

# Environmental Affairs Strategy 2007

Social Responsibility – Gap Inc.

# 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 everyone’s operations have a negative impact on some aspect of the environment and present both risks and opportunities.
- As an apparel company we have a unique opportunity to create our product differently and ultimately begin to have a positive impact on the environment.

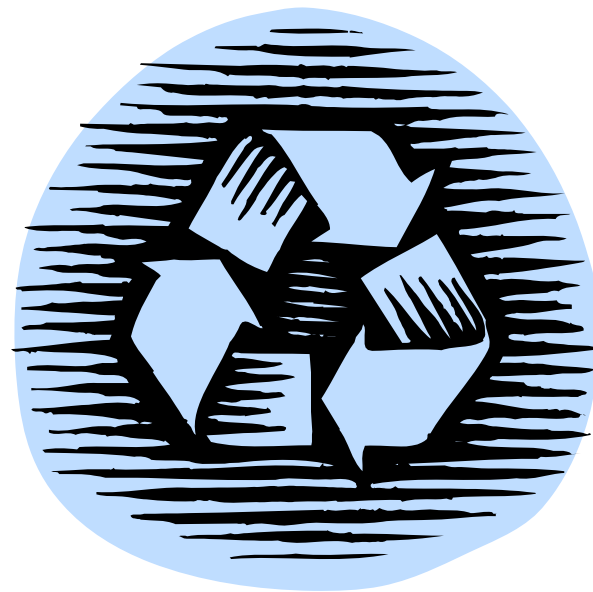
# Mission Statement

**Our employees and business operations have the power to positively impact our planet.**

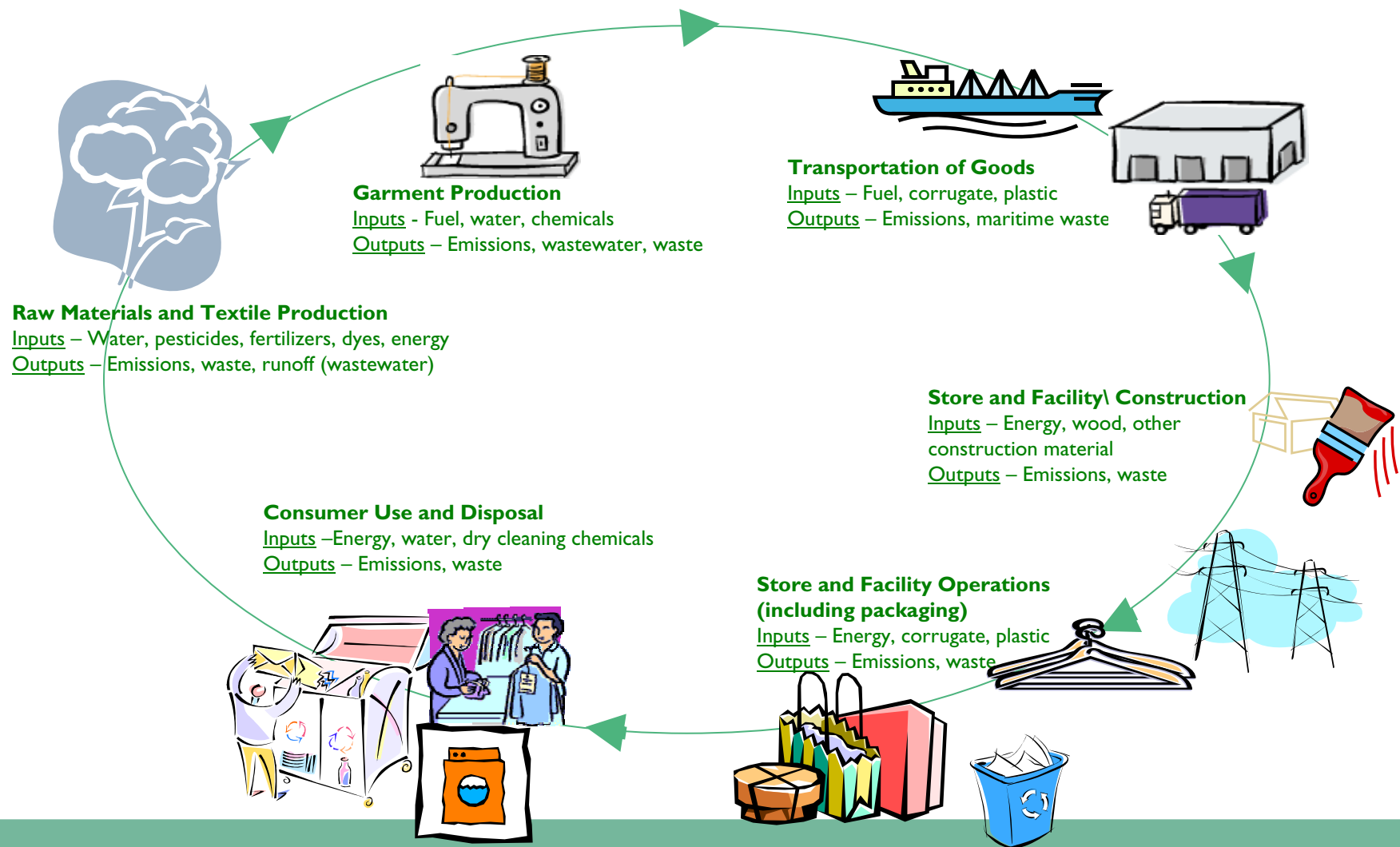
- We will be an environmental steward for the apparel industry.**
- We will empower our employees to make sound business decisions that result in positive environmental change.**
- We will engage business, government, and non-profit partners to achieve our environmental objectives.**

# ECO focus

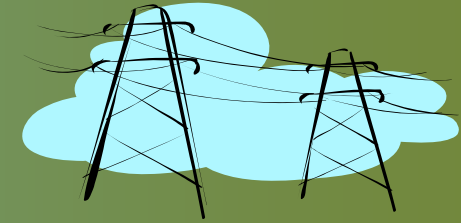
- E(nergy)
- C(otton/Sustainable Design)
- O(utput/Waste)



# Life-cycle Assessment



# E(nergy)



## Impact / Issue

- Electrical power plants are the largest source of air pollution in the U.S., including sulfur dioxide, nitrous oxides, carbon dioxide and mercury.
- Buildings use 65% of all electricity in the U.S.
- Lighting consumes the most electricity in commercial buildings.

## Gap Inc. Program

- Partner of U.S. EPA's Climate Leaders (a voluntary program to reduce greenhouse gas (GHG) emissions) with goals to reduce U.S. GHG by 11% between 2003 - 2008.
- Exploration into renewable energy opportunity
- Stores' energy use has reduced 8.7% between 2003 and 2006.

## Business Benefit

- Gap Inc.'s estimated 2007 energy budget is \$100 million.\*
- A revamping program at our Fishkill distribution center resulted in annual savings of \$940,229 (less than 2 year ROI).
- Enhanced reputation.

## Opportunities

- Complete renewable energy project and begin benchmarking metrics – energy and cost savings.
- Partner with Gap Inc.'s key landlords/developers to maximize energy efficiency opportunities at the store level.

# C(otton/Sustainable Design)



***We believe in promoting environmental sustainability.***

***We know that true sustainability will take time, but we believe in taking incremental steps to make it happen.***

***We believe that protecting the environment is good for our business.***

***We believe that each of our brands has a unique opportunity to define what sustainable design means to them and to their customers.***

## **Impact/ Issue**

- Gap Inc. is one of the U.S.'s largest importers of cotton.
- It takes roughly 1/3 pound of pesticides and fertilizers to produce one t-shirt.
- 65% of fresh water is used for agriculture.

## **Gap Inc. Program**

- Launching organic and/or sustainable products across brands/divisions.
- Taking part in the Better Cotton Initiative.
- Partnering with Soil Association for certification on organic product in the European market.
- Creating 'on garment' packaging that enhances our environmentally friendly stance – e.g., 100% post consumer waste recycled paper price tickets on all Gap and Banana Republic product.

## **Business Benefit**

- Makes our brands more relevant/on-trend in today's market.
- Allows brands to tell their own story through sustainable design.
- Allows employees and customers to feel proud of product we are putting into our stores.
- Benefits our planet and the local communities where our products are made.

## **Opportunities**

- Provide resources and tools that enable brands to explore sustainable textile opportunities.
- Help brands create messaging that is both legal and appropriate for their target customer base.
- Allow brands to create a custom approach to sustainable design.

# O(utput/Waste)



## **Impact / Issue**

- Waste generated from stores is the number one environmental issue of concern raised by employees.
- Recycling at mall locations can be difficult due to lack of infrastructure.
- Old Navy ‘Garment on Hanger’ program generates approximately 6,500 tons of plastic waste per year.

## **Gap Inc. Program**

- A strong recycling program is in place at HQ’s and DC’s.
- Corrugate is recycled at most stores where we manage waste.
- In 2006, Gap Inc. recycled approximately 49,540 tons of corrugate and paper.
- Old Navy hanger recycling pilot done in 2006. Additional proposal underway to increase the scope to more stores/markets by end of 2007.

## **Business Benefit**

- Gap Inc.’s estimated 2007 waste budget is \$13 million; reduction of waste could significantly cut costs.
- Enhanced reputation.
- Company relevance to today’s environmental concerns.

## **Opportunities**

- Partnership with Gap Inc.’s key landlords/developers to establish recycling in our stores at various mall locations across the U.S.
- Continue to test recycling options for ON hangers.

# Fiber Facts

## Cotton

Did you know that cotton represents 43% of the world's textiles and is the largest fiber category worldwide? Are there different types of cotton that you can use in your product (e.g. organic, transitional)?

## Hemp

Did you know that the first jeans were made of hemp? What can you do with hemp?

## Linen

Did you know that there is no waste created when linen fabric is made? The outside bark is used for chipboard and horse bedding and the seeds are pressed for oil or re-used to sow next years crop. What creative ways can you use linen across your product line

## Recycled Fibers

Did you know that Gap Inc. is piloting a scrap recycling program with our Central American knit factories? And that recycled knit scraps can now be refined enough to make a soft, wearable t-shirt?

## Silk

Did you know that there are many ways to maximize the environmental benefits of silk? And that silk has the opportunity to play a strategic role in the sustainable fiber category?

# Processing Facts

## **Bleaching**

Did you know that there are more environmentally friendly bleaches being used on fabrics and garments today? What can you do to develop bleaching methods that are friendlier to the environment?

## **Washing**

Did you know that many of our laundries use more than one million gallons of water per day just to create that soft hand-feel we all love? This is one of the reasons why Gap Inc. insures that our laundries clean all of the water that they use prior to releasing it into their local communities.

## **Dyeing and Printing**

Did you know that the first synthetic dye was invented in 1856? Today there are many friendlier versions of dyes that can be used. What types of environmentally friendly colorants might your trusted mills offer for our products

# Environmental Affairs Long-Term Vision

## Future state (2020)

- Recycling in all malls
- Sustainable fiber represented across all brands
- Store energy consumption reduced by 50%
- Employees are environmental ambassadors and change agents
- Verifiable environmental metrics

# Key Partners

- **Ceres**
  - Ceres is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change. Ceres companies seek to attain long-term business value and to improve management quality through stakeholder engagement, public disclosure and performance improvements.
  - [www.ceres.org](http://www.ceres.org)
- **Rocky Mountain Institute (RMI)**
  - Rocky Mountain Institute (RMI) is an independent, entrepreneurial, nonprofit organization. They foster the efficient and restorative use of resources to make the world more sustainable.
  - [www.rmi.org](http://www.rmi.org)
- **Conservation International (CI)**
  - Conservation International's mission is to conserve the earth's living natural heritage, global biodiversity, and to demonstrate that human societies are able to live harmoniously with nature.
  - [www.conservation.org](http://www.conservation.org)
- **National Resources Defense Council (NRDC)**
  - NRDC is the nation's most effective environmental action organization. We use law, science and the support of 1.2 million members and online activists to protect the planet's wildlife and wild places and to ensure a safe and healthy environment for all living things.
  - [www.nrdc.org](http://www.nrdc.org)
- **Business for Social Responsibility (BSR)**
  - Since 1992, Business for Social Responsibility (BSR) has helped companies of all sizes and sectors to achieve success in ways that demonstrate respect for ethical values, people, communities and the environment. A leading global resource for the business community and thought leaders around the world, BSR equips its member companies with the expertise to design and implement successful, socially responsible business policies, practices and processes. As a non-profit business association, BSR is uniquely positioned to promote cross-sector collaboration in ways that contribute to the advancement of corporate social responsibility and business success.
  - [www.bsr.org](http://www.bsr.org)
- **Presidio School of Management**
  - Presidio School of Management offers an MBA program in Sustainable Management integrating social and environmental values within every course. Since 2003, the program has succeeded as a collaborative learning community committed to human, natural and financial sustainability.
  - [www.presidiomba.org](http://www.presidiomba.org)

# Next Steps

- Continue brand focus – help to identify brand opportunities and differentiators.
- Continue corporate work with a focus on energy and waste – energy creation and reduction, waste reduction, working groups with other brands, etc.
- Continue to explore industry opportunity around sustainable design; work closely with trusted suppliers who are willing to explore more sustainable ways of creating our product.