Gap Inc. Wastewater Program

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Environmental Affairs/ Social Responsibility

Gap Inc.
Agenda

• Setting Context / Mission Statement
• Gap Inc. Clean Water Program History
• BSR’s Sustainable Water Group
• Program Objective
• Testing Parameters
• Roles & Responsibilities of Laundries / Consultant / Gap EHS Specialist
• Reporting of Wastewater Testing Results
• Summary of Clean Water Programs (2004~2007)
• Key challenges
• FAQ
• Q & A
Setting Context

• The world’s environmental issues are widespread and complex. Unlike ethical sourcing which targets a specific issues (i.e., human rights), the “environment” is a broad umbrella that covers a myriad of issues.

• Virtually all of our operations have an impact on some aspect of the environment that present both risks and opportunities.

• As an apparel company we have a unique opportunity to create our product differently and in a way that can, ultimately, have a positive impact on the environment.
Mission Statement

We believe we should go beyond the basics of ethical business practices and embrace our responsibility to people and the planet. We believe this brings a sustained, collective value to our shareholders, our employees, our customers, and society.

We understand that our operations affect the environment. Our goal is to improve how we use resources to reduce our environmental impact while still meeting our business objectives.

Our environmental strategy is focused on the three areas that have significant environmental impact across our operations: Energy conservation, Cotton/sustainable design, and Output/waste reduction (ECO).
**Energy Conservation**

We are committed to reducing our greenhouse gas emissions through energy conservation efforts and/or renewable energy options.

**Cotton/sustainable design**

We are exploring fabrics made of materials other than conventionally-grown cotton to create products that are fashionable and better for the environment.

**Output/waste reduction**

We are committed to minimizing the amount of resources we use and reducing the amount of waste we produce through our daily business operations.
By implementing the clean water program, Gap Inc. is mitigating our environmental footprint as well as addressing reputational and business risks (20 pounds of clean water are used in the processing of 1 pound of apparel).

1990s: Gap Inc. identified wastewater as the most significant environmental impact and reputational risk from manufacturing our products. However, our past attempts to address wastewater were not sustainable.

2002: As a result, in 2003, Environmental Affairs and Global Compliance designed and implemented our current Denim Laundry Water Quality program. Also, Gap Inc. played a leading role in reinstituting BSR’s Apparel Water Quality working group in an effort to cost effectively address the issue.

2004: In 2004, we completed our first pilot consisting of monitoring wastewater in 20 denim laundries in 10 countries. Gap Inc. is a leading member BSR’s Apparel Water Quality working group. There are total of ten companies in the working group as of now.

2005 ~: Since 2005 (Phase I), we have launched the program on a yearly basis and recently completed the Phase III and launched the Phase IV in September, 2008.

Gap Inc. will continue to collaborate with other apparel retailers through BSR’s Sustainable Water Group (SWG).
BSR’s Sustainable Water Group (SWG)

A partnership of nine global apparel companies and dedicated to responsible practices around water use and wastewater discharge in global textile and apparel supply chains.
Rationale for Developing the Program

• Protect brand reputation

• Be a leader in corporate citizenship

• Reporting requirement for future CSR report

• Positive impact on internal and external stakeholders
Program Objective

The main objective of the Clean Water Program is to develop, implement and enhance water quality guidelines for “denim laundries” used by Gap Inc. worldwide.
Testing Parameters

- New denim laundries: Temperature, pH, BOD, COD, TSS, Color and the 11 heavy metals (antimony, arsenic, cadmium, chromium, cobalt, copper, cyanide, lead, mercury, nickel and zinc)

- Old denim laundries: Temperature, pH, BOD, COD, TSS and Color
Roles & Responsibilities of Laundries

• Thoroughly review “Vendor Package: Water Program Manual” which includes testing schedule, discharge limits, information survey, pollutants fact sheet, etc.

• Submit Gap Inc. Denim Laundry Survey Questionnaire to Regional EHS specialist within one month of receiving the Vendor Package.

• Contact a local certified laboratory in the country to schedule for a testing of the wastewater effluent.
Roles & Responsibilities of Laundries (cont.)

- Submit Certification of Analytical Results with Original testing reports to Regional EHS Specialist within two months of receiving the Vendor Package.

- Address areas for improvement within designated timeframe.
Roles & Responsibilities of Wastewater Consultant

- An international environmental consultancy will provide technical support for our Clean Water Program.
  
  ➢ Data Validation/Evaluation

  ➢ Provide Technical feedbacks
Roles & Responsibilities of Regional EHS Specialist

- Program Communication with vendors / laundries (i.e., vendor package)
- Data collection
- Data management
If a laundry’s wastewater testing results do not meet the Water Quality Guidelines, a corrective action needed letter (CAN letter) will be sent to the non-compliant laundry to ensure appropriate corrective actions are taken to meet the guidelines.
Signal charts will be created to report vendor/laundry response, progress and compliance.

<table>
<thead>
<tr>
<th>Light</th>
<th>Meet Local Wastewater Requirements</th>
<th>Meet BSR Wastewater Guidelines</th>
<th>Proposed Corrective Action and Timeframe</th>
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<tr>
<td><strong>Deep Green Light</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>No Action Required</td>
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<td><strong>Lime Green Light</strong></td>
<td>Yes</td>
<td>No (Note: test results exceed the limits by less than 20%)</td>
<td>No Action Required</td>
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<td><strong>Yellow Light</strong></td>
<td>Yes</td>
<td>No (Note: test results exceed the limits by more than 20%)</td>
<td>Timeframe is determined by assessing the types of laundry treatment systems and processes.</td>
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<tr>
<td><strong>Red Light</strong></td>
<td>No</td>
<td>No</td>
<td>Timeframe is determined by assessing the types of laundry treatment systems and processes.</td>
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</table>
The CAN letter will direct the non-compliance vendors and factories to:

1. Work to identify cause of poor quality
2. Make operational changes to meet quality requirements
3. Make equipment changes to meet quality requirements

**NOTE:** Operational and equipment changes may require the services of local technical consultants.
## Summary of Gap Inc. Clean Water Programs (~’07)

<table>
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<th>DEEP GREEN LIGHT</th>
<th>LIME GREEN LIGHT</th>
<th>YELLOW LIGHT</th>
<th>RED LIGHT</th>
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<td>12</td>
<td>24</td>
<td>35</td>
<td>64</td>
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</table>

**2004 Pilot**
- Total: 18
- 67% in 2004
- 11% in 2005
- 11% in 2006

**2005 Phase I**
- Total: 41
- 59% in 2005
- 17% in 2006
- 17% in 2007

**2006 Phase II**
- Total: 90
- 39% in 2006
- 30% in 2007
- 10% in 2008

**2007 Phase III**
- Total: 110
- 58% in 2007
- 32% in 2008
- 5% in 2009

**Environmental Affairs/ Social Responsibility**

**Gap Inc.**
Summary of Gap Inc. Clean Water Programs (~’07)

- 2004 (total: 28)
  - Deep Green: 67%
  - Lime Green: 11%
  - Yellow: 11%
  - Red: 11%

- 2005 (total: 41)
  - Deep Green: 59%
  - Lime Green: 17%
  - Yellow: 7%
  - Red: 17%

- 2006 (total: 90)
  - Deep Green: 39%
  - Lime Green: 21%
  - Yellow: 10%
  - Red: 30%

- 2007 (total: 110)
  - Deep Green: 58%
  - Lime Green: 32%
  - Yellow: 5%
  - Red: 5%

Legend:
- Deep Green
- Lime Green
- Yellow
- Red
Key Challenges

• Language

• Finding appropriate laboratories locally

• Standardized Testing methods
FAQ – The Testing Parameters

➢ Are the testing parameters set forth in the Guidelines universally applicable?

• The Guidelines adopted are based on BSR standards, which are regarded as the industry standards for textile mills and laundries and should therefore be applicable to the denim laundry industries in general.
FAQ – Logistics of the Program

➢ Will Gap Inc./Consultant provide the sample collection instructions to the lab then?

• No. Wastewater sampling is routine to the labs and they have detailed sampling instructions that work with their chain-of-custody procedures.
FAQ – Logistics of the Program (cont.)

Does Gap Inc./Consultant accept test results conducted by local governments or authorities within the calendar year?

- Generally, test results taken within the calendar year that have been reported to the government in any country will be accepted.

- Generally, lab results from labs that are acceptable to regulators or local authorities will also be acceptable.

**Note:** If the tests results submitted to the local governments or regulators do not include ALL of our parameters - we will require tests for any such missing parameters.
What if a laundry’s wastewater effluent discharges directly to central treatment systems?

As stated in the Vendor Package (pg. 2-1), "For Factories that discharge to central treatment systems: We request a test of your wastewater effluent and, if possible, a copy of the wastewater quality discharged from the central treatment system. Discharge regulations for your factory (i.e. pretreatment requirement) that are set by the central treatment system are also required." So what does this mean?
FAQ – Logistics of the Program (cont.)

(cont.)

• Request wastewater test results to determine whether or not the laundries are in compliance with their pretreatment discharge regulations to central systems.

• **Do not** expect the laundries to meet the clean water quality guidelines.

• **Do not** expect the laundries to take a sample of a central treatment's effluent.

• Expect to receive central treatment results from laundries in countries where the information is public and available to the laundries.
Thank You!