



COMBATting CHILD LABOR IN THE GARMENT INDUSTRY: July 2009 Update

This fact sheet summarizes the actions and commitments made to date by Gap Inc. following the company's investigation in October 2007 into allegations of child labor at an unauthorized, makeshift facility in India that was working on one product for GapKids.

Under no circumstances is it acceptable for child labor to be used in the production of any Gap Inc. product. This is a serious issue and we're working hard to combat child labor in the garment industry.

Immediate Action. Following our investigation in the fall of 2007:

- We cancelled the product order in question and ensured that the garment would never be sold.
- A child advocacy organization, BBA, and the Indian government ensured that the children found in the makeshift facility were cared for and reunited with their families.
- The embroidery subcontractor involved was immediately prohibited from any future Gap Inc. production. In addition, we placed the vendor on probation and suspended 50 percent of its orders for six months.
- To emphasize the seriousness of this issue, we also convened a summit of our North Indian vendors on November 2, 2007 to reinforce our "zero tolerance" policy against child labor and the implications of non-compliance.

Enhanced Policies & Procedures. Following this incident, we undertook a careful review of our policies and procedures and put into place new safeguards that we hope will help prevent similar violations in the future:

- 1. *Improved handwork supply chain tracking*** – We have improved our tracking of handwork orders in India in two ways:
 - We have incorporated a new, more rigorous handwork tracking mechanism to track the location of each order of handwork production each time that it is subcontracted by vendors. By increasing our visibility into different levels of the handwork supply chain, we are better able to monitor these facilities ourselves or through credible third parties, if necessary.
 - We now require each Gap Inc.-approved vendor that manages handwork production to submit a plan providing extensive detail about every subcontracted facility that it intends to utilize to complete the handwork production. Gap Inc.-approved vendors are now required to implement internal monitoring protocols to ensure compliance by these handwork subcontractors with Gap Inc.'s Code of Vendor Conduct. In addition, our own Vendor Compliance Officers are now able to perform unannounced audits of any subcontracted handwork facility.
- 2. *Defined preferred methods of handwork production*** – We now require placement of handwork production orders in the following preferred order:
 - In-house at vendor facilities – Where possible, handwork should be performed in approved and monitored garment factories.
 - Centers operated or monitored by non-governmental organizations (NGOs) and/or trade unions – When a vendor is unable to perform handwork in-house, the production should be sent to an NGO- or trade union-sponsored/monitored handwork facility. In January 2008, Gap Inc. provided the Self-Employed Women's Association (SEWA) in India with a grant of \$183,000 to further support the establishment of SEWA-monitored handwork community centers. An additional grant for \$17,000 has been pledged to SEWA for 2009, in which a portion will support a job skills training program for women. Nearly 500 women from marginalized communities have been organized through the SEWA initiative so far.
 - Vendor-sponsored centers – When capacity is unavailable at NGO- or trade union-sponsored/monitored facilities, vendors may send handwork production to handwork centers that they sponsor and monitor to ensure decent working conditions.

Vendors may send handwork production into workers' homes only if the options outlined above have been explored and are not available. Our prohibition against the use of child labor remains in force regardless of where the handwork is performed.

3. **Enhanced monitoring** – We have partnered with local and global civil society organizations to develop a strategy and process for monitoring the working conditions under which handwork may be performed, including spot checks by auditors.
4. **Education and awareness-raising** – Since the fall of 2008, a Gap Inc.-sponsored mobile van with child rights advocacy activists has been traveling from village to village in the eastern states of India raising awareness on child labor issues, including child rights. This awareness campaign is expected to cover 200 of the highest risk villages of eastern India. Gap Inc. has given a grant of \$100,000 to a local child rights advocacy group toward the development and implementation of the awareness program as well as the third-party monitoring.

Taking Steps to Address an Industry-wide Issue. The issue of child labor in the garment industry is not unique to Gap Inc. It is an unfortunate reality that faces all brands within the industry. We recognize that true systemic change on this issue can only happen in partnership with governments, other brands, garment suppliers, and members of civil society.

To that end, Gap Inc. hosted an industry conference in the spring of 2008 in partnership with the Ministry of Women and Child Development (Government of India), various United Nations organizations, other brands/retailers and suppliers on the issue of human trafficking and Child Labor in the garment supply chain. For more information about this conference, please visit www.unodc.org/india/gap_event.html.

The conference helped launch a nationwide platform for public-private partnership between the government, civil society organizations, as well as the broader garment industry to jointly combat the issue of human trafficking and child labor in the garment supply chain. A direct result of this initiative is the partnership between Gap Inc., Impulse (a Buying House in India), our common suppliers and a government-aided NGO called Society for Promotion of Youth and Masses (SPYM) in the Mewat region of North India, which is a vulnerable district in terms of child labor and various other forms of human trafficking. Gap Inc.'s suppliers are in the process of helping empower women workers from this community to learn the handwork trade in order to directly enhance issues of livelihood, which then has a direct impact on various societal issues, including child labor. Nearly 100 women are now involved in this project as of July 2009.

Gap Inc. is also in talks with various fashion schools and management institutions in India to forge stronger links between faculty, students and the industry in order to raise awareness and problem-solve on this very complex issue.

Ensuring that factories comply with all relevant laws and regulations, as well as with our Code of Vendor Conduct, continues to be an ongoing priority for Gap Inc. In order to affect lasting, sustainable change, we know we need to continue engaging with our industry colleagues, governments and civil society. Our belief is that only a multi-pronged approach addressing the issue of child labor at various levels, both micro and macro, short-term and long-term, individually and collectively, are required if we are to make significant progress in reducing and eventually eliminating this social scourge.

Together, we have an opportunity to continue to make a difference in the countries and communities where we do business.

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For more information about Gap Inc.'s commitment to social responsibility, please visit our Social Responsibility website, available online at www.gapinc.com/socialresponsibility.