# Module: Introduction

## Page: Introduction

**0.1**

**Introduction**
Please give a general description and introduction to your organization

We established our company in 1969 with a brand called Gap and a promise to make it easy to buy a great pair of jeans. Since then, our family of brands has grown to include Banana Republic, Old Navy, Piperlime, and our newest addition, Athleta. Today, we're one of the world's largest specialty retailers offering apparel, accessories, and personal care products for men, women, children, and babies under the Gap, Old Navy, Banana Republic, Piperlime, and Athleta brands — with more than 3,000 stores and 134,000 employees. Most of the products sold under our brand names are designed by us and manufactured by independent sources. We also sell products that are designed and manufactured by branded third parties. We have Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, and as of November 2010, China and Italy. We also have franchise agreements with unaffiliated franchisees to operate Gap and Banana Republic stores in many other countries around the world. As we've expanded, so have our goals for the impact we want to make as a socially and environmentally responsible company.
For Gap Inc., environmental responsibility means far more than being "green" or selling green products. We view it as connected to every aspect of our business, from the manufacture of our clothes to how they are packaged and shipped to the design of our stores. As a global retailer, we have the potential to make a difference on critical environmental issues, such as saving energy and combating climate change. Being environmentally responsible also supports our success as a company. We believe that it allows us to innovate, create value for our business, and meet the expectations of our customers, employees and shareholders.
In fact, environmental responsibility is more important and integral than ever to our company's success. It's a lens we use across the company to improve our operational efficiency, productivity, employee engagement, and ultimately, our profitability. In addition, we encourage each brand in our corporate family to go above and beyond these fundamentals in ways that best serve their customers and communities. Our brands are creative forces with unique opportunities to implement their own ideas, from exploring ways to make their clothes more sustainable to fostering a culture that supports responsible business practices. In all of our efforts, we are working throughout Gap Inc. to drive change, enlisting the passion and talent of our employees across numerous functions to support our values of *"Do: what's right"* when it comes to the environment.

**0.2**

**Reporting Year**
Please state the start and end date of the year for which you are reporting data.

The current reporting year is the latest/most recent 12-month period for which data is reported. Enter the dates of this year first.
We request data for more than one reporting period for some emission accounting questions. Please provide data for the three years prior to the current reporting year if you have not provided this information before, or if this is the first time you have answered a CDP information request. (This does not apply if you have been offered and selected the option of answering the shorter questionnaire). If you are going to provide additional years of data, please give the dates of those reporting periods here. Work backwards from the most recent reporting year.
Please enter dates in following format: day(DD)/month(MM)/year(YYYY) (i.e. 31/01/2001).

| Enter Periods that will be disclosed |
|---|
| Fri 01 Jan 2010 - Fri 31 Dec 2010 |

**0.3**

**Country list configuration**

Please select the countries for which you will be supplying data. This selection will be carried forward to assist you in completing your response

| Select country |
|---|
| United States of America |

**0.4**

**Currency selection**

Please select the currency in which you would like to submit your response. All financial information contained in the response should be in this currency.

USD($)

**0.5**

**Please select if you wish to complete a shorter information request**

**0.6**

**Modules**

As part of the Investor CDP information request, electric utilities, companies with electric utility activities or assets, companies in the automobile or auto component manufacture sectors and companies in the oil and gas industry should complete supplementary questions in addition to the main questionnaire.
If you are in these sectors (according to the Global Industry Classification Standard (GICS)), the corresponding sector modules will be marked as default options to your information request. If you want to query your classification, please email respond@cdproject.net.
If you have not been presented with a sector module that you consider would be appropriate for your company to answer, please select the module below. If you wish to view the questions first, please see https://www.cdproject.net/en-US/Programmes/Pages/More-questionnaires.aspx.

## Module: Management [Investor]

### Page: 1. Governance

**1.1**

**Where is the highest level of direct responsibility for climate change within your company?**

Individual/Sub-set of the Board or other committee appointed by the Board

**1.1a**

**Please identify the position of the individual or name of the committee with this responsibility**

Dan Henkle: Senior Vice President, Global Responsibility - The Board receives regular, in person updates from our Senior Vice President of Global Responsibility, Dan Henkle, on the progress of our social and environmental sustainability efforts. The Board also regularly reviews the company's policies and practices related to these areas. In addition, in 2008, Gap Inc. created an Environmental Council comprised of senior executives and mid-level managers from across the company. Members include representatives from Gap, Banana Republic, Old Navy and Athleta brands as well as company experts in the functional areas of Real Estate, Corporate Operations, Strategic Sourcing, Logistics, Public Affairs, Trade Compliance, Marketing, Fabric Research and Development, Production Design, and Merchandising. Currently led by our CFO, Sabrina Simmons, our Environmental Council meets quarterly bringing together executives and managers from across

Gap Inc. who pool their talent and leadership skills to create positive environmental change for the company. Working as an internal think tank, the Council's mission is to improve how Gap Inc. uses resources to reduce our environmental impact with regard to our ECO focus: Energy; Cotton/sustainable design; Output and waste.

**1.2**

**Do you provide incentives for the management of climate change issues, including the attainment of targets?**

Yes

**1.2a**

**Please complete the table**

| Who is entitled to benefit from these incentives? | The type of incentives | Incentivised performance indicator |
|---|---|---|
| Management group | Monetary reward | In all of our efforts, we are working throughout Gap Inc. to drive change, enlisting the passion and talent of our employees across numerous functions to support our values of "do: what's right" when it comes to the environment. Many of our employees are passionate about the work they do as well as caring for our natural resources. Many of our best ideas come from our employees, who consistently challenge themselves to find solutions that link seamlessly with our design, processes and operations, often enhancing the products and experience that we offer to customers. We actively encourage and support sustainable innovation in each of our brands. The incentives we provide for innovation across the company, while not solely dedicated to issues regarding climate change, may be awarded for work on reducing emissions, meeting set targets, leading emissions reduction initiatives and piloting innovative programs which actively respond to environmental issues. Gap Inc.'s Annual Performance Bonus plans provide financial incentives to reward our employees for achieving company and/or individual performance goals which may include environmental initiatives or programs. The objectives of our bonus plans are: To reward financial performance, achievement of organization and individual goals and to support the company's pay-for-performance philosophy. Performance measures vary by plan and may include individual performance, company or division financial performance, key business goals, and store sales or other specified measures which may relate to sustainability goals or environmental metrics. |
| Management group | Monetary reward | Doris and Don Fisher built our company on four core principles – innovation, integrity, community and store excellence. The Fisher Award was created to recognize our employees' impact on the business and community which may include sustainability and environmental efforts. This is an annual award that recognizes select employees around the world who exemplify our company's most important values. Employees can nominate teammates or themselves for bringing our values to life in one of these four categories. |

| Who is entitled to benefit from these incentives? | The type of incentives | Incentivised performance indicator |
|---|---|---|
| Management group | Monetary reward | The Exceed Award is Gap Inc.'s company-wide spot bonus program. The cash award is designed as a tool to reward team members in real-time who demonstrate superior performance and generate results above and beyond the expected job scope. Results should be achieved in a manner that is aligned with our four pillars: Inspire: creativity; Think: customers first; Do: what's right; Deliver: results. The Exceed Award may be given to an individual or a team for outstanding performance in a variety of areas which may include environmental and sustainability initiatives. |
| All employees | Recognition (non-monetary) | Our culture and values embody who we are as a company. They drive our company's growth and success. Applause recognition is essential to engaging employees and making Gap Inc. a great place to work. Our internal "Applause" tool brings all of these important elements together in a simple way that enables employees to recognize each other for focusing on our four pillars: Inspire: creativity ; Think: customers first ; Do: what's right; Deliver: results. Employees can create and send personalized recognition cards that recognize team members for amazing performances which may include work on environmental initiatives or programs. |

## Page: 2. Strategy

**2.1**

**Please select the option that best describes your risk management procedures with regard to climate change risks and opportunities**

Integrated into multi-disciplinary company wide risk management processes

**2.1a**

**Please provide further details (see guidance)**

*i.* Risks are assessed at an enterprise level in order to help manage these risks and capitalize on opportunities related to our social and environmental goals. In 2010, we began the process of integrating these risk assessments more deeply into our business, meeting with corporate leadership as well as strategic business partners within the company to review current strategies and initiatives, collect data and help facilitate additional initiatives that would have a positive environmental impact.

*ii/iii.* We've developed a framework for our social and environmental risk management process which identifies particular events or circumstances, such as social issues, regulatory impact, and climate change that are relevant to our objectives and then analyzes and plots them along a matrix of likelihood and magnitude. Risks are prioritized based upon criteria for financial, material and reputational risks.

*iv./v./vi.* We work with our Environmental Council and internal business partners to monitor risks and opportunities, set goals and determine strategies to address these risks, and publicly report on our progress. While the Environmental Council meets quarterly to identify and prioritize risks and opportunities to support our objectives, other issues are reviewed and addressed with business partners on an as-needed basis. These risks and their placement along the matrix continue to change and move and are evaluated as new risks are identified or circumstances change. In addition, we've engaged partners, such as Ceres, in our risk assessment process to help validate our findings as well as act as a sounding board for current and future initiatives. By proactively working with our internal business partners and outside stakeholders, we can identify and address risks and work to integrate these assessments more deeply into the business. Ultimately, through this type of assessment and engagement, we can protect the business and create real value for our stakeholders, employees, customers and the environment.

**2.2**

**Is climate change integrated into your business strategy?**

Yes

**2.2a**

**Please describe the process and outcomes (see guidance)**

*i.* Our risks are prioritized based upon criteria for financial, material and reputational risks, and we work with our internal business partners to determine our response strategies, continually monitor progress towards our goals, and report our progress to the Board. While these risks and their placement along the matrix continue to change and move and as new risks are identified or circumstances change, we continually evaluate our risks and determine the most appropriate strategy response.

*ii.* Our environmental strategy has stemmed from a careful analysis of our environmental challenges as a global apparel retailer, the areas over which we have the most control and opportunity to create change, and the issues that we believe enable us to make the biggest difference. While we have direct control over our store and facility construction, we can only influence areas in the supply chain such as textile and garment production.

*iii.* To have the greatest positive impact, we have prioritized our short term efforts to focus first on the facilities that we own and operate, because we have more control over the energy they use and the waste we create and, therefore, more opportunity to create immediate change. To this end, we completed our first environmental footprint assessment in 2009 and, based on those findings, have committed to reducing our absolute U.S. GHG emissions 20% by 2015, based on a 2008 baseline.

*iv.* We are currently looking further back into our supply chain, where we believe the majority of our impact lies, and developing a long term strategy to address our risks and opportunities there. For example, the water and energy used in manufacturing our products is a significant focus of our efforts moving forward. In addition, in 2010, we began the process of developing a comprehensive climate and energy policy and our goal is to continue to develop this policy in 2011.

*v.* Given our operations, two of the biggest areas where we can create a positive environmental impact are through energy and water management. In both cases, what's good for the environment is also good for our business. As we improve efficiencies, we can also save money and help to address and mitigate the risks of climate change in the communities where we live and work. All of these areas are important for our future success. While climate change, as our Board member and former CEO Bob Fisher has described in an opinion editorial published last year (http://www.huffingtonpost.com/bob-fisher/climate-change-blue-jeans_b_557485.html), could have a direct impact on our business, we also have an opportunity to differentiate ourselves by making a positive and sustainable impact.

*vi.* While we continue to evaluate and determine our overall strategy going forward, there were no substantial business decisions made that were directly influenced by the climate change driven aspects of our strategy.

**2.2b**

**Please explain why not**

**2.3**

**Do you engage with policy makers to encourage further action on mitigation and/or adaptation?**

Yes

**2.3a**

**Please explain (i) the engagement process and (ii) actions you are advocating**

As we focus on our own role in addressing climate change, we are aware that public policy plays a critical part in moving solutions toward large-scale, systemic issues forward. As part of our commitment to social and environmental responsibility, we engage in political and public policy matters that are important to our business and consistent with our principles and values. At times, seeking solutions within Gap Inc. overlaps with the need to get involved and act effectively in the public arena. In such cases, we will speak up for what we believe in – and join forces with others to make more progress in less time. For example, our Government Affairs and Public Policy team regularly advocates on issues such as trade, healthcare and climate change. Gap Inc. participates in the political process by using corporate funds to make a limited number of political contributions to candidates, committees and ballot initiatives that further our business strategies, community interests and public policy objectives. Corporate political contributions are made at the federal, state and local level in compliance with our corporate governance practices and all applicable laws. Our Government Affairs and Public Policy Department manages and oversees the Company's political and public policy activities. Further, the Board of Directors is provided periodic updates on the Company's political spend, including our corporate political contributions and PAC allocations. Gap Inc. maintains a Political Action Committee (GPAC) and provides eligible employees with the opportunity to contribute to the GPAC. GPAC is a separate legal entity, with its own oversight council, which is funded solely from voluntary contributions made by eligible Gap Inc. employees. GPAC supports candidates whose positions are in line with Gap Inc.'s values and overall business goals of growth and stability and all contributions are made in a legal, ethical and transparent manner in accordance with federal laws and regulations governing political action committees. The Senior Director of Government Affairs and Public Policy manages and oversees all GPAC contributions with final approval by the PAC Council, following the same criteria used for corporate political contributions. In 2010, we also took a position on a major California initiative that we believed could hinder progress toward the goal of addressing climate change in our home state. Proposition 23 was a ballot measure that would have suspended the state's landmark clean energy law, the Global Warming Solutions Act (or A.B. 32). Along with a broad coalition of business leaders, public health advocates, clean technology companies and others, we felt strongly that A.B. 32 was critically important in fostering clean energy innovation, creating jobs and protecting public health. For this reason, we publicly announced our opposition to Proposition 23, which was defeated in a statewide election last November.

Gap Inc. is also a member of various industry and trade associations that further our business, economic and community interests. These associations keep us informed of developments and trends in our industry, and help us focus our advocacy in the most effective way. We often communicate and advocate our positions through our membership in concert with our industry partners. All dues paid to these trade associations are made with corporate funds. In 2010, we partnered with industry trade groups, such as RILA (Retail Industry Leaders Association) and our retail peers, to advocate for common goals on the state and federal level. In addition, we are members of the Business for Innovative Climate and Energy Policy (BICEP) coalition along with brands such as Nike, Levi Strauss, Starbucks, eBay and Ceres — a national network of investors, environmental organizations and other groups focused on sustainability. The goal of the coalition is to work directly with key allies in the business community — and members of Congress — to pass meaningful energy and climate change legislation consistent with BICEP's core principles. As a member of BICEP we are helping stress the urgency of finding solutions to climate issues. In 2010, we served as signatories on letters to elected officials [http://www.ceres.org/Document.Doc?id=532], and published an opinion editorial by Bob Fisher, a Director on our Board on the importance of federal climate policy: [http://www.huffingtonpost.com/bob-fisher/climate-change-blue-jeans_b_557485.html]

Gap Inc. is also one of the founding companies of the Sustainable Apparel Coalition, an effort to identify common metrics and approaches to reduce the social and environmental impact of our products. The Coalition – comprised of retailers, clothing and footwear manufacturers, environmental groups and the government – strives to link the private and public sector with collaboration aimed at achieving individual, collective and societal benefits. Created to tap collective knowledge and passion, the idea behind the Coalition is that greater progress will be made through collaboration than by individual companies trying to address large-scale, systemic challenges on their own.

## Page: 3. Targets and Initiatives

**3.1**

**Did you have an emissions reduction target that was active (ongoing or reached completion) in the reporting year?**

Absolute target

**3.1a**

**Please provide details of your absolute target**

| ID | Scope | % of emissions in scope | % reduction from base year | Base year | Base year emissions (metric tonnes CO2e) | Target year | Comment |
|---|---|---|---|---|---|---|---|
| GPS1 | Scope 1+2 | 100% | 20% | 2008 | 615105 | 2015 | We've made a commitment to reduce absolute GHG emissions in our U.S. operations 20 percent by 2015, compared to 2008 levels. Informed by the environmental footprint assessment we completed in 2009 and as a follow up to our 2003-2008 EPA Climate Leaders Goal, this goal is ambitious and will require significant effort across our company. Though we are a global company, we are focused on our U.S. stores and facilities as they continue to represent more than 70% of our sales and approximately 90% of our total facility square footage. |

3.1b

Please provide details of your intensity target

| ID | Scope | % of emissions in scope | % reduction from base year | Metric | Base year | Base year emissions (metric tonnes CO2e) | Target year | Comment |
|---|---|---|---|---|---|---|---|---|

3.1c

Please also indicate what change in absolute emissions this intensity target reflects

| ID | Direction of change anticipated in absolute Scope 1+2 emissions at target completion? | % change anticipated in absolute Scope 1+2 emissions | Direction of change anticipated in absolute Scope 3 emissions at target completion? | % change anticipated in absolute Scope 3 emissions | Comments |
|---|---|---|---|---|---|

**3.1d**

**Please provide details on your progress against this target made in the reporting year**

| ID | % complete (time) | % complete (emissions) | Comment |
|---|---|---|---|
| GPS1 | 29% | 77% | To date, we've reduced absolute emissions by 94,644 metric tons CO2e, resulting in an overall 15.4% reduction. We've done this through a variety of energy reduction activities and initiatives and greater operational efficiencies. |

**3.1e**

**Please explain (i) why not; and (ii) forecast how your emissions will change over the next five years**

**3.2**

**Does the use of your goods and/or services directly enable GHG emissions to be avoided by a third party?**

No

**3.2a**

**Please provide details (see guidance)**

**3.3**

**Did you have emissions reduction initiatives that were active within the reporting year (this can include those in the planning and/or implementation phases)**

Yes

**3.3a**

**Please provide details in the table below**

| Activity type | Description of activity | Annual monetary savings (unit currency) | Investment required (unit currency) | Payback period |
|---|---|---|---|---|
| Energy efficiency: building services | In our Old Navy stores, managers continue to find ways to reduce energy use with the help of our Energy Management Program. This voluntary program identifies stores with high-energy use and works with managers to ensure that they're focused on energy conservation, thereby reducing our Scope 2 emissions. To help them succeed, we provide training materials and tips on reducing energy use along with targets for store-level energy reduction (in kilowatt-hours/square foot). On our Old Navy Retrofit Pilot, we measured 44 stores and through time clock and lighting upgrades and behavior modification, the pilot is resulting in a 7% savings compared to the same time frame last year through the first 8 months of operation. While we are seeing varying statistics regionally, the incremental savings in the pilot compared to the peer fleet is 6%. Through evaluation of this program, we've realized that although the returns for this program are reasonable, the level of effort to sustain this in a large store fleet with regular staff changes is difficult and could be potentially unsustainable over the long term. In the short term, we could see savings up to 3 years and will continue to evaluate this initiative going forward to gauge its effectiveness and determine next steps. | | | 1-3 years |
| Energy efficiency: building services | We are investigating ways in which to reduce our energy consumption in stores by enabling energy control use via alternative systems. In 2010, we began the planning and analysis of an additional voluntary pilot program for our Old Navy stores in which the lighting systems are tied into our existing burglar alarm system. This would allow a more consistent and controlled way of insuring lights are operating according to actual store hours and reducing energy consumption when lights are not needed as well as reducing our Scope 2 emissions. There would be no risk to our current store operations; instead, lights would shut off via the alarm system when initiated. We will be piloting this initiative with 6 stores in the beginning of 2011 with an average investment cost of $2000 per store. This program is currently being piloted and we expect to see savings up to 3 years. We will continue to evaluate the program to gauge its effectiveness and determine next steps. | | 2000 | 1-3 years |
| Energy efficiency: building services | In 2010, Gap Inc. issued a voluntary Request for Proposal (RFP) to review our existing lighting package. We hired a lighting consultant to evaluate our existing specifications and make recommendations on more energy efficient alternatives. Through this process, we selected a vendor that provided suitable energy efficient alternatives and implemented the conversion of these lights where there was no difference in lighting levels. We expect to see a significant reduction in energy consumption and the corresponding Scope 2 emissions as well as a significant reduction in maintenance costs (lamp replacement) in 2011. In addition, Gap Inc. has converted the majority of the bulbs in our store exterior signs to LED and our brands are currently testing LED and CDMI | 3579686 | 2092613 | 1-3 years |

| Activity type | Description of activity | Annual monetary savings (unit currency) | Investment required (unit currency) | Payback period |
|---|---|---|---|---|
| | technology in their pilot stores to evaluate the right solution going forward. In 2011, we will continue to test and evaluate these alternatives in order to determine next steps. We expect to see savings for the next 5-10 years and will continue to gauge the effectiveness of the program in the years to come. | | | |
| Energy efficiency: building services | In 2010, Old Navy enrolled in an energy efficiency initiative called a 'Treasure Hunt,' in partnership with General Electric (GE). This voluntary initiative will roll out in 2011 and is intended to explore energy and cost savings opportunities in the areas of energy, waste and water. Our Old Navy brand will pilot this project, with the expectation this will be rolled out to the rest of the Company in 2011 and beyond. General Electric will lead a cross functional team of our employees, suppliers and service providers who impact energy usage. The group will perform full energy audits of our stores with the goal of identifying new energy savings. GE will apply Lean and Six Sigma principles to identify opportunities and help drive improvements through equipment and operational/behavioral changes. The Gap team will be trained on the process during this time in order to execute these 'Treasure Hunts' across all of Gap Inc. The goal established for this initiative is a 15% reduction in energy spend. This program is currently being piloted and we expect to see savings in up to 3 years. We will evaluate the program after the pilot to gauge its effectiveness and determine next steps. | | | 1-3 years |
| Transportation: fleet | Our Sourcing and Store Maintenance teams continue to work with our vendors to influence their behaviors on the environment. For example, one of our transportation vendors based in Canada shared with us the idea of equipping their technicians with fuel efficient vehicles as well as providing incentives to their sub-contractors. This initiative would not only provide savings but would also have significant environmental benefits. Our vendor voluntarily converted a large number of their vehicles to more fuel efficient vehicles in order to reduce their costs as well as their Scope 3 emissions. Since its implementation in 2010, our vendor has saved $13,336.37 dollars annually and reduced their emissions. | 13336 | | <1 year |
| Transportation: fleet | Gap Inc. has saved facilities related costs and reduced carbon emissions by voluntarily deferring non urgent repair work for stores in close proximity to each other, saving both on travel time costs and reducing the fuel consumption required for maintenance vehicles. During 2010, Gap's maintenance vendor processed 14,360 work orders of which 2,290 were "bundled occurrences". The average trip for a normal work order is 14 miles round trip. Bundled jobs average 4 miles round trip resulting in a 10 "road mile" reduction for each bundled job. By implementing this 'bundled work program', we were able to save 2,290 gallons of gasoline and reduce our Scope 3 emissions. This program has become standard practice and we will continue to partner with our vendors to optimize processes leading to further emissions reductions. | 6870 | | <1 year |
| Transportation: use | In 2010, Gap Inc. in partnered with Ridespring, a web based commuting application that enables our San Francisco based headquarters employees to voluntarily track their alternative methods of | | 1500 | |

| Activity type | Description of activity | Annual monetary savings (unit currency) | Investment required (unit currency) | Payback period |
|---|---|---|---|---|
| | transportation and get rewarded for doing so through monetary incentives. This effort has helped us to reduce our Scope 3 emissions in employee commute. In 2010 alone, our employees eliminated 17,074 car trips, for a reduction of 224,628 miles, 9,884 gallons of gas and the resulting Scope 3 emissions. This program saved our employees $31,173 in gas money in 2010 alone while costing the company $1500. While these costs savings are not directly paid back to us, they have the potential to increase employee engagement and retention. We will continue to evaluate the program to determine its continued use with employees and determine next steps. | | | |
| Other | In 2010, Old Navy initiated a voluntary construction waste recycling pilot project with the goal of diverting construction waste from landfills to recycle centers when remodeling or constructing new stores. Targeting single stream and metal recycling, depending on each City's recycling capacity, we leveraged our existing national waste company to provide recycle containers to identified stores. Three stores were piloted and we diverted 50 tons of construction waste from landfills, or about 80% of the construction waste produced and reduced our Scope 3 emissions. The total cost for recycling construction waste was a small, incremental add per project. In 2011, we will be continuing the pilot with 25 additional stores and an estimated goal of 200 tons of waste diverted from landfills. The long-term goal is to have this process finalized for the 2012 Old Navy stores that qualify and determine if and how we might roll this out to our other brands in the future. | | | 1-3 years |
| Behavioral change | In 2010, both our Gap and Old Navy brand headquarters buildings implemented composting and recycling of the materials we use in our day to day operations. This voluntary effort has led to the elimination of over 100,000 lbs. of landfill waste and the associated Scope 3 emissions, and has saved the company over $150,000 annually as a result of more waste diversion and fewer trash pickups being needed on a weekly basis. In 2011, we've committed ourselves to further increasing that diversion rate on an annual basis and including our 2 Folsom headquarters building in this program as well | 150000 | | 1-3 years |
| Behavioral change | Our cafeteria at Old Navy headquarters has undergone a 'green' makeover. We voluntarily stopped selling conventional bottled water, and have installed water filtration devices on our kitchen faucets to further entice employees away from purchasing bottled beverages. We also stopped providing disposable food containers and plastic cutlery, and instead supply our cafeteria with reusable containers and silverware. These efforts reduce Scope 3 emissions from waste disposal. Overall, Old Navy HQ is saving more than $100,000 each year as a result of these employee-driven efforts. We will continue these efforts going forward and will include our 2 Folsom headquarters cafe in this program in 2011. | 100000 | | 1-3 years |
| Behavioral change | Our Outlet brand piloted a voluntary, flexible work program based on the Results Only Work Environment (ROWE) methodology. This program allows employees to work from home or remotely thereby reducing Scope 2 emissions as well as our employee commute Scope 3 emissions. Based on compelling survey data and strong performance by the brand during the pilot, | | | 1-3 years |

| Activity type | Description of activity | Annual monetary savings (unit currency) | Investment required (unit currency) | Payback period |
|---|---|---|---|---|
| | this program will be rolled out to other brands in 2011 and beyond. | | | |
| Product design | Unnecessary packaging has an impact on cost as well as the environment which is why we're voluntarily reviewing the packaging we use, to ensure we're being as efficient as possible, and using more sustainable materials when possible. For our Baby Gap sleepwear line we realized that while we needed to package product for in store display, there was no need for us to package them for customers who view and purchase product online. As a result, we've eliminated plastic packaging from our Baby Gap sleepwear line when it's sold online, saving the company more than $100,000 each year, and significantly decreasing the amount of packaging that eventually finds its way to landfill, thus reducing Scope 3 emissions. We are exploring similar initiatives with additional product lines in the future. | 100000 | | 1-3 years |
| Product design | We also looked at the cartons we use to ship apparel from factories, to distribution centers and to our stores. We put together a team to redesign these cartons, which has allowed us to pack our shipments more efficiently, cut down on ocean freight, and reduce our overall costs. We've also found innovative ways to reuse the boxes, so they aren't simply discarded or recycled once the carton is emptied. This voluntary effort is estimated to eliminate more than 12 million cartons a year from Gap Inc.'s supply chain, has helped shave our disposal costs by 10 percent, and has minimized our waste by 57,000 metric tons annually and reduced our Scope 3 emissions as well. This is an ongoing initiative that will continue at our DCs and we will continue to explore additional optimization processes in the future. | | | <1 year |
| Product design | In 2010, Gap brand began working with its packaging vendor on development of a new comfort edge label, a label made 100% of recycled bottles. Our goal was to diversify the textiles we work with, reduce our cotton consumption and bring cost savings to the brand. This recycled material will be used for the production of the care/content label on all garments replacing the existing label currently on our clothes. Working with our vendors, this new Comfort Edge sustainable care label will be implemented on all Gap brand garments by the end of 2011. We expect an average savings of $3.00 per thousand tags. We will continue to use this tag in the future as well as explore additional alternative options for the brands. | | | <1 year |

**3.3b**

**What methods do you use to drive investment in emissions reduction activities?**

| Method | Comment |
|---|---|

| Method | Comment |
|---|---|
| Financial optimization calculations | ROI calculations are a key method for driving investments in emission reduction activities, especially as a selling point to upper management and leaders within the business groups. Lower ROI investments between 1-3 years are the types of activities we have typically engaged in the past. |
| Dedicated budget for energy efficiency | In 2010, we had a $10,000 dedicated budget for the lighting Request for Proposal (RFP) in review of our existing lighting package. We hired a lighting consultant to evaluate our existing specifications and make recommendations on more energy efficient alternatives provided by lighting distributors and manufacturers. |
| Employee engagement | In surveys across the company, over 75% of our employees are proud of Gap's reputation within the community, believe in our values and feel that our leadership demonstrates a high degree of integrity with regard to 'Do What's Right' within the communities we live and work in. Engaging our employees in climate change issues allows us to reflect on a common set of values, promote healthy and sustainable living and working and drives recruitment and retention rates within the company. Given that our employees are so passionate about these values, we feel that we can leverage our employees to help meet our goals, drive environmental initiatives and integrate sustainability further into the company. |

3.3c

If you do not have any emissions reduction initiatives, please explain why not

## Page: 4. Communication

4.1

**Have you published information about your company's response to climate change and GHG emissions performance for this reporting year in other places than in your CDP response? If so, please attach the publication(s)**

| Publication | Page/Section Reference | Identify the attachment |
|---|---|---|
| In voluntary communications (underway) – previous year attached | Pages 71-92: Information on our energy conservation programs, our GHG reductions goals and initiatives, and our progress towards meeting our GHG reduction goal has been published in our company's Social Responsibility Report, available online under the Environment section. Our updated report will be available summer 2011. | GapInc0708SR.pdf |
| In voluntary communications (complete) | Gap Inc Page: UNGC COP and Advanced Programme Q/A. As part of our participation with the UNGC COP, companies are required to issue an annual Communication on Progress (COP) to stakeholders regarding progress made in implementing the principles of the UN | Gap_Inc_UNGC_COP Summary_2011.pdf |

| Publication | Page/Section Reference | Identify the attachment |
| --- | --- | --- |
| | Global Compact. | |
| In voluntary communications (complete) | Page 1: Corporate Responsibility 100 Corporate Best List. In 2010, members of the CRO Association's Corporate Citizenship committee gathered data on corporations' environmental efforts as corporate citizens. | 100Best2011_List_revised.pdf |
| In voluntary communications (complete) | Page 1: Newsweek Green Rankings. Each year Newsweek publishes an environmental ranking of the 500 largest publicly traded companies in America. | Newsweek_GreenRankings.pdf |
| In voluntary communications (complete) | Dow Jones Sustainability Assessment/Index. We participate in the DJSI assessment yearly, reporting on our Social and Environmental practices. | DJSI_Review10.pdf |

**Further Information**

Please find attached referenced files.

**Attachments**

https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/4.Communication/DJSI_Review10.pdf
https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/4.Communication/GapInc0708SR.pdf
https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/4.Communication/Newsweek_Green Rankings.docx
https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/4.Communication/Gap_Inc_UNGC_COP Summary_2011.pdf
https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/4.Communication/100Best2011_List_revised.pdf

## Module: Risks and Opportunities [Investor]

### Page: 5. Climate Change Risks

**5.1**

**Have you identified any climate change risks (current or future) that have potential to generate a substantive change in your business operations, revenue or expenditure? Tick all that apply**

Risks driven by changes in regulation
Risks driven by changes in physical climate parameters
Risks driven by changes in other climate-related developments

**5.1a**

**Please describe your risks driven by changes in regulation**

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| Gap01 | Carbon taxes | Tax imposed on carbon through federal proposals or through the efforts of states to regulate GHG emissions could impact our business though increased prices for electricity and other fuels. In addition, while most of our fleet of stores is in the US, we continue to expand internationally. International expansion could create increased regulatory obligations for our company that could result in increased operational costs. | Increased operational cost | 6-10 years | Indirect (Supply chain) | About as likely as not | Low |
| Gap02 | Fuel/energy taxes and regulations | Fuel and/or energy taxes could have an impact on our transportation costs, increasing our overall expenditures. Because the cost of fuel is a significant component in transportation costs, increases in the price of petroleum products could affect our gross margins. Our transportation vendors, who could be more directly affected through these regulations, could pass along a percentage of the cost increases to us. Additional regulations for fuel economy requirements or low-carbon fuel standards could require investments in new equipment or retrofits and could have an impact on our business indirectly though additional increased transportation costs. | Increased operational cost | 6-10 years | Indirect (Supply chain) | About as likely as not | Low |
| Gap03 | Emission reporting obligations | As consumers and the investment community become increasingly concerned with climate risks and businesses response to it, there could be additional scrutiny on company's sustainability strategies as well as broader regulations requiring more stringent disclosure on climate risks. Mandatory | Increased capital cost | 1-5 years | Direct | Likely | Low |

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| | | obligations to report emissions and an increase in reporting requirements and processes could require an added level of data collection and verification and additional personnel not currently in place. | | | | | |
| Gap04 | Product efficiency regulations and standards | More stringent building codes such as the 2010 California Green Building Standards and the upcoming International Green Construction Code indicate that there is a growing trend across in the US and abroad towards adoption of green building standards. These revised standards could require us to invest differently in our overall store design, building products and construction processes to align with new code requirements regarding energy efficiency, water reduction, waste reduction and the inclusion of sustainable materials. | Increased capital cost | 1-5 years | Direct | More likely than not | Low |

**5.1b**

**Please describe (i) the potential financial implications of the risk before taking action; (ii) the methods you are using to manage this risk; and (iii) the costs associated with these actions**

*i.* The energy used to operate our buildings is one of our largest operating expenses and taxes or regulations impacting energy and transportation costs [*Gap 01, Gap02*] could have an impact on our business costs. If our vendors pass along costs associated with these regulations to us, our overall operational costs could increase. Additional scrutiny on companies and increased calls for disclosure [*Gap03*] regarding carbon emissions could result in increased capital costs in the form of additional expenses needed to gather data through new data management systems, new processes, and possibly new personnel. While these changes could all result in increased costs, we believe that some of the costs due to increased regulation, such as revised building codes [*Gap04*] and taxes [*Gap01, Gap 02*] will likely have a similar impact across our industry and would occur gradually enough to allow companies to adjust their business practices.
*ii.* In order to help mitigate these risks, we are engaging our energy management provider to work with all our utility vendors to monitor utility rates and lock in competitive rates over a period of time, positioning ourselves to be less prone to large price fluctuations within the market due to increased taxes or regulations. In deregulated markets we have a strategy in place to procure energy at the lowest rate possible. In regulated markets, our energy management provider works on our behalf to obtain optimum rates. We also review energy reporting across our entire fleet of stores on a monthly basis and look for any outliers where energy usage is above the norm and we work with those stores to examine behaviors and reduce energy consumption. [*Gap01, Gap 02*] In addition, our store design and construction teams monitor federal, state and local building codes [*Gap04*] to ensure our design and construction processes adhere to all applicable regulations and standards. As trends develop within the industry, we seek to incorporate best practices to help reduce overall energy, water and waste consumption throughout our fleet. We are also continuing to gather data from across our business practices to better assess our overall carbon footprint and identify where we have the opportunity to make improvements. We are assessing more robust IT data management solutions, new and existing, that might aid in an increased and integrated level of data collection and reporting. This increased level of data collection and management will help us more closely monitor our operations and report on various initiatives and their corresponding emissions reductions to the larger community of our customers, employees and shareholders. [Gap03]

*iii.* We recognize that while increases in costs due to these measures could potentially occur, the actual corresponding cost is unknown at this time.

**5.1c**

**Please describe your risks that are driven by change in physical climate parameters**

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| Gap05 | Change in temperature extremes | As an apparel company, the supply of agriculture commodity materials, such as cotton, is critical in the production of denim, t-shirts and our other apparel products. Changes in temperature extremes could quickly impact the productivity of the cotton growing regions from which we source. In addition, these temperature extremes could contribute to a growing scarcity of ground water needed for cotton growth, potentially reducing the global cotton yield and resulting in an increase in the cost of raw materials. Increases or decreases in temperature could also potentially change the product assortment sent to specific regions around the country and the world. These sustained temperature changes could require us to do more product diversification with regards to the time of year and the affected regions we sell in. | Reduction/disruption in production capacity | 6-10 years | Indirect (Supply chain) | About as likely as not | Low-medium |
| Gap06 | Change in precipitation pattern | Because cotton production requires adequate water supplies during the growing season, increases or decreases in precipitation could have an adverse effect on cotton growth. Changing weather patterns resulting in a too much or too little rain in major cotton producing countries such as China and India could result in too little cotton on the global market, potentially raising overall prices. Yearly and/or sustained changes in normal rainfall patterns could disrupt established cotton production zones, resulting in a reduced global cotton yield. Increases or decreases in precipitation patterns could also require us to change our overall product assortment in | Reduction/disruption in production capacity | 1-5 years | Indirect (Supply chain) | About as likely as not | Low-medium |

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| | | specific regions around the country and the world where we sell our product. | | | | | |
| Gap07 | Change in precipitation extremes and droughts | A reduction in Indian and Chinese cotton production last year due to changes in precipitation and drought during the cotton growing season, resulted in a lower global cotton yield and was a contributing factor in global price increases. Given that 27% of our cotton production occurs in China, we experienced higher material costs last year. Potentially worsening drought conditions in China and the U.S. may also continue to have an affect on current and future cotton production. In addition, the increased length and severity of extreme precipitation patterns resulting in worsening snow storms and hurricanes throughout much of the eastern coast of the U.S. in 2010 impacted our business through decreased consumer buying, resulting in lost sales. | Reduction/disruption in production capacity | Current | Indirect (Supply chain) | More likely than not | Low-medium |
| Gap08 | Other physical climate drivers | In water scarce regions that produce cotton; there may be competing interests for water resources due to increased populations and improvement in these communities socio-economic condition. In addition, competition between food and industrial crops could result in local governments prioritizing local needs through regulation of water resources. A decrease in the water capacity needed for the growing and processing of cotton for our products could have an impact on our supply chain. | Increased operational cost | Unknown | Indirect (Supply chain) | Unknown | Low |

**5.1d**

**Please describe (i) the potential financial implications of the risk before taking action; (ii) the methods you are using to manage this risk; and (iii) the costs associated with these actions**

*i.* Extreme changes in weather patterns [*Gap05, Gap06, Gap07*] resulting in variations in normal seasonal patterns such as longer or later winters and summers could result in a decrease in sales if our product assortment does not match this shift in seasonal patterns. Since our product is produced far in advance of weather-

induced seasonal changes, we may not have merchandise appropriate for a given weather pattern which could result in decreased consumer purchases. The effect of these changes would be felt most when experienced at the beginning and end of particular season.
Disruptions to our store operations due to extreme weather [*Gap07*] could result in closed stores, logistical challenges and decreased consumer buying - all having the potential to cost us money either through lost sales or increased operational costs for us and our suppliers. These increased costs could either be direct or indirect passed on via changes in the price of material goods and services. In addition, should we experience the need to replace existing vendors in certain regions, there can be no assurance that additional manufacturing capacity would be available when required on terms that are acceptable to us or that any vendor could allocate sufficient capacity to us in order to meet our production requirements. With any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods, products, quality control standards, and environmental, labor, health, and safety standards.
Interruptions in the supply of cotton due to extreme weather conditions such as changes in temperature [*Gap05*], precipitation [*Gap06*] or drought [*Gap07*] could drive up material costs and impact product availability. If these increased material costs were widespread across multiple product categories, it could have an overall impact on our performance. Moreover, in the event of a significant disruption [*Gap08*] in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruption, or increased costs in the manufacture of our products could result in lower sales and net income.

*ii.* While the risks and the magnitude of the impact due to extreme weather or sustained changes in weather patterns are uncertain and difficult to pinpoint the geographies that may be impacted, we feel that the risks to our supply chain would not be unique to Gap Inc. and would be widespread throughout the retail and manufacturing industries that produce product within the affected areas. One way in which these risks are mitigated is through active monitoring and geographic diversification with shifts in production among countries and contractors. These risks may not be substantial due to diversification across brands, product categories, channels of distribution and geography. In addition, Gap Inc. employs a comprehensive business continuity plan in which our teams (headquarters, stores, distribution centers, and field teams) are prepared to respond to extreme weather related events such as hurricanes, tornadoes and earthquakes. Our Corporate Business Continuity Planning (BCP) Team monitors all events throughout the world that may potentially impact our employees and or their ability to do business. We provide a comprehensive and sustainable company-wide continuity program consisting of preparedness, emergency response, crisis management and business recovery. We train members of the Incident Command Structures used to ensure an effective emergency response and crisis management actions leading up to and following any serious business interruption. We provide a higher level of preparedness by creating infrastructure, tools, training, documentation and plans designed to protect employees, company assets, company reputation, and stakeholder interest. We educate and empower our employee population so they are able to respond to and recover from emergency events, at work and/or at home and we help coordinate resources and information during response and recovery activities. We've invested in these strategies over the years to help minimize the impact to our employees and our business from these weather related events.

*iii.* We recognize that while increases in costs due to these impacts could potentially occur, the actual corresponding cost is unknown at this time.

**5.1e**

**Please describe your risks that are driven by changes in other climate-related developments**

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| Gap09 | Reputation | A perceived lack of environmental stewardship or positive | Reduced | Unknown | Indirect | Unknown | Low |

| ID | Risk driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| | | action could potentially cause backlash from consumers and pose a risk to our reputation with consumers, employees and within the larger community, whose increased awareness and sensitivity to the environment could make them more aware of the impacts of their purchasing decisions. | demand for goods/services | | (Client) | | |
| Gap10 | Changing consumer behaviour | The global specialty retail business fluctuates according to changes in consumer preferences. To the extent we misjudge the market for our merchandise or the products suitable for local markets or fail to execute trends and deliver product to market as timely as our competitors, our sales could be adversely affected, and the markdowns required to move the resulting excess inventory could adversely affect our operating results. | Reduced demand for goods/services | Unknown | Indirect (Client) | Unknown | Low |
| Gap11 | Fluctuating socio-economic conditions | Some of the factors influencing consumer spending include fluctuating socio-economic conditions such as interest rates and credit availability, fluctuating fuel and other energy costs, fluctuating commodity prices, higher levels of unemployment, higher consumer debt levels, reductions in net worth based on market declines, home foreclosures and reductions in home values, and general uncertainty regarding the overall future economic environment. | Reduced demand for goods/services | Current | Indirect (Client) | Likely | Low-medium |

**5.1f**

**Please describe (i) the potential financial implications of the risk before taking action; (ii) the methods you are using to manage this risk; (iii) the costs associated with these actions**

*i.* Our success and our reputation is largely dependent upon our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. [*Gap 09, Gap10*] However, lead times for many of our purchases are long, which may make it more difficult for us to respond rapidly to new or changing fashion trends or consumer acceptance of our products and the competitive landscape requires that more merchandise be produced through faster pipeline channels. In our haste to get to market, if we misjudge consumer tastes, it could have a material adverse effect on our operating results. In addition, the Company’s performance is subject to general economic conditions and their impact on levels of consumer spending. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is adversely affected or there is economic uncertainty, and such conditions could adversely impact our results of operations. [*Gap11*] *ii.* Our ability to deliver strong sales results and margins, even during an economic downturn, depends in large part on accurately forecasting demand and fashion trends, selecting effective marketing techniques, providing an appropriate mix of merchandise for our broad and diverse customer base, managing inventory effectively, using effective pricing strategies, and optimizing store performance. In addition, our ability to anticipate and effectively respond to changing fashion trends also depends in part on our ability to attract and retain key personnel in our design, merchandising, marketing, and other functions. Competition for these personnel is intense, and we actively work to attract and retain a sufficient number of qualified personnel in all key functions of the business to remain competitive within the industry. Also, as a global retailer, we have the potential to make a difference on critical environmental issues, such as saving energy and combating climate change. Being environmentally responsible also supports our success and reputation as a company. We believe that it allows us to innovate, create value for our business, and meet the expectations of our customers, employees and shareholders.

*iii.* We recognize that while increases in costs due to these measures could potentially occur, the actual corresponding cost is unknown at this time.

**5.1g**

**Please explain why you do not consider your company to be exposed to risks driven by changes in regulation that have the potential to generate a substantive change in your business operations, revenue or expenditure**

**5.1h**

**Please explain why you do not consider your company to be exposed to risks driven by physical climate parameters that have the potential to generate a substantive change in your business operations, revenue or expenditure**

**5.1i**

**Please explain why you do not consider your company to be exposed to risks driven by changes in other climate-related developments that have the potential to generate a substantive change in your business operations, revenue or expenditure**

## Page: 6. Climate Change Opportunities

**6.1**

**Have you identified any climate change opportunities (current or future) that have the potential to generate a substantive change in your business operations, revenue or expenditure? Tick all that apply**

Opportunities driven by changes in regulation
Opportunities driven by changes in other climate-related developments

**6.1a**

**Please describe your opportunities that are driven by changes in regulation**

| ID | Opportunity driver | Description | Potential impact | Timeframe | Direct/Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| Gap12 | Fuel/energy taxes and regulations | Incentives could be a major driver of renewable energy investment in the upcoming years. State or federal proposals that incentivize business investment in energy efficiency or renewable energy could allow us to install renewable energy sources and adopt emerging technologies that might not have been possible otherwise without these incentives. | Investment opportunities | 1-5 years | Direct | More likely than not | Low |
| Gap13 | Product efficiency regulations and standards | More stringent building codes such as the 2010 California Green Building Standards and the upcoming International Green Construction Code indicate a growing trend in the building industry towards adoption of green building standards. These new standards could spur our internal design and construction teams to actively pursue green building standards for stores affected by these regional standards. Incorporating these green building standards into our store design templates could allow us to leverage costs savings across our fleet and could give us an advantage in other states which haven't adopted these standards yet but intend to. | Reduced operational costs | 1-5 years | Direct | More likely than not | Low |

**6.1b**

**Please describe (i) the potential financial implications of the opportunity; (ii) the methods you are using to manage this opportunity; (iii) the costs associated with these actions**

*i.* More stringent building codes [*Gap13*] could create incentives to review and revise our current store designs in order to reduce our overall energy, water and waste consumption during construction and through operations, potentially reducing our initial capital expenditures and our lifetime operational costs. In addition, environmental regulations which provide incentives [*Gap12*] aimed at reducing energy, water and waste consumption also present an opportunity to reduce our operational costs through greater energy efficiency and improve our overall environmental performance. These potential savings could then be directed towards capital investments in renewable energy, more energy efficient equipment, adoption of emerging technologies and other sustainable initiatives throughout our business.

*ii.* Our store design and construction teams monitor federal, state and local building codes to ensure our design and construction processes adhere to all applicable regulations and standards. As we see trends develop within the industry, we seek to incorporate best practices to help reduce overall energy, water and waste consumption throughout our fleet. In addition, our Environmental Affairs team and business partners from within our Store Design, Real Estate and Construction teams meet quarterly to share industry news, learnings and best practices throughout our functional groups and develop initiatives to meet our environmental goals.

*iii.* We recognize that while these investments could potentially reduce our capital costs, the actual corresponding investment and saving costs are unknown at this time.

**6.1c**

**Please describe the opportunities that are driven by changes in physical climate parameters**

| ID | Opportunity driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

**6.1d**

**Please describe (i) the potential financial implications of the opportunity; (ii) the methods you are using to manage this opportunity; (iii) the costs associated with these actions**

**6.1e**

**Please describe the opportunities that are driven by changes in other climate-related developments**

| ID | Opportunity driver | Description | Potential impact | Timeframe | Direct/ Indirect | Likelihood | Magnitude of impact |
|---|---|---|---|---|---|---|---|
| Gap14 | Reputation | Being able to clearly articulate our environmental strategy and overall goals and show demonstrated progress towards these goals has the potential to increase our reputation with customers, employees and the larger investment community. In addition, a larger commitment to the environment and to corporate sustainability could also help attract and retain top talent. It's also part of our core values - to "Do what's right," and our employees place a high value on community involvement and environmental stewardship. | Increased demand for existing products/services | Unknown | Indirect (Client) | About as likely as not | Low |
| Gap15 | Changing consumer behaviour | Consumer preferences and expectations continue to evolve with an increasing level of awareness and concern about climate change. With that increased awareness, there is the potential that consumers will want products that are more environmentally friendly or sustainable, allowing us to expand our current product offerings. In addition, there is a growing trend of resources dedicated to providing customers with information regarding companies' position and actions on climate change such as Climate Counts and the Good Guide. Using their purchasing power to dictate brand preferences, consumers may purchase products specifically from companies that they consider to be good environmental stewards within the retail industry. | New products/business services | 1-5 years | Indirect (Client) | About as likely as not | Low |

**6.1f**

**Please describe (i) the potential financial implications of the opportunity; (ii) the methods you are using to manage this opportunity; (iii) the costs associated with these actions**

*i.* Changes in customer behavior and preferences [*Gap 15*] could create new potential product offerings or an increased and varied assortment resulting in increased sales and/or higher profit margins across our brands. In addition, increased employee and customer engagement regarding our environmental initiatives could allow us to continue building our reputation [*Gap 14*] with our customers and employees and would keep us competitive within the market.

*ii.* Our Environmental Council has two working groups that actively work on customer and employee engagement issues seeking to engage both our customers and our employees on our environmental work. Increasing our corporate sustainability efforts are one way in which we can positively engage our customers and employees, attract and retain key talent, and continue to build and improve brand reputation and loyalty. In addition, we continue to work towards accurately forecasting demand and new trends based on changing consumer behaviors while providing an appropriate mix of merchandise for our broad and diverse customer base.

*iii.* We recognize that while these opportunities might require investments and could potentially increase our profit margins, the actual corresponding investment associated with these actions is unknown at this time.

**6.1g**

**Please explain why you do not consider your company to be exposed to opportunities driven by changes in regulation that have the potential to generate a substantive change in your business operations, revenue or expenditure**

**6.1h**

**Please explain why you do not consider your company to be exposed to opportunities driven by physical climate parameters that have the potential to generate a substantive change in your business operations, revenue or expenditure**

At this time, we do not believe that current or anticipated physical impacts related to climate change present substantive opportunities for our company. However, we are taking steps to reduce our environmental impact by focusing on promoting energy conservation and efficiency at our owned and operated facilities and developing a strategy for assessment and analysis of the environmental impact in our supply chain in 2012.

Based on the environmental footprint assessment for our owned and operated facilities completed in 2009, we now better understand how our business affects the environment. In 2012, we will extend the scope of our assessment beyond our owned and operated facilities – which include stores, headquarters and distribution centers – to our supply chain. Both assessments will give us the information to set long-term environmental goals, direct our resources to operate more efficiently, better address physical and regulatory risks due to climate change, and capitalize on opportunities.

**6.1i**

**Please explain why you do not consider your company to be exposed to opportunities driven by changes in other climate-related developments that have the potential to generate a substantive change in your business operations, revenue or expenditure**

**7.1**

**Please provide your base year and base year emissions (Scopes 1 and 2)**

| Base year | Scope 1 Base year emissions (metric tonnes CO2e) | Scope 2 Base year emissions (metric tonnes CO2e) |
|---|---|---|
| Tue 01 Jan 2008 - Wed 31 Dec 2008 | 27258 | 587847 |

**7.2**

**Please give the name of the standard, protocol or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions**

| Please select the published methodologies that you use |
|---|
| Other |

**7.2a**

**If you have selected "Other", please provide details below**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) in conjunction with the US EPA's Climate Leaders Greenhouse Gas Protocol: Design Principals provide the overarching methodology for Ecolab's greenhouse gas inventory. The following source specific documents are used as guidance emission factors and the collection of activity data:

- US EPA Climate Leaders: Mobile Source Guidance
- US EPA Climate Leaders: Direct Emissions from Stationary Combustion1
- US EPA Climate Leaders: Indirect Emissions from Purchases/ Sales of Electricity and Steam1

- US EPA Climate Leaders: Direct HFC and PFC Emissions from Use of Refrigeration and Air Conditioning Equipment1

**7.3**

**Please give the source for the global warming potentials you have used**

| Gas | Reference |
|---|---|
| CO2 | IPCC Second Assessment Report (SAR - 100 year) |
| CH4 | IPCC Second Assessment Report (SAR - 100 year) |
| N20 | IPCC Second Assessment Report (SAR - 100 year) |
| HFCs | IPCC Second Assessment Report (SAR - 100 year) |

**7.4**

**Please give the emissions factors you have applied and their origin; alternatively, please attach an Excel spreadsheet with this data**

| Fuel/Material/Energy | Emission Factor | Unit | Reference |
|---|---|---|---|
| | | | |

**Further Information**

Please find attached the Gap Investor CDP 2011 Question 7 4 Emission Factors.xlsx

**Attachments**

https://www.cdproject.net/Sites/2011/60/7060/Investor CDP 2011/Shared Documents/Attachments/InvestorCDP2011/7.EmissionsMethodology/Gap Investor CDP 2011 Question 7 4 Emission Factors.xlsx

## Page: 8. Emissions Data - (1 Jan 2010 - 31 Dec 2010)

**8.1**

**Please select the boundary you are using for your Scope 1 and 2 greenhouse gas inventory**

Operational control

**8.2a**

**Please provide your gross global Scope 1 emissions figure in metric tonnes CO2e**

25383

8.2b

**Please provide your gross global Scope 1 emissions figures in metric tonnes CO2e - Part 1 breakdown**

| Boundary | Gross global Scope 1 emissions (metric tonnes CO2e) | Comment |
|---|---|---|

8.2c

**Please provide your gross global Scope 1 emissions figures in metric tonnes CO2e - Part 1 Total**

| Gross global Scope 1 emissions (metric tonnes CO2e) - Total Part 1 | Comment |
|---|---|

8.2d

**Please provide your gross global Scope 1 emissions figures in metric tonnes CO2e - Part 2**

| Gross global Scope 1 emissions (metric tonnes CO2e) - Other operationally controlled entities, activities or facilities | Comment |
|---|---|

**8.3a**

**Please provide your gross global Scope 2 emissions figure in metric tonnes CO2e**

495078

**8.3b**

**Please provide your gross global Scope 2 emissions figures in metric tonnes CO2e - Part 1 breakdown**

| Boundary | Gross global Scope 2 emissions (metric tonnes CO2e) | Comment |
|---|---|---|

**8.3c**

**Please provide your gross global Scope 2 emissions figures in metric tonnes CO2e - Part 1 Total**

| Gross global Scope 2 emissions (metric tonnes CO2e) - Total Part 1 | Comment |
|---|---|

**8.3d**

**Please provide your gross global Scope 2 emissions figures in metric tonnes CO2e - Part 2**

| Gross global Scope 2 emissions (metric tonnes CO2e) - Other operationally controlled entities, activities or facilities | Comment |
|---|---|

**8.4**

Are there are any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions which are not included in your disclosure?

8.4a

Please complete the table

| Reporting Entity | Source | Scope | Explain why the source is excluded |
|---|---|---|---|

**8.4**

**Are there are any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions which are not included in your disclosure?**

Yes

**8.4a**

**Please complete the table**

| Source | Scope | Explain why the source is excluded |
|---|---|---|
| Non-U.S. operations | Scope 1 and 2 | Activity data are not yet available for operations outside the U.S. and are therefore excluded from the inventory. Non-U.S. facilities account for approximately 10% of Gap Inc.'s facility space and corresponding emissions. |

**8.5**

**Please estimate the level of uncertainty of the total gross global Scope 1 and Scope 2 figures that you have supplied and specify the sources of uncertainty in your data gathering, handling, and calculations**

| Scope | Uncertainty Range | Main sources of uncertainty | Please expand on the uncertainty in your data |
|---|---|---|---|
| Scope 1 | More than 2% but less than or equal to 5% | Data Gaps Extrapolation | For stores where Gap Inc. is not able to obtain energy consumption from suppliers, data are extrapolated based on average consumption per square foot for stores of the same brand. There is the potential for facilities or emission sources to be omitted from the inventory although measures are taken to include all facilities and emissions sources. Utility bills are the most widely used source of activity data. A potential source of uncertainty is errors in utility billing and in data entry and transferring of the data. These bills are tracked via a third party utility bill payment contractor, who performs numerous checks on the utility data to ensure accuracy. In addition, Gap Inc.'s energy management consultant regularly performs audits on all bills. Gap Inc. has developed a corporate GHG emissions Inventory Management Plan (IMP) with assistance from the EPA Climate Leaders program. This document outlines the institutional, managerial, and technical procedures and processes we use annually to collect reliable, quality data and calculate associated GHG emissions. One objective of the IMP is to minimize the potential for errors thereby ensuring the credibility of our GHG inventory. |
| Scope 2 | More than 5% but less than or equal to 10% | Data Gaps Extrapolation | For stores where Gap Inc. is not able to obtain energy consumption from suppliers, data are extrapolated based on average consumption per square foot for stores of the same brand. There is the potential for facilities or emission sources to be omitted from the inventory although measures are taken to include all facilities and emissions sources. Utility bills are the most widely used source of activity data. A potential source of uncertainty is errors in utility billing and in data entry and transferring of the data. These bills are tracked via a third party utility bill payment contractor, who performs numerous checks on the utility data to ensure accuracy. In addition, Gap Inc.'s energy management consultant regularly performs audits on all bills. Gap Inc. has developed a corporate GHG emissions Inventory Management Plan (IMP) with assistance from the EPA Climate Leaders program. This document outlines the institutional, managerial, and technical procedures and processes we use annually to collect reliable, quality data and calculate associated GHG emissions. One objective of the IMP is to minimize the potential for errors thereby ensuring the credibility of our GHG inventory. |

**8.6**

**Please indicate the verification/assurance status that applies to your Scope 1 emissions**

Not verified or assured

**8.6a**

**Please indicate the proportion of your Scope 1 emissions that are verified/assured**

8.6b

Please provide further details of the verification/assurance undertaken, and attach the relevant statements

| Type of verification or assurance | Relevant standard | Relevant statement attached |
|---|---|---|
| | | |

8.7

**Please indicate the verification/assurance status that applies to your Scope 2 emissions**

Not verified or assured

8.7a

Please indicate the proportion of your Scope 2 emissions that are verified/assured

8.7b

Please provide further details of the verification/assurance undertaken, and attach the relevant statements

| Type of verification or assurance | Relevant standard | Relevant statement attached |
|---|---|---|
| | | |

8.8

**Are carbon dioxide emissions from the combustion of biologically sequestered carbon (i.e. carbon dioxide emissions from burning biomass/biofuels) relevant to your company?**

No

8.8a

Please provide the emissions in metric tonnes CO2e

## Page: 9. Scope 1 Emissions Breakdown - (1 Jan 2010 - 31 Dec 2010)

**9.1**

**Do you have Scope 1 emissions sources in more than one country or region (if covered by emissions regulation at a regional level)?**

No

9.1a

Please complete the table below

| Country | Scope 1 metric tonnes CO2e |
|---|---|

**9.2**

**Please indicate which other Scope 1 emissions breakdowns you are able to provide (tick all that apply)**

By business division
By activity

**9.2a**

**Please break down your total gross global Scope 1 emissions by business division**

| Business Division | Scope 1 metric tonnes CO2e |
|---|---|

| Business Division | Scope 1 metric tonnes CO2e |
|---|---|
| Stores | 18045 |
| Distribution Centers | 6274 |
| Headquarters | 1064 |

9.2b

Please break down your total gross global Scope 1 emissions by facility

| Facility | Scope 1 metric tonnes CO2e |
|---|---|

9.2c

Please break down your total gross global Scope 1 emissions by GHG type

| GHG type | Scope 1 metric tonnes CO2e |
|---|---|

**9.2d**

**Please break down your total gross global Scope 1 emissions by activity**

| Activity | Scope 1 metric tonnes CO2e |
|---|---|
| Stationary combustion | 24661 |
| Mobile combustion | 722 |

## Page: 10. Scope 2 Emissions Breakdown - (1 Jan 2010 - 31 Dec 2010)

**10.1**

**Do you have Scope 2 emissions sources in more than one country or region (if covered by emissions regulation at a regional level)?**

No

**10.1a**

**Please complete the table below**

| Country | Scope 2 metric tonnes CO2e |
|---|---|
| | |

**10.2**

**Please indicate which other Scope 2 emissions breakdowns you are able to provide (tick all that apply)**

By business division
By activity

**10.2a**

**Please break down your total gross global Scope 2 emissions by business division**

| Business division | Scope 2 metric tonnes CO2e |
|---|---|
| Stores | 421316 |
| Distribution Centers | 60829 |
| Headquarters | 12933 |

**10.2b**

**Please break down your total gross global Scope 2 emissions by facility**

| Facility | Scope 2 metric tonnes CO2e |
|---|---|
| | |

**10.2c**

**Please break down your total gross global Scope 2 emissions by activity**

| Activity | Scope 2 metric tonnes CO2e |
|---|---|
| Electricity | 495078 |

## Page: 11. Emissions Scope 2 Contractual

**11.1**

**Do you consider that the grid average factors used to report Scope 2 emissions in Question 8.3 reflect the contractual arrangements you have with electricity suppliers?**

Yes

**11.1a**

**You may report a total contractual Scope 2 figure in response to this question. Please provide your total global contractual Scope 2 GHG emissions figure in metric tonnes CO2e**

**11.1b**

**Explain the basis of the alternative figure (see guidance)**

**11.2**

**Has your organization retired any certificates, e.g. Renewable Energy Certificates, associated with zero or low carbon electricity within the reporting year or has this been done on your behalf?**

No

11.2a

**Please provide details including the number and type of certificates**

| Type of certificate | Number of certificates | Comments |
|---|---|---|

## Page: 12. Energy

**12.1**

**What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**12.2**

**Please state how much fuel, electricity, heat, steam, and cooling in MWh your organization has consumed during the reporting year**

| Energy type | MWh |
|---|---|
| Fuel | 137998 |
| Electricity | 934570 |
| Heat | 0 |
| Steam | 0 |
| Cooling | 0 |

**12.3**

**Please complete the table by breaking down the total "Fuel" figure entered above by fuel type**

| Fuels | MWh |
|---|---|
| Natural gas | 132891 |
| Distillate fuel oil No 2 | 667 |
| Liquefied petroleum gas (LPG) | 1485 |
| Jet kerosene | 2955 |

## Page: 13. Emissions Performance

### 13.1

**How do your absolute emissions (Scope 1 and 2 combined) for the reporting year compare to the previous year?**

Decreased

### 13.1a

**Please complete the table**

| Reason | Emissions value (percentage) | Direction of change | Comment |
|---|---|---|---|
| Emissions reduction activities | 5.9 | Decrease | This decrease in total emissions between 2009 and 2010 is primarily driven by emissions reduction activities including energy efficiency measures and behavior change campaigns. There was also a reduction in the GHG intensity of the U.S. electricity grid. To a smaller extent, decreased facility square footage also contributed to decrease in absolute emissions. |

### 13.2

**Please describe your gross combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO2e per unit currency total revenue**

| Intensity figure | Metric numerator | Metric denominator | % change from previous year | Direction of change from previous year | Explanation |
|---|---|---|---|---|---|
| 0.0000355 | metric tonnes CO2e | unit total revenue | 8.9 | Decrease | This decrease is driven by a combination of increased total revenue coupled with decrease overall emissions due to emissions reductions activities. Revenue increased 3.3% between 2009 and 2010 while absolute emissions dropped 5.9% |

**13.3**

**Please describe your gross combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO2e per full time equivalent (FTE) employee**

| Intensity figure | Metric numerator | Metric denominator | % change from previous year | Direction of change from previous year | Explanation |
|---|---|---|---|---|---|
| 3.88 | metric tonnes CO2e | FTE Employee | 5.2 | Decrease | This decrease is driven by decreased absolute emissions due to emission reduction activities. Between 2009 and 2010, absolute emissions decreased by 5.9%, which outweighed a 0.7% decrease in employees. Because FTE employee totals are not available, this is based on total employees. |

**13.4**

**Please provide an additional intensity (normalized) metric that is appropriate to your business operations**

| Intensity figure | Metric numerator | Metric denominator | % change from previous year | Direction of change from previous year | Explanation |
|---|---|---|---|---|---|
| 0.0110 | metric tonnes CO2e | square foot | 4.7 | Decrease | The 5.9% decrease in absolute emissions due to emission reduction activities outweighed a 1.3% decrease in square footage. |

## Page: 14. Emissions Trading

**14.1**

**Do you participate in any emission trading schemes?**

No, and we do not currently anticipate doing so in the next two years

**14.1a**

**Please complete the following table for each of the emission trading schemes in which you participate**

| Scheme name | Period for which data is supplied | Allowances allocated | Allowances purchased | Verified emissions in metric tonnes CO2e | Details of ownership |
|---|---|---|---|---|---|

**14.1b**

**What is your strategy for complying with the schemes in which you participate or anticipate participating?**

**14.2**

**Has your company originated any project-based carbon credits or purchased any within the reporting period?**

No

**14.2a**

**Please complete the following table**

| Credit origination or credit purchase | Project type | Project identification | Verified to which standard | Number of credits (metric tonnes of CO2e) | Number of credits (metric tonnes CO2e): Risk adjusted volume | Credits retired | Purpose e.g. compliance |
|---|---|---|---|---|---|---|---|

## Page: 15. Scope 3 Emissions

**15.1**

**Please provide data on sources of Scope 3 emissions that are relevant to your organization**

| Sources of Scope 3 emissions | metric tonnes CO2e | Methodology | If you cannot provide a figure for emissions, please describe them |
|---|---|---|---|
| Transportation and distribution | 43428 | Emissions are generated by the line-hauler vehicles that distribute Gap products from Gap distribution centers to regional distribution centers, and by the pooler vehicles that distribute Gap products from regional distribution centers to stores. Emissions are quantified using the total mileage of product transportation, the average fuel economy of the transport vehicles, and emission factors for mobile sources from EPA’s Climate Leaders Mobile Source Guidance | |
| Business travel | 9646 | Data for air travel, including flight mileage and class of service, were provided by the company’s travel agency. Emissions were calculated using emission factors and methodologies from the 2010 Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting. | |

**15.2**

**Please indicate the verification/assurance status that applies to your Scope 3 emissions**

Not verified or assured

**15.2a**

**Please indicate the proportion of your Scope 3 emissions that are verified/assured**

15.2b

Please provide further details of the verification/assurance undertaken, and attach the relevant statements

| Type of verification or assurance | Relevant standard | Relevant statement attached |
|---|---|---|

15.3

**How do your absolute Scope 3 emissions for the reporting year compare to the previous year?**

Increased

15.3a

**Please complete the table**

| Reason | Emissions value (percentage) | Direction of Change | Comment |
|---|---|---|---|
| Change in boundary | 21 | Increase | Scope 3 emissions associated with business travel were not included in the previous year's inventory. |
| Emissions reduction activities | 4 | Decrease | Mileage and fuel consumption from transportation and distribution have been reduced, leading to a reduction in emissions. |

## Module: Sign Off

### Page: Sign Off

**Please enter the name of the individual that has signed off (approved) the response and their job title**

Kindley Walsh Lawlor: Vice President, Social & Environmental Responsibility, Gap Inc.