partners and their need to address these challenges. In addition to cultivating strong leaders, GILI encourages ongoing collaboration between our partners so they can learn from each other, expand the skill base across the nonprofit sector, and help nonprofits more effectively meet community needs long term.

GILI adapts leadership tools originally designed for Gap Inc. executives and deploys them in a training program that reaches 50 leaders from 25 nonprofit organizations each year. The program includes an annual two-day conference as well as ongoing mentoring and collaboration opportunities. Most important, the curriculum is customized to meet the unique needs of the nonprofit sector.

Takeaways:

- *As communities grapple with a host of pressing challenges, a new volunteering model is needed to effectively address the most pressing social and economic issues in the United States and abroad.*
- *At Gap Inc., some of the greatest strengths we can leverage to support communities are the skills and talents of our more than 135,000 employees.*
- *Gap Inc. employees are concerned about the health of their communities and have a track record of taking action. The volunteer programs that Gap Inc. has developed enable employees to contribute to their communities frequently and effectively.*

Volunteering is more important now than it has been in a generation. Over the past several years, civic engagement has taken on renewed meaning. In 2009, reflecting the increased need and enthusiasm for service, the Edward M. Kennedy Serve America Act expanded opportunities for individuals and organizations to volunteer. Along with this renewed sense of urgency and purpose came a realization that a new model of volunteering—one that applies resources strategically—was needed to ensure that volunteers were bringing real value to the community organizations where they serve.

Gap Inc. employees work to strengthen the communities in which we operate by volunteering their time and talent to organizations in the United States and around the world. Our company has much more to offer communities than cash grants alone; our diverse, talented employee base is also a force for community change.

For many years, Gap Inc. has made it a central tenet of our business to create ways for our employees to volunteer their time with nonprofit partners. We encourage employees to volunteer in whatever way best applies their unique skills to meet long-term community needs – from offering legal support at a family services agency to providing opportunities for underserved youth to develop career skills.

A Virtuous Cycle: Reimagining the way volunteers and community organizations interact

The global economic challenges of the past several years have contributed to a renewed focus on volunteering and service. Recognizing the need to serve more people with decreased financial resources, leaders from multiple sectors have encouraged more people to get active and volunteer. During that same time period, a group of five organizations, including Gap Inc., recognized that simply encouraging more people to volunteer wasn't enough: If nonprofits didn't have the right systems in place to train and manage the surge of volunteers, the experience would fail to benefit both those who wanted to volunteer and the nonprofit organizations they wanted to support. In response, a new national coalition was formed called **Reimagining Service**, which seeks to “convert good intentions into greater impact.” Together with representatives from nonprofits, government, faith-based organizations, private foundations and corporations, we advocate for a strategic approach to volunteering designed to bring maximum value to nonprofit organizations. And we are working with leaders across all sectors to shift perceptions about the value of volunteerism.



We seek to build partnerships that strive for long-term impact, and our approach to volunteering is grounded in the belief that long-term relationships between nonprofit partners and employee teams have the greatest potential to

do just that. Our Community Leader program encourages this sustained engagement by cultivating company service leaders:

COMMUNITY | VOLUNTEERING

- *Each team identifies one employee to serve as a Community Leader.* We equip these individuals with **tools and resources** to lead their teams' volunteer strategies.
- *Community Leaders work with their teams to identify a local need and select a nonprofit partner organization that addresses it.* Employee teams work to develop ongoing relationships with their nonprofit partners. As the partner organization's staff gets to know the skills and expertise of our employees, they can better leverage their time as volunteers. In turn, as our employees better understand the needs of the nonprofit, they can identify team members with the skills and experience best suited to meet those needs.

We strive to design our volunteer programs to benefit everyone involved, from our communities and nonprofit partners to our employees and shareholders:

- *Focused support meets organizational and community needs.* Our nonprofit partners receive sustained support that seeks to meet their needs and capacity, so they can spend less time training and managing volunteers and more time pursuing their missions.
- *Sustained commitment helps employees understand their impact.* Because we believe in fostering long-term impact rather than one-time volunteer opportunities, our employees see the effects of their involvement grow over time.
- *Volunteering boosts employee satisfaction and pride in our company.* Gap Inc. benefits from the increased employee morale and engagement, and from new skills that our employees develop through their volunteer and leadership activities.

Key Takeaways:

- *Today, 6.7 million young people in the United States are disconnected from work and school, with few opportunities to find and advance in a career.*
- *Given Gap Inc.'s experience hiring first-time workers and equipping them with the skills needed to succeed in the workplace, Gap Inc. can play a role in helping to reconnect these youth.*
- *We want to unleash the potential inherent in all young people through the transformative power of work. We do this by providing financial support, designing and running programs, and leveraging other corporate resources on behalf of positive youth development.*

Today, one in six young people in the United States is disconnected from school or work. Without a clear plan or path for the future, these 6.7 million young people have few opportunities to find and advance in a career. This limits their opportunities for a successful, stable adulthood, and costs the nation an estimated \$93 billion annually in lost revenue and additional social services per year. ²

We believe that work is a powerful force in a young person's life, and we know what it takes for a young person to get a job and succeed in a work environment. Beyond a paycheck, work experience has the power to provide young people with critical perspective on their options for the future and new appreciation for the value of education. Job training programs can help young people develop critical life skills and make an indelible impact on individuals, their families, and the community.

Helping youth advance in work and in life has been core to our business since our first store opened in 1969. Since then, hundreds of thousands of young people have experienced the satisfaction that comes from landing their "first job" in our retail stores. By giving young people the knowledge and skills to actively shape the trajectory of their lives, we are also contributing to the health of the community and protecting the long-term health of our business. Our programs prepare young people for adulthood by exposing them to the transformative power of work.

In 2011-12, Gap Foundation President Bobbi Silten served on the White House Council for Community Solutions to develop a plan for reconnecting youth, ages 16-24, with meaningful education and employment opportunities. As part of this project, we collaborated with McKinsey & Company, Corporate Voices for Working Families, Opportunity Nation, and the Taproot Foundation to develop a new resource: *Connecting Youth & Business: A Toolkit for Employers*. The Toolkit guides employers through an assessment of their strengths to help them identify effective ways to support underserved youth and implement job training or mentoring programs that meet the organization's needs and capacity.

A Virtuous Cycle: Connecting underserved youth to career and life opportunities

Gap Inc.'s signature youth program This Way Ahead provides job readiness training and paid internships for underserved youth in New York City, Boston, and San Francisco.

Working closely with three nonprofit partners (*The Door*, *Enterprise for High School Students*, and *Cambridge Housing Authority*), Gap Inc. employees created a program that helps young people develop the hard and soft skills that are critical for success in life and provides them with real-world work experience.

- Our employees share what they have learned about career planning and the importance of education. They help participants explore a range of industries and become excited about finding a career they are passionate about.

² White House Council for Community Solutions: *Community Solutions for Opportunity Youth*, Final Report, June 2012.

COMMUNITY | YOUTH

- Store managers facilitate classes in career skills—from making tough decisions and giving presentations to setting goals and resolving conflict. Along the way, interns meet with mentors from the nonprofit partner who help them navigate challenges and overcome potential barriers.
- To date, 75 percent of *This Way Ahead* interns have been hired as permanent store associates, and their average tenure is longer than that of their peers.
- The curriculum for *This Way Ahead* is available for other companies and organizations to use.

By the end of our 2012 fiscal year, more than 1,000 youth had participated in this life-changing program. Gap Inc. employees at every level of the company contribute to the success of *This Way Ahead* by volunteering their time and talent to develop the curriculum, teach classes, and coach interns.

Gap Inc. invests in nonprofit organizations that help young people explore their career options, develop career-related skills, and experience on-the-job learning. We work alongside community organizations as strategic partners with a shared goal.

- Designed in partnership with the Pearson Foundation, Plan Ahead is a semester-long college and career awareness course for ninth graders in the San Francisco Unified School District (SFUSD). During 75 hours of coursework, students learn to develop a path to a career, college, and life after high school. In the 2011–2012 school year, nearly 4,000 SFUSD students completed the course. Of students surveyed after the first semester, nearly 80 percent reported increased knowledge of the classes they need to take to complete high school and go to college.
- At Camp Old Navy, underserved youth experience what it's like to have a job in a retail setting. More than 70,000 youth have participated in Camp Old Navy since it was launched in 1999.

While our programs were not designed to recruit or develop talent for the company, they have proven to be a source of qualified and motivated talent for Gap Inc. while helping young people discover their own career ambitions and chart a brighter future. In 2012, Gap Inc. served more than 89,678 young people in five countries by partnering with more than 60 community organizations. Specifically, 8,425 youth benefited from soft-skills development, 80,129 from work-ready skills development, and 1,124 from learn-and-earn experiences.

Given the large number of youth who are isolated from school and work and the complex challenges that these young people face, we know this is just a start. But we hope that *Connecting Youth & Business* will help other employers join the national effort to re-engage young people around the world.

Key Takeaways:

- *Globally, 80 percent of garment workers are women. Through the Gap Inc. P.A.C.E. (Personal Advancement & Career Enhancement) program, we provide female garment workers with the foundational life skills and enhanced technical skills needed to advance in their personal lives and in the workplace.*
- *P.A.C.E. is a flexible, sustainable program that has profound benefits for garment workers, their families and communities, and manufacturers.*
- *By measuring the impact of P.A.C.E., we are showing that investing in female garment workers can advance opportunities for women to become confident leaders at home, in the community, and in the workplace, while improving productivity for Gap Inc. vendors.*

“Research shows that when provided access to educational learning and technical support, women can be real agents of change—for their families, their communities and, ultimately, for society as a whole.”

—Dotti Hatcher, Executive Director, Gap Inc. P.A.C.E. Global Initiatives

We know that women’s education and economic advancement are central to thriving communities. Women who earn an income spend more on their families, and educated women are more informed about their rights and how to exercise them. When women’s livelihoods improve, the impact extends far beyond the individual; it can determine the overall health of communities in the developing world.

Gap Inc. is committed to creating opportunities for women to advance and lead – both within our company and in the communities touched by our business. Since Doris Fisher co-founded Gap Inc. in 1969 with her husband Don, women have shaped every part of the company’s management and culture. Today, women make up approximately 70 percent of our employees worldwide. When we refocused Gap Inc.’s community investment strategy in 2006 to leverage the company’s greatest strengths for maximum impact, investing in opportunities for women was a natural fit for our company.

Globally, 80 percent of garment workers are women, yet few have opportunities to advance in the workplace. By working to ensure that these women are supported by their workplace, confident in their skills and abilities, and recognized as full and productive participants in society, we not only help strengthen communities, but we also ensure the integrity of our products and our company. Our investments in female garment workers are focused on creating a virtuous cycle where women are elevated by new opportunities, families and communities gain from greater inclusion of women, and garment manufacturers benefit from an engaged and motivated workforce.

A Virtuous Cycle: P.A.C.E. benefits female garment workers, their communities, and participating factories

“Women hold enormous potential to make a difference... Gap Inc.’s P.A.C.E. program gives female garment workers the skills and confidence to fulfill this potential—in their personal lives, with their families, and in their communities.”

—Shiv Kumar, Managing Director, Swasti-Health Resource Centre

Launched in 2007, the Gap Inc. P.A.C.E. program provides a sustainable pathway for women garment workers to advance in their personal and professional lives. P.A.C.E. is a comprehensive learning experience focused on helping female garment workers (FGWs) develop life skills and enhanced technical skills. It also creates a supportive environment where participants can put these new skills to use at work, at home, and in their communities.

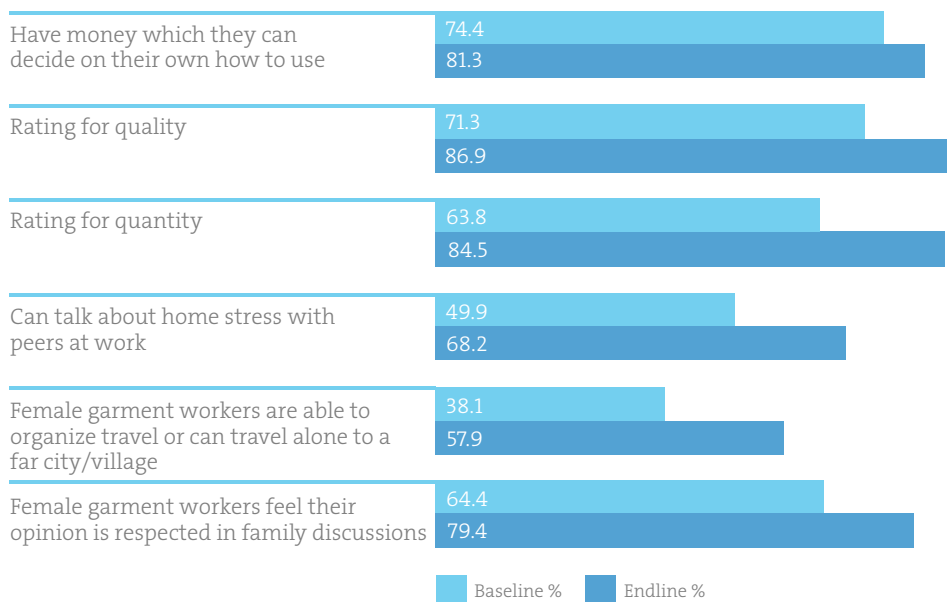
- *P.A.C.E. is founded on global partnerships. Working closely with Swasti-Health Resource Centre and the International Center for Research on Women (ICRW), we developed a curriculum that draws on Gap Inc.’s wide*

and unique range of resources, including our global employee base, relationships with garment manufacturers, and partnerships with nonprofit organizations that understand the social and cultural barriers faced by female garment workers.

- *The program is designed for flexibility and sustainability.* P.A.C.E. is completely voluntary for both factories and workers, so participation is a clear commitment to advancing the roles and lives of women. Our partners train factory staff to implement the curriculum and integrate it into the ongoing operations of each manufacturer to ensure sustainability. While the foundational learning components are consistent, P.A.C.E. is adaptable to the culture, workplace, and needs of female garment workers in each setting where it is implemented.
- *Women gain foundational skills that improve their confidence and positively impact their families.* P.A.C.E. teaches foundational life skills such as communication, problem solving and decision making at work and at home, and financial and legal literacy. The program also includes orientation and training for human resources staff and other employees at the factory to ensure a supportive work environment.
- *Gap Inc. is guided by evaluation every step of the way.* Our vendors and partners collect data before and after each learning module so we can measure changes in the participants’ knowledge and the program’s impact in making garment factories more supportive and productive places to work. In a recent end-line evaluation of the program’s first year at a facility in Bangladesh, the proportion of female garment workers that held leadership roles on committees or groups in the previous six months increased by more than four times—from 6 percent to 25 percent. In 2012, ICRW aggregated findings from five program evaluations in India, Vietnam, and Cambodia. The chart below indicates their findings:

Five sites aggregate indicators

India pilot, India scale-up, Cambodia, India vendor owned, and Vietnam



*The baseline data was collected prior to the implementation of P.A.C.E. at a given factory. The above data is aggregated based on studies conducted over one or two year timeframes.

COMMUNITY | ADVANCING WOMEN

P.A.C.E. is currently operational with 22 vendors in more than 60 factories in seven countries (Bangladesh, Cambodia, China, India, Indonesia, Sri Lanka, and Vietnam). To date, more than 20,000 women have participated in the program.

Our vision is for P.A.C.E. to be widely recognized as a model for advancing women in the developing world and in emerging markets. The Gap Inc. P.A.C.E. program has been recognized for making a difference in the lives of women and their communities globally. Honors for the program include the 2010 Financial Times/Justmeans Social Innovation Award, the 2011 International Center for Research on Women's Champion of Change Innovation Award, and recognition from President Clinton and the Clinton Global Initiative. Gap Inc. is focused on continued expansion with our manufacturing vendors, and we plan to double the number of participating vendors by 2015. We are also developing a strategy to expand the program into community settings, and we look forward to sharing our progress in our next report.

Current community goals

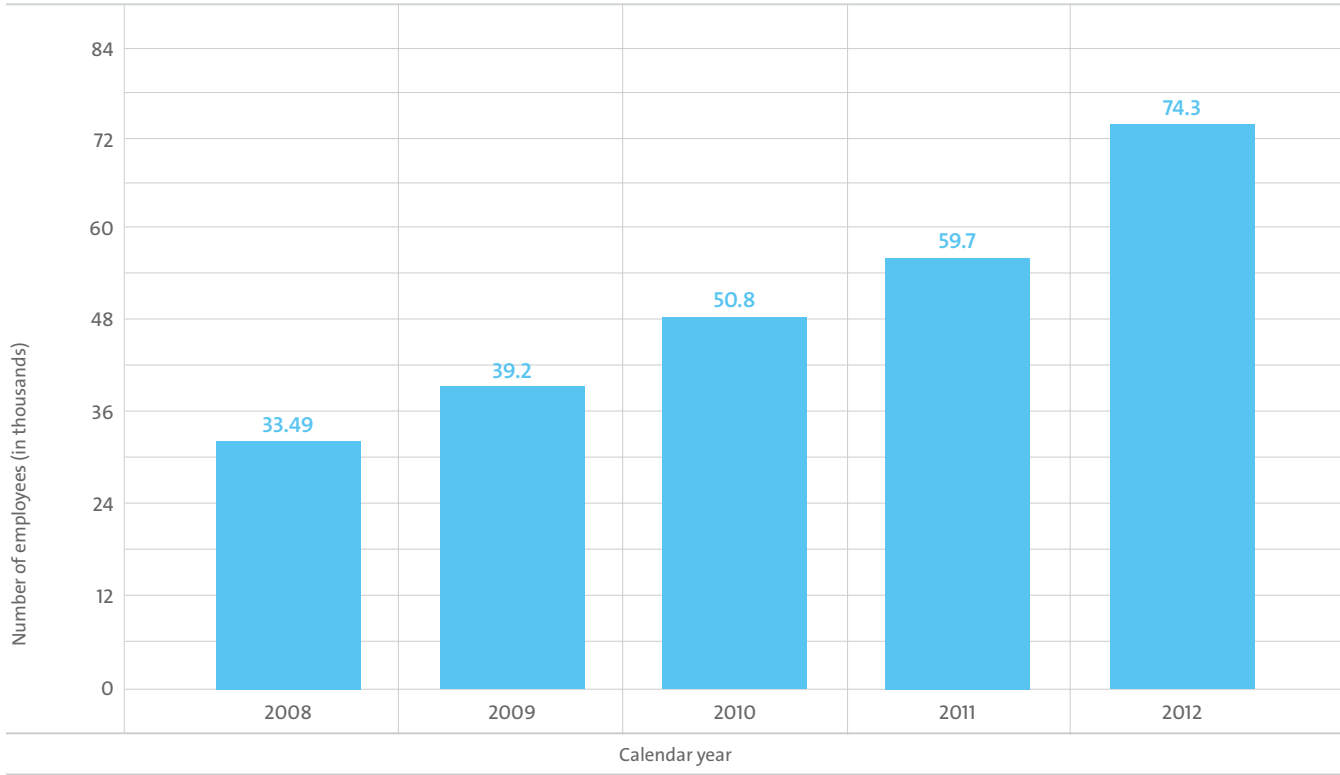
Women	Estimated completion date
Increase vendor participation in the P.A.C.E. program by expanding program to 40 key vendors by the year 2015.	2015
An additional 10,000 female garment workers will complete P.A.C.E. program by the year 2015.	2015
Expand P.A.C.E. program into community settings by partnering with select NGOs to develop and implement modified P.A.C.E. community program—Target 3 community programs in 2013 and 10 community programs by the year 2015.	2015
Volunteering	Estimated completion date
Increase the impact of employee volunteering by encouraging each employee team to identify a Community Leader, and then form a long-term partnership with one community organization. By Q4 2013, 1200 Community Leaders will have identified their long-term community partners.	2013
Set a target of creating \$16 million in employee-driven value to the community in 2014. This includes employees' donations of time and money, and Gap Inc.'s financial match of both.	2014
Youth	Estimated completion date
Provide 95% of our key youth-serving community partners with support beyond cash grants.	Ongoing
Through Gap Foundation's community partners, serve at least 70,000 underserved youth and young adults per year.	Ongoing

Completed community goals

	Completion date
Create new opportunities for underserved youth and women by expanding our programs.	2012
Deliver at least 75 percent of grants in target causes and invest our company assets to build nonprofit capacity.	2012
Continue to connect our employees to our nonprofit partners so they can increase our impact beyond a cash grant.	2012
Provide at least 95 percent of youth-serving nonprofit partners with support beyond cash grants.	2012
Strive to increase the annual value of employee-driven contributions of time, money and talent to the community.	2012
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.	2012

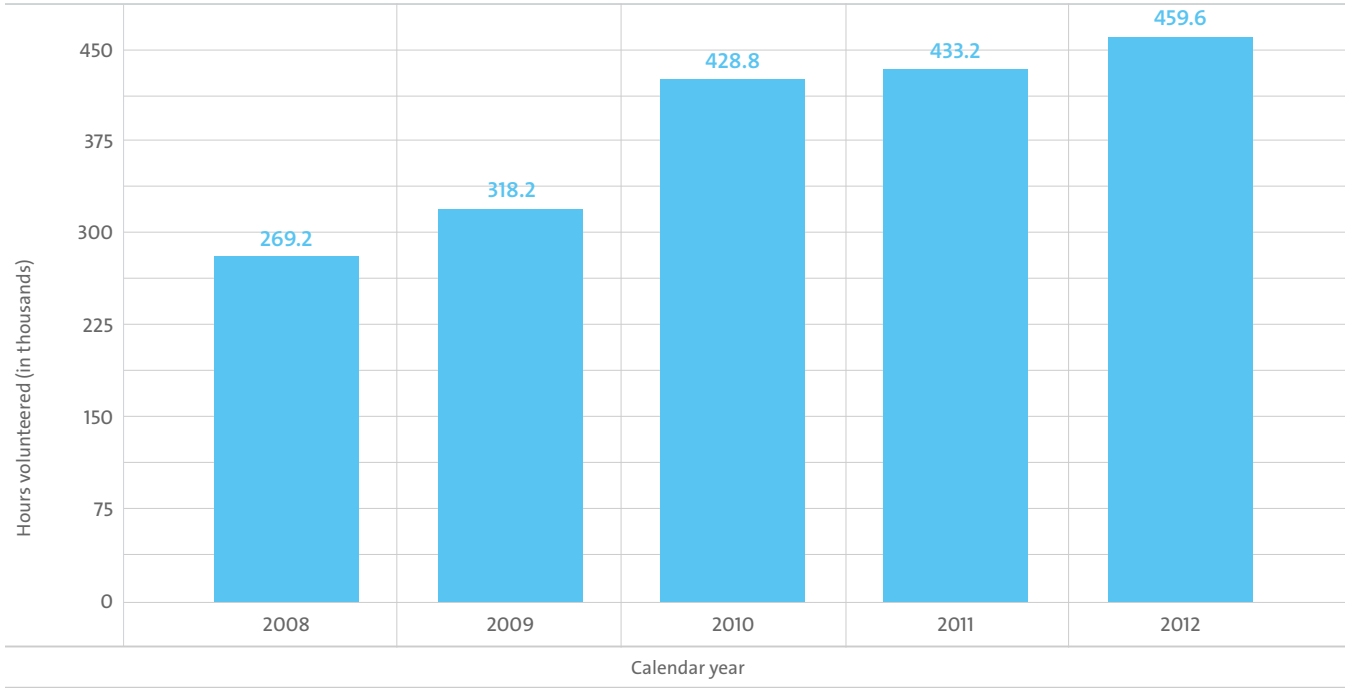
Community Data

2008-2012 Volunteerism: Total employee contribution



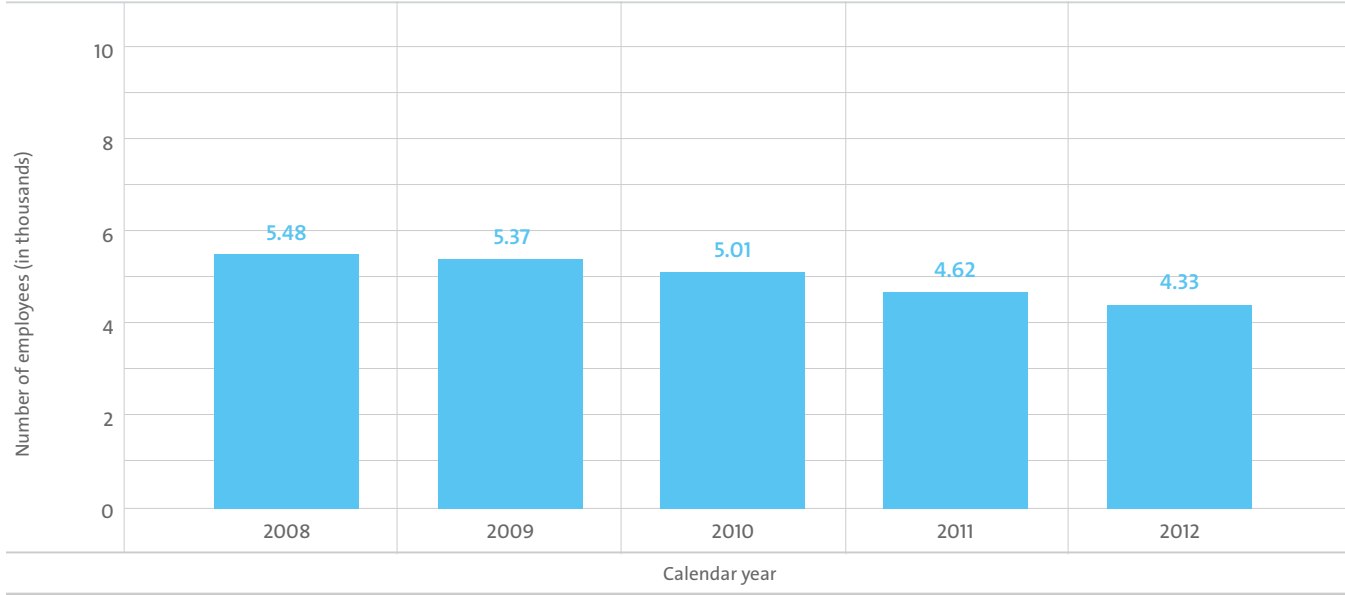
Note:
This data is based on a calendar year.

2008-2012 Volunteerism: Total employee contribution



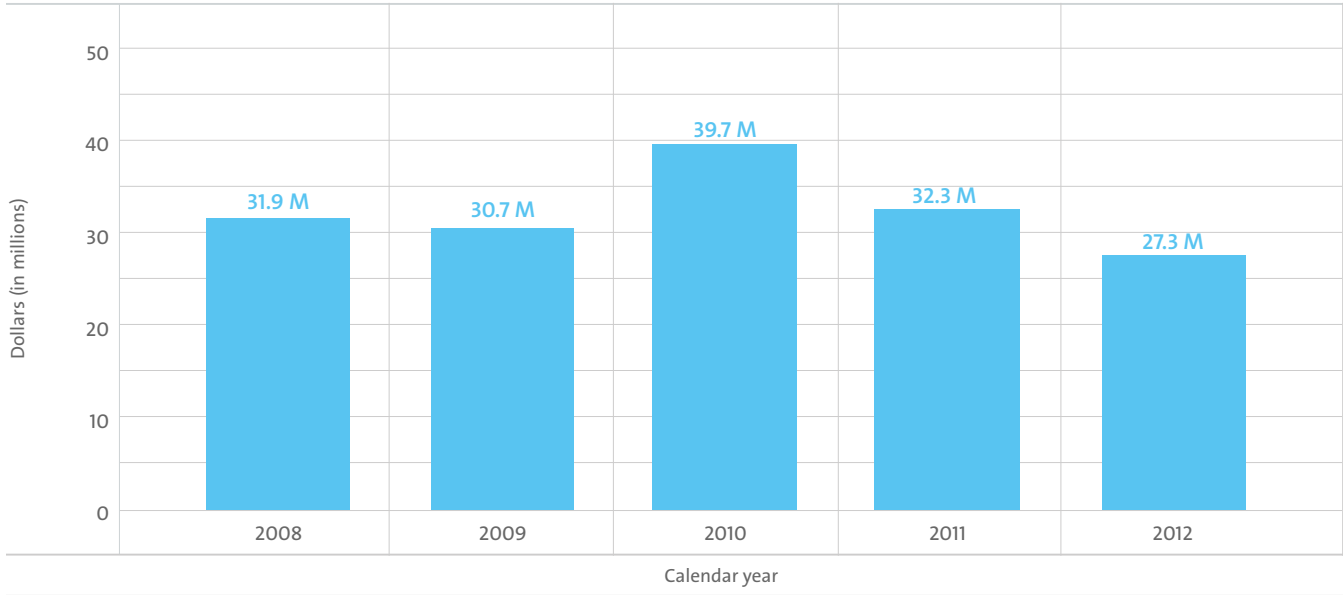
Note:
This data is based on a calendar year.

2008-2012 Financial donations: Employee participation



Note:
This data is based on a calendar year

2008-2012 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.

Appendix

PUBLIC REPORTING WORKING GROUP STATEMENT

Reporting serves several purposes. For those looking to compare companies, both quantitative and qualitative data provide useful comparison points. For those working to change problems related to human rights, labor rights and the environment, both types of data provide information that allow for documenting progress. In addition, reporting helps us to understand what works and what has not worked to bring about positive change.

Gap Inc. has been a leader in many aspects of corporate responsibility and reporting. For example, Gap Inc.'s report indicates executive-level accountability for sustainability and provides stakeholders with a clear understanding of the company's overall governance structure. The company has a long history of robust reports. While Gap Inc.'s two-year reporting cycle has produced comprehensive and useful information over the past decade, we encourage Gap Inc. to move toward a more frequent reporting cycle, such as an annual comprehensive report or quarterly data updates on its website. We believe that more frequent data and analysis reporting would anchor Gap Inc.'s leadership in a more comprehensive way. It is also important to note that the state of reporting is rapidly evolving and there is a growing emphasis and pressure on companies to articulate processes for identifying material sustainability issues. We support Gap Inc.'s conclusions that the issues presented in this report are material to the business, impacted communities and investors.

In the Human Rights section of the report, Gap Inc. recognizes that the landscape has changed dramatically since its social responsibility program began in the mid-1990s. The company points to an increased fragmentation of supply chains, intensified competition in the apparel industry and the rise in demand for lower-cost, faster fashion. It is a significant challenge to put in place a human rights strategy to address systemic issues that improve the lives of workers and have a positive impact on their communities. To meet this challenge, Gap Inc. has evolved and is still evolving its approach containing these and other elements: utilizing root cause analysis rather than relying exclusively on factory audits; developing suppliers instead of policing them; putting social and labor compliance systems in place; building the capacity of managers and workers to address issues as they emerge and working with a range of stakeholders—NGOs, trade unions, community leaders, governments—to leverage positive change. Gap Inc. has been a leader in forging collaborative approaches to supply chain responsibility. Yet, more needs to be done by the company and the entire apparel industry.

The entire apparel industry needs to take concrete steps to create humane working conditions by a) fully integrating social and environmental responsibility requirements into the sourcing and buying function; b) eliminating purchasing practices that have negative impacts on workers; c) including human rights criteria into pricing decisions; d) creating systems that guarantee workers are paid a sustainable living wage; e) requiring suppliers to foster an environment where workers can organize and join trade unions without fear of retaliation; f) collaborating to bring collective leverage to improve working conditions throughout the entire supply chain down to the commodities level; g) utilizing the full force of their commercial power to press for strong governmental labor and environmental policies and enforcement and g) reporting on outcomes and impacts of supply chain social responsibility programs so that stakeholders, including consumers and investors, are better informed about performance changes over time. This is not philanthropy, meaning that it should not be considered optional. We view this work as necessary, and central to any global company's value proposition, although relatively few companies fully grasp these obligations and opportunities.

This year, the world's attention has turned to grave concerns and critical issues that remain unaddressed in Bangladesh. Gap Inc. has long played a constructive and solutions-oriented role in addressing these problems, dating back to the 2010 fire at the Hameen Group's factory in Dhaka. Following that tragedy, and in spirit with Gap Inc.'s history and willingness to work with different stakeholders, the company initiated engagement with labor rights groups to identify sustainable solutions. However, these problems—which are not unique to Gap Inc.—have

PUBLIC REPORTING WORKING GROUP STATEMENT

continued to progress and most recently resulted in the tragedy at the Rana Plaza factory complex.

We believe a truly multi-stakeholder approach, including representatives of global and local labor unions, the NGO community, the Bangladesh Garment Manufacturing and Exporters Association (BGMEA), government, industry and factory management, will be necessary to bring about the systemic changes that are required in Bangladesh. We are disappointed in Gap Inc.'s decision not to participate in the Accord on Fire and Safety in Bangladesh, which includes the participation of all key stakeholders, and to help organize a parallel effort which has weaker accountability mechanisms and no trade union participation—the Alliance for Bangladesh Worker Safety. In the coming months, we will look to Gap Inc. to bring to bear its resources, extensive experience of engagement with stakeholders—especially workers—and significant expertise to set high standards and work collaboratively with the Accord to bring about needed change.

Roughly two hundred years into the industrial revolution, we are still grappling with unsafe working conditions, child and forced labor, starvation wages, gender inequality and environmental degradation in many places around the world. One commodity alone—cotton—raises all of these issues. These problems are systemic and cannot be solved by one or even a handful of companies working independently. It is also clear to us that market forces will not solve them. The collapse of Rana Plaza has catalyzed an important and long-overdue development—competitors working together to pursue common safety standards for workers. We strongly encourage all participants to seize this opportunity to go beyond the critical fire and safety work and to tackle these broader interconnected sustainability problems, none of which are inevitable or acceptable.

Mr. Adam Kanzer, Managing Director & General Counsel, Domini Social Investments

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

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

Rev. David Schilling, Senior Program Director, Interfaith Center on Corporate Responsibility

INDEPENDENT COMMENT FROM SHIFT

“Respecting Human Rights in Gap Inc.’s Global Supply Chain”

The UN Guiding Principles on Business and Human Rights provide companies with a blueprint for how to know and show that they respect human rights throughout their operations—in their own activities and business relationships. Shift is a non-profit organization whose team helped shape and write the Guiding Principles; we now work with governments, business and other stakeholders to put them into practice. We were asked by Gap Inc. to offer reflections on the implications of the Guiding Principles for Gap Inc.’s efforts to respect human rights in its global supply chain, as described in this section of their Social & Environmental Responsibility (S&ER) report. Our comments were informed by reviewing documents and interviewing key staff; they are not an assessment of the effectiveness of Gap Inc.’s policies and processes on the ground.

Gap Inc. has a Human Rights Policy that applies to its wholly-owned operations and apparel supply chain, as well as a long-standing Code of Vendor Conduct that sets clear expectations for factories that produce goods for Gap Inc. The Policy importantly identifies impacts on workers’ human rights as the company’s leading human rights risks.

The Guiding Principles focus attention on impact as the basis for a company’s responsibility to respect human rights, rather than influence (or leverage). Influence is critical in preventing and addressing identified human rights impacts, but is not a filter on a company’s responsibility—regardless of where those impacts occur in the supply chain. Gap Inc.’s human rights commitments should apply equally to its non-apparel and non-merchandising supply chain, even if Gap Inc.’s leverage in these business relationships may be less—or less obvious—than its leverage with first tier apparel vendors. This will be important as Gap Inc. expands its franchise business.

The S&ER and Sourcing teams work closely to embed Gap Inc.’s policy commitments in its relationships with vendors—and to help those vendors meet their own human rights commitments. The S&ER team provides input into key risk assessment processes, including sourcing decisions and vendor relationships, and seeks to support category leaders in identifying and mitigating human rights risks in core business operations. This cross-functional engagement will be central to achieving Gap Inc.’s goal of jointly advancing human rights and strategic business objectives.

The Guiding Principles focus companies’ human rights risk management processes on risk to affected stakeholders, rather than risk to the business. Risks of severe human rights impacts are the first priority. Gap Inc. implicitly recognizes this in key programs (i.e., addressing Uzbek cotton) and in its responses to specific incidents (such as instances of child labor), and seeks to use its leverage to address them. However, we recommend Gap Inc. review whether this “severity” lens is consistently applied across its activities and business relationships: for example, in its approach to vendor capacity-building, and assessments of non-apparel suppliers.

To fully assess the severity of potential impacts, a company needs to understand the perspectives of affected stakeholders. Gap Inc. seeks to integrate worker perspectives into its robust vendor monitoring and capacity-building program, and relies on local staff who are attuned to language, cultural and other sensitivities to do so. The value that Gap Inc. places on broader stakeholder engagement is evident in multiple places in the report. However, we recommend that Gap Inc. review how and in what ways the results of such engagement are formally incorporated into existing systems for risk assessment, mitigation and remediation.

Notably, root cause analysis is an integral part of Gap Inc.’s processes. This helps Gap Inc. understand the underlying causes of failures to respect workers’ human rights and helps Gap Inc. see where its own actions might contribute to negative human rights impacts. Gap Inc.’s transparency in recognizing the relevance of purchasing practices for its vendors’ ability to respect human rights is commendable, and provides a powerful example to other companies.

INDEPENDENT COMMENT FROM SHIFT

We were not asked to review supply chain metrics or performance data included in the report. With regard to the processes for gathering such information, Gap Inc. has several initiatives underway to improve internal data collection and sharing. Importantly, factory audit results are increasingly incorporated into Gap Inc.'s standard operating procedures and reports, as well as into vendor capacity evaluations. Gap Inc. also plans to develop outcome-oriented performance indicators to integrate human rights information into business decisions. We welcome Gap Inc.'s acknowledgement that these efforts are essential to more meaningfully track its performance.

The Guiding Principles expect companies that may be involved with severe human rights impacts to report formally on their efforts to address them. Gap Inc.'s description of the challenges of stemming forced labor by female garment workers under the Sumangali scheme in Southern India is one of several compelling examples of this. We are also pleased to see Gap Inc. explain its approach to materiality in reporting on its human rights performance. From a Guiding Principles perspective, materiality assessments regarding human rights risks need to fully reflect the severity of impacts on affected stakeholders; it will be important to review this aspect as Gap Inc.'s approach evolves.

Operational-level grievance mechanisms are a formalized means for affected stakeholders to raise concerns about company impacts in order to seek remedy. Where workers are represented by trade unions, industrial relations processes are themselves an important grievance mechanism. Gap Inc.'s efforts to support workers' freedom of association (for example, in Cambodia) are important in this regard. Gap Inc. can also build on lessons it has learned from engaging credible third parties to help establish and operate effective grievance mechanisms.

The Guiding Principles recognize that there are many ways in which companies can seek to build leverage to address endemic human rights challenges, including through collaborative efforts. Systemic weaknesses in building and fire safety in Bangladesh represent a particular priority in this regard. Collaboration—with other brands, retailers, trade unions, civil society, suppliers, and the Bangladeshi Government—is essential to tackle this acute challenge. We regret that many North American brands, including Gap Inc., felt it was necessary to form a separate Alliance for Worker Safety, rather than join the European-driven Accord, which has broad stakeholder and institutional support. It is imperative to avoid duplication, inconsistency or confusion between the two initiatives. Observers of both initiatives will ultimately look for what results are delivered for workers. Experience from Gap Inc.'s own fire and building safety program, with its emphasis on worker empowerment, safety, and Freedom of Association, should contribute towards advancing tangible improvements on the ground. Gap Inc. also has an important role to play in driving transparency and accountability to demonstrate the achievement of collective commitments and sustainable, tangible improvements for workers.

Experience shows that companies that are willing to acknowledge challenges and seek shared solutions in meeting their responsibility to respect human rights are best placed to build stakeholder understanding and trust. Gap Inc. has come a long way from its first S&ER report in 2003, and we encourage Gap Inc. to continue to be transparent and receptive to stakeholder concerns. We recognize Gap Inc.'s commitment to further aligning its approach with the Guiding Principles, and hope these comments can support its ongoing efforts to put respect for rights into practice.

GRI-G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
STRATEGY AND ANALYSIS					
G4-1	CEO message	Full	8		
ORGANIZATIONAL PROFILE					
G4-3	Our Company	Full			
G4-4	Our Company	Full			
G4-5	Our Company	Full			
G4-6	Our Company	Full		8.1	
G4-7	Our Company	Full			Certificate of Incorporation
G4-8	Our Company	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-9	Our Company	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-10	Company: Our Company	Partial	6		Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
AF32	Employees: Diversity and Inclusion Data				
G4-11	Employees	Partial	3		
G4-12	Found within each section of the report	Full			
G4-13	Company: Our Company Human Rights: Operating Context and Strategy Environment: Operating Context and Strategy	Full			
G4-14	Company: Our Company Human Rights: Operating Context and Strategy Environment: Operating Context and Strategy	Partial			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-15	Company: CEO Letter; Stakeholder Engagement; Human Rights Policy and Code of Vendor Conduct; California Transparency in Supply Chains Act Human Rights: UN Guiding Principles; Working with Factories; Capacity Building; Bangladesh Fire and Building Safety Environment: Energy and Climate, Water, Waste, Product Community: Volunteering; Youth; Advancing Women	Full	8		Gap Inc. Code of Vendor Conduct Gap Inc. Human Rights Policy
G4-16	Company: Stakeholder Engagement Human Rights: Monitoring and Remediation; Bangladesh Fire and Building Safety	Full			
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES					
G4-17	Company: Reporting and Materiality; Political Engagement and Public Policy	Full			
G4-18	Found within each section of the report	Full			

GRI-G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES (continued)					
G4-19	Company: Reporting and Materiality	Full			
G4-20	Human Rights: UN Guiding Principles on Business and Human Rights				
G4-21	Environment: Operating Context and Strategy	Full			Gap Inc. Human Rights Policy
G4-22	Company: Reporting and Materiality	Full			
G4-23	Environment: Our Footprint; Waste Community: Connecting Youth	Full			
STAKEHOLDER ENGAGEMENT					
G4-24	Company: Stakeholder Engagement; Reporting and Materiality	Full			
G4-25	Human Rights: Stakeholder Engagement	Full			
G4-26	Environment: Reporting and Materiality	Full			
G4-27	Company: Reporting and Materiality	Full			
REPORT PROFILE					
G4-28	This report covers Gap Inc.'s 2011 and 2012 fiscal years. Company: Reporting and Materiality	Full		0.2	
G4-29	Our last report covered Gap Inc.'s 2009 and 2010 fiscal years.				2009 – 2010 Social Responsibility Report
G4-30	We publish our Social and Environmental Responsibility Report biennially. Company: Reporting and Materiality	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-31	social_responsibility@gap.com				
G4-32	This is a GRI referenced report, using the GRI G4 Guidelines				
G4-33	No external assurance received for this report.			8.6, 8.6a, 8.6b, 8.6c, 8.7, 8.71, 8.7b	
GOVERNANCE (G4-35 to G4-38 are found in gray text as they are fully disclosed though not required for this reporting level)					
G4-34 AF5	Company: Our Leadership	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-35 AF5	Human Rights: Our Leadership	Full			
G4-36 AF5	Environment: Our Leadership	Full			
G4-37 AF5	Company: Our Leadership	Full	10		Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report
G4-38	Environment: Our Leadership	Full	10		Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report

GRI-G4 CONTENT INDEX

GENERAL STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
ETHICS AND INTEGRITY					
G4-56 AF1	Company: Human Rights Policy and Code of Vendor Conduct; California Transparency in Supply Chains Act; Code of Business Conduct	Full			Gap Inc. Code of Business Conduct Gap Inc. Code of Vendor Conduct

GRI-G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
CATEGORY: ENVIRONMENTAL					
ASPECT: ENERGY Environment: Energy and Climate.					
G4-EN3	Environment: 2012 Environmental Data Charts: 1) 2006-2012 US Energy Consumption, 2) 2012 US Energy Consumption by Source, and 3) 2010–2012 Energy Consumption by Operation	Full	7,8,9	12.2, 12.3	2012 CDP Investor Report
ASPECT: EMISSIONS Environment: Energy and Climate; Data.					
G4-EN15	Energy and Climate	Full	7,8,9	7.2, 7.3, 7.4, 8.2, 8.5, 8.8, 9.1, 9.2	2012 CDP Investor Report
G4-EN16	Energy and Climate	Full	7,8,9	7.2, 7.3, 7.4, 8.3, 8.5, 8.8, 10.1, 10.2	2012 CDP Investor Report
G4-EN17	Energy and Climate	Full	7,8,9	3.3, 3.3a, 3.3b, 3.3c	2012 CDP Investor Report
G4-EN19	Energy and Climate	Full	7,8,9		2012 CDP Investor Report
ASPECT: PRODUCTS AND SERVICES Environment: Water; Waste; Product.					
G4-EN27 AF17	Energy and Climate; Water; Waste; Product	Partial	7,8,9	3.2	Gap Inc. Code of Vendor Conduct
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT Human Rights: Data. Environment: Operating Context and Strategy; Our Footprint; Water; Waste; Product.					
G4-EN33 AF3	Human Rights: Data Environment: Operating Context and Strategy; Water; Waste; Product	Full	7,8,9		Gap Inc. Code of Vendor Conduct
CATEGORY: SOCIAL					
LABOR PRACTICES AND DECENT WORK					
ASPECT: EMPLOYMENT Employees: Operating Context and Strategy					
G4-LA1	Employees: 2012 Diversity and Inclusion data: 1) Ethnic Demographics, 2) North American Gender Demographics	Full	6		
G4-LA2	Employees: Benefits and Rewards; Data	Full	6		

GRI-G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
CATEGORY: SOCIAL					
LABOR PRACTICES AND DECENT WORK					
ASPECT: OCCUPATIONAL HEALTH AND SAFETY Employees: Data					
G4-LA6	Employees: 2012 Workplace Health and Safety Data	Full	6		
ASPECT: TRAINING AND EDUCATION Employees: Career Development					
G4-LA9	Employees: Career Development	Partial	1, 6		
G4-LA10	Employees: Career Development	Full	1, 6		Gap Inc. Retail Academy
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY Employees: Diversity and Inclusion					
G4-LA12	Employees: Diversity and Inclusion	Full	1, 6		Gap Inc. Code of Business Conduct
HUMAN RIGHTS					
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS Human Rights: Operating Context and Strategy; UN Guiding Principles on Business and Human Rights					
G4-HR12	Human Rights: UN Guiding Principles on Business and Human Rights	Full	1,2		Gap Inc. Code of Vendor Conduct
ASPECT: HUMAN RIGHTS ASSESSMENT Human Rights: Working with Factories; Monitoring and Remediation					
G4-HR9	Human Rights: Monitoring and Remediation	Full	1,2		Gap Inc. Code of Vendor Conduct
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING Human Rights: Operating Context and Strategy; Freedom of Association					
G4-HR4	Human Rights: Working with Factories; Freedom of Association	Full	1,2,3		Gap Inc. Code of Vendor Conduct
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT Human Rights: Working with Factories; Monitoring and Remediation; UN Guiding Principles on Business and Human Rights; Data					
G4-HR11	Human Rights: Monitoring and Remediation; Data	Full	1,2		Gap Inc. Code of Vendor Conduct Gap Inc. Human Rights Policy
ASPECT: FORCED COMPULSORY LABOR Human Rights: Working with Factories; Forced Labor					
G4-HR6	Human Rights: Forced Labor	Full	1,2,4		Gap Inc. Code of Vendor Conduct Gap Inc. Human Rights Policy
ASPECT: CHILD LABOR Human Rights: Child Labor					
G4-HR5	Human Rights: Monitoring and Remediation	Full	1,2,5		Gap Inc. Code of Vendor Conduct Gap Inc. Human Rights Policy
SOCIETY					
ASPECT: LOCAL COMMUNITIES Human Rights: Operating Context and Strategy; Working with Factories; Monitoring and Remediation					
G4-SO2	Human Rights: Monitoring and Remediation	Full	1, 2, 7, 8, 9		Gap Inc. Human Rights Policy
AF3	Environment: Operating Context and Strategy; Our Footprint				
PRODUCT RESPONSIBILITY					
ASPECT: CUSTOMER HEALTH AND SAFETY Company Overview: Product Safety					
G4-PR1	Company Overview: Product Safety	Full	1, 7		Gap Inc. Human Rights Policy

GRI-G4 CONTENT INDEX

SPECIFIC STANDARD DISCLOSURES

GRI Indicator	Report Section	Coverage	UNGC Principle	CDP Indicator	Supporting Documentation
CATEGORY: ECONOMIC					
ASPECT: ECONOMIC PERFORMANCE					
G4-EC1 AF33	Company: Our Company Employees: Benefits and Rewards Community: Data	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report Gap Foundation 2011 Year in Review Gap Foundation 2012 Year in Review Be What's Possible
ASPECT: INDIRECT ECONOMIC IMPACTS					
G4-EC7 AF32 and 33	Employees: Benefits and Rewards Community: Volunteering; Youth; Advancing Women	Full			Gap Inc. 2012 Annual Report Gap Inc. 2011 Annual Report Gap Foundation 2011 Year in Review Gap Foundation 2012 Year in Review Be What's Possible Wearecommitted.com
G4-EC8 AF32	Community: Youth; Advancing Women	Full			Gap Foundation 2011 Year in Review Gap Foundation 2012 Year in Review Be What's Possible Wearecommitted.com

In performing our Materiality Assessment, GRI's Apparel and Footwear Sector Supplement released in 2008 was referred to. Due to our biennial reporting cycle, we have chosen to utilize the recently released G4 Guidelines. While in transition to the new Guidelines, we have aligned key Sector Supplement Performance Indicators added in light blue text, though the Supplement itself has not yet been updated to the G4.

RECOGNITION

2011-2012

Gap Inc. was named Yahoo! Finance's first-ever Company of the Year

For the sixth straight year, Gap Inc. has been named to the Dow Jones Sustainability North American Index (DJSI), based on an analysis of economic, environmental and social criteria.

Gap Inc. was awarded the 2012 Business Volunteer Program of the Year by CaliforniaVolunteers, as part of the California Governor's Volunteering and Service Awards.

For the fourth straight year, Gap Inc. is noted as a top company and retailer in Maclean's "50 Most Socially Responsible Corporations" list.

For the sixth straight year, Gap Inc. was chosen as one of the World's Most Ethical Companies in recognition of our commitment to ethical leadership and corporate social responsibility.

For the seventh straight year, Gap Inc. made Corporate Responsibility Magazine's "100 Best Corporate Citizens" list. The company's rankings included: human rights (tied for 1st overall, and 1st in retail/apparel); corporate governance (tied for 1st overall, and 1st in retail/apparel); philanthropy (1st in retail/apparel); and employee relations (2nd in retail and apparel, 4th overall)

Gap Inc. received an Excellence in Greenhouse Gas Management Goal Setting Certificate from the U.S. Environmental Protection Agency, The Climate Registry, the Center for Climate and Energy Solutions and the Association of Climate Change Officers for publicly reporting and verifying GHG inventories and setting an aggressive absolute GHG emissions reduction goal.

For the seventh 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.