

Gap Inc. Wastewater Program

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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).

ECO Focus

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.

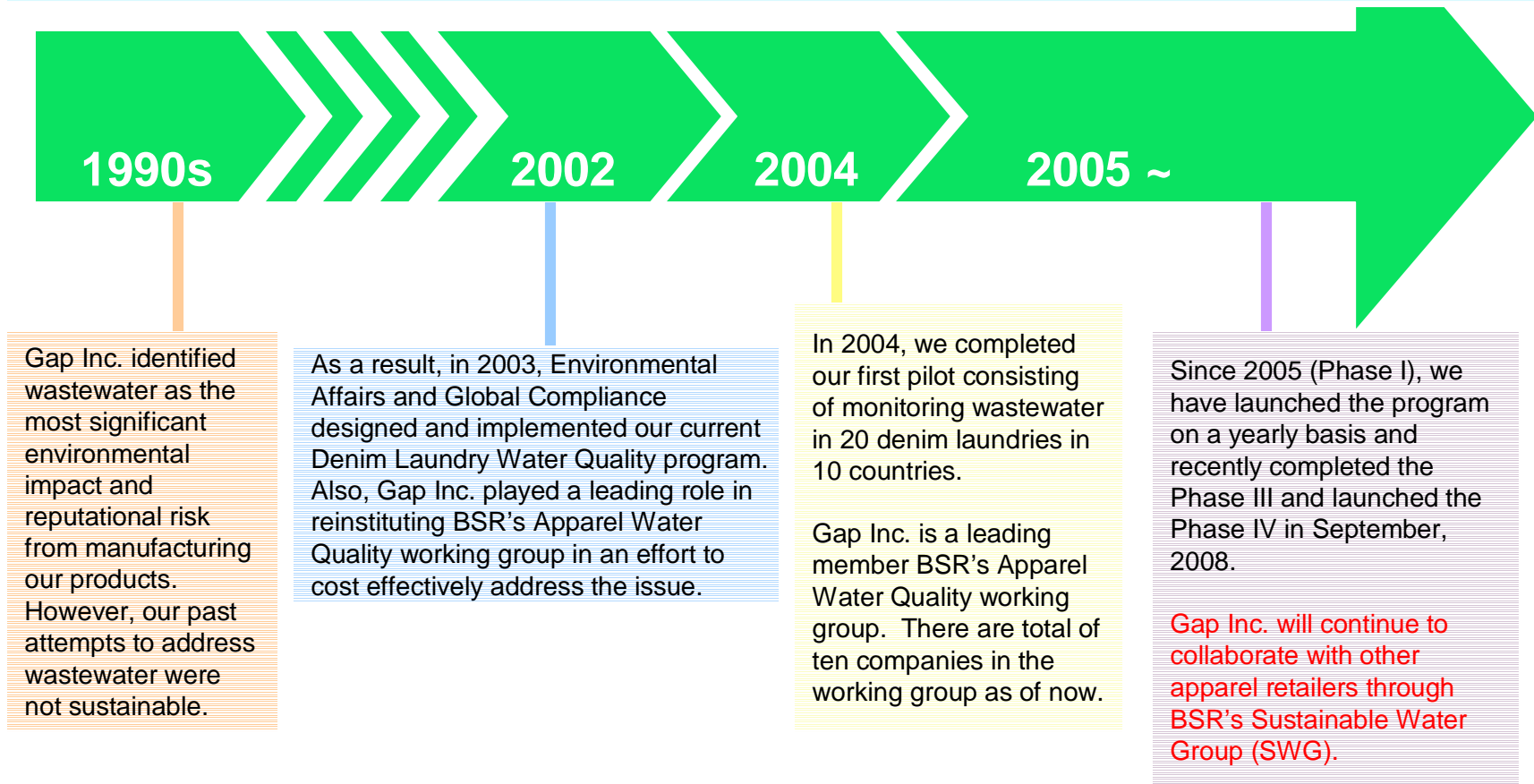
Output/waste reduction

We are committed to minimizing the amount of resources we use and reducing the amount of waste we produce through our daily business operations.



Gap Inc.'s Clean Water Program – Past, Present and Future

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).



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

Reporting of Wastewater Testing Results

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.

Reporting of Wastewater Testing Results (cont.)

Signal charts will be created to report vendor/laundry response, progress and compliance.

	Meet Local Wastewater Requirements	Meet BSR Wastewater Guidelines	Proposed Corrective Action and Timeframe
Deep Green Light	Yes	Yes	No Action Required
Lime Green Light	Yes	No (Note: test results exceed the limits by <u>less than 20%</u>)	No Action Required
Yellow Light	Yes	No (Note: test results exceed the limits by <u>more than 20%</u>)	Timeframe is determined by assessing the types of laundry treatment systems and processes.
Red Light	No	No	Timeframe is determined by assessing the types of laundry treatment systems and processes.



Reporting of Wastewater Testing Results (*cont.*)

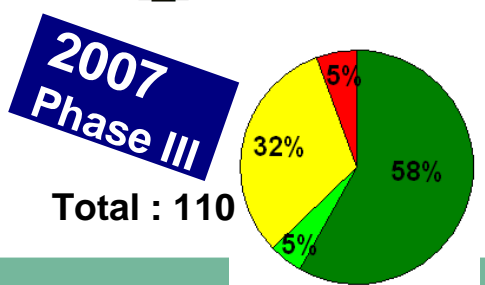
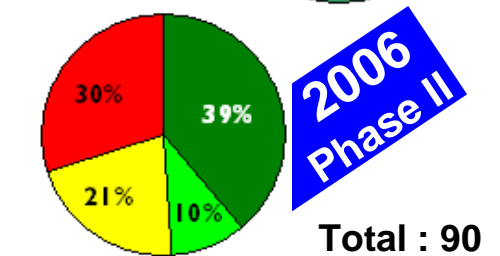
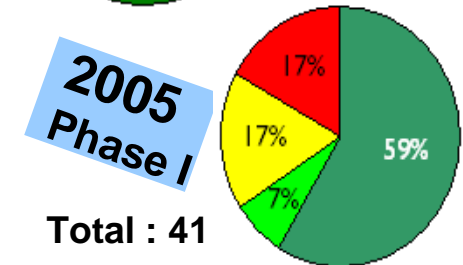
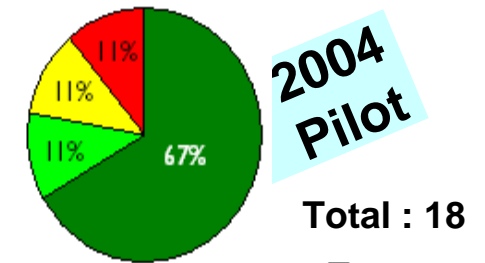
The CAN letter will direct the non-compliance vendors and factories to:

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

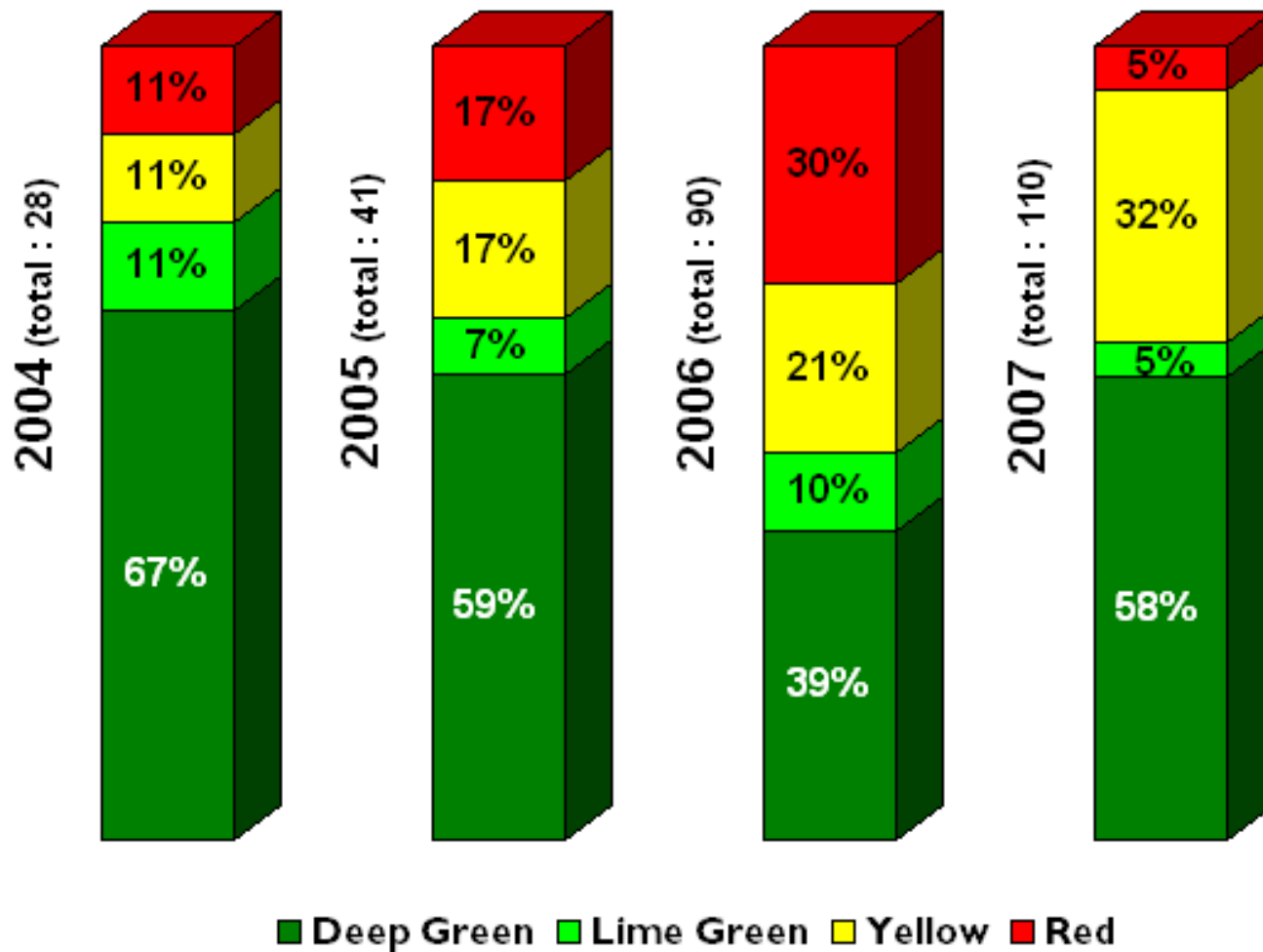
NOTE: Operational and equipment changes may require the services of local technical consultants.

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

	DEEP GREEN LIGHT				LIME GREEN LIGHT				YELLOW LIGHT				RED LIGHT			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Bahrain														1		
Bangladesh	1		4	5			1		2	1	5		1	2		
Cambodia	1	1	2				2				6	1		1	2	
Canada				1											1	
China	1	3	3	9	1		2				2	2				1
Colombia				2						1					1	
Dominican Republic				1											2	1
Egypt	1	1		2	1						2		2	3		
Guatemala			1					1	1							
Honduras											1					
India	2	1	7	8		2	1		3	1	1		2	2		
Indonesia	1	3		8		1		1	1	1		4		1	5	
Japan				1												
Jordan															1	1
Lesotho	2	2		2								3			1	
Macau				1											1	
Madagascar				1							1				2	
Malaysia		1		1												
Mexico	1	3	2	6			1			1	1	2	1			
Morocco												1				
Nicaragua											1					
Pakistan				1												
Philippines	2		3	4							1	1			3	
Singapore			1													
Sri Lanka		4	2	5			1	1			4	3				
Thailand			5	1							2	2				
Turkey		1	3					2			1					
USA		2	2	2											1	
Vietnam		2		3			1					3	2		1	1
Total	12	24	35	64	2	3	9	5	2	7	19	35	2	7	27	6



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



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.

FAQ – Logistics of the Program (cont.)

- **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.

Q & A

Thank You!