



**GAP INC. STATEMENT IN RESPONSE TO CHINA LABOR WATCH'S "THE RELATIONSHIP
BETWEEN A CORPORATION AND ITS WORKERS" REPORT
April 2008**

On April 9, 2008, the US-based non-governmental organization China Labor Watch (CLW) shared its report describing working conditions in Lever Style Inc. Lever Style is known to Gap Inc. as Lever Shirt, a factory approved to produce garments for Banana Republic, a Gap Inc. brand.

We would like to thank CLW for conducting its investigation of Lever Shirt, and for highlighting the challenges in working conditions in the apparel industry. We recognize that while many improvements have been made in recent years, much more work remains to be done to bring about widespread positive change for workers in the apparel industry supply chain.

Gap Inc. has a long-standing commitment to social responsibility. We believe that all individuals who work in garment factories deserve to be treated with dignity and respect, and are entitled to safe and fair working conditions. Our team of approximately 90 full-time employees is dedicated to improving conditions in the factories that make our clothes, and the lives of garment workers.

CLW's report characterizes Lever Shirt as a Class A factory based on the safe and healthy working conditions it provides to its workers. Our past audit results also show that Lever Shirt is an above average factory, and that its working conditions are generally compliant with Gap Inc.'s Code of Vendor Conduct (COVC).

It is important to note that Lever Shirt is an SA8000-certified factory. SA8000 is a global, cross-industry, multi-stakeholder standard that goes beyond the requirements of local law by harmonizing with International Labor Organization (ILO) conventions. SA8000 requires each supplier facility to meet requirements in nine areas: child labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration, and management systems. SA8000 also requires the implementation of management systems to institutionalize commitment and ownership of social accountability within the factory. In addition, SA8000 sets out a standard calculation to ensure that wages paid for a standard work week meet the legal and industry standards and are sufficient to meet the basic need of workers and their families.

SA8000 audits are conducted by accredited auditing organizations. To receive accreditation, the auditing organization must undergo a process similar to licensing in which the Social Accountability Accreditation Service (SAAS) evaluates the organization's capacity to audit a workplace for compliance. The accreditation evaluation includes an office review, witness audits to observe how auditors conduct an SA8000 audit, and periodic surveillance audits. After an auditing organization has been accredited, it remains subject to on-going review and oversight by SAAS.

At Gap Inc., we are committed to the principle that wages for a standard work week should meet the basic needs of workers and provide them with some discretionary income. We view SA8000 as a premier set of global labor standards, and we are pleased that Lever Shirt worked to obtain this certification. We would like to thank CLW for highlighting the example of Lever Shirt, a factory that is a model for others to follow. We hope that other garment manufacturers that produce apparel for our brands will also aspire to SA8000 certification.

Factory improvement is a continuous process and we encourage CLW to highlight other positive ways to help more garment factories follow in Lever Shirt's footsteps.

Gap Inc. will continue to work with Lever Shirt to ensure that the issues identified by the CLW report are addressed. We truly appreciate the opportunity to respond to the report.

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