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Eva Sage-Gavin
Gap

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Abstract
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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research available to others interested in preliminary form to encourage discussion and suggestions.

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(Pat): I want to thank you for spending time with me today to talk about the corporate social responsibility efforts at Gap Inc.. I want to begin with a broad question: How exactly does Gap Inc. define corporate social responsibility? What seem to be the levers that you use or the pieces of it that you would use to describe how you approach corporate social responsibility?

(Eva Sage-Gavin): There are really four key areas, and we think of corporate social responsibility across Gap Inc., in these four strategic ways. The first one is this whole idea of sustainable solutions in our supply chain. This consists of working on a four-part strategy to improve working conditions, monitor factories, integrate labor standards into our business practices, and the whole idea of collaborating with outside partners to drive industry-wide change.

So that's the first big centerpiece of how we think about CSR. The second is with our employees and making Gap Inc., a place where people can really flourish and

build their careers in a positive work environment. The third is community involvement, including everything from our foundation to our volunteerism. And the fourth key area in corporate social responsibility for us is environment, health and safety. This is everything from the average store energy consumption to the safety of our stores for customers and employees to a high-level environmental impact assessment for all of our business operations.

So we define it broadly, then. Supply chain, employees, community involvement, and environment.

(Pat): OK, thanks. The next question is the why question. What's the source of the corporate social responsibility effort at Gap Inc.? Where did it all begin?

(Eva Sage-Gavin): It began as a foundation of our company. Back in 1977, Don and Doris Fisher, our founders, established the Gap Foundation. Today all these years later their spirit lives on. $33 million in cash and in-kind donations were contributed in 2004 to our foundation and we have thousands of employee volunteer hours in our local communities every year. So for us this has been a long sustainable effort dating back to 1977. The other key source of our effort is global compliance. We see ourselves as a leading apparel retailer. For the record we're not a manufacturer. To produce our clothes we contract with garment manufacturers around the world. And we see it as our duty to help improve labor standards in the factories that make our clothes across the industry. We have a very comprehensive factory monitoring program, one of the most comprehensive in our industry. We are committed to continued sustainable improvement of labor standards of those garment manufacturers that produce our apparel.

So that's the second big source of the effort. The third area is the evolution of CSR. We produced our first social responsibility report in May of 2004. This gave us a great opportunity to take a very fresh, clear, transparent look at our efforts, and we focused heavily on factory working conditions in that first published report. It gave us a chance to define social responsibility, talk about where we were, where we are today, what our commitment is, common definitions, our philosophy and our set of beliefs.

(Pat): While many would see the ethical sourcing and workplace issues as obvious parts of a retailer's CSR effort, explain a little more about how you operationalize environmental responsibility, an area that is not so obvious.

(Eva Sage-Gavin): Our environmental efforts seek to ensure that we are efficient, and not wasteful, in our use of resources. For instance, we look from an environmental perspective at how we operate our stores, our distribution centers and our offices around the world. We look carefully at how we use natural resources, whether it's for construction, for office supplies, for marketing materials. And we have a role in promoting environmental stewardship through our business. We set expectations with vendors who are external, we look at our daily business decisions around purchasing, merchandising, marketing, and facility management. We constantly track specific areas of environmental performance, things like average store energy consumption, and the health and safety rates in our facilities. We conducted an environmental assessment to identify the environmental impacts of our operations. We looked at packaging, energy consumption, waste and recycling, and water quality. The whole purpose of this was to see where we were in terms of current state. We looked at 2003 versus 2004 and saw improvement and really concentrated on participating in global initiatives such as the EPA's climate leaders program to drive further reductions in things like greenhouse gas

emissions. So it is very top of mind for us to have planful, purposeful, sustainable environmental impacts that are positive.

(Pat): Great. Thanks. Let me ask you the "how come" question. What are the major costs and benefits that Gap Inc. gains from its corporate social responsibility effort?

(Eva Sage-Gavin): We think that this is critical to our long-term growth and the sustainability of our business. We see there are three elements to the benefits. First, and near and dear to my heart, is the idea of our employee attraction and retention. Our employees tell us they want to work for a company that's socially responsible and they tell us through a variety of channels that they love working for a company that they believe is doing what's right. We also hear in our recruiting efforts, particularly on the college campuses, that they've sought out Gap Inc., in part because of our CSR efforts. The second piece for us is a better supply chain. We know that better factory working conditions lead to better factories, and factories make better supply chain, i.e. products. The sourcing team can also select and make better buying decisions. We also introduced an integrated scorecard into the retail industry that gives factories feedback and scores on criteria such as quality, innovation, speed to market, and cost, and it considers the manufacturers' compliance history. So we know for a fact that this produces a better outcome and a better supply chain. Lastly, it gets back to the environmental question. Our focus on sustainability creates win-win scenarios for everyone involved in our environmental impact. When we reduce our energy usage we also reduce cost. Obviously that's a win-win all the way around.

(Pat) Great. This is a great story because you have had this foundation and social responsibility as being important from the founding – but as you look forward, what does

it take to make it last? What kind of organizational leadership or communication systems have to be in place to ensure that the corporate social responsibility effort will last beyond the current leadership?

(Eva Sage-Gavin): One of the critical things is support from the top. I mentioned to you a moment ago that our founders, Don and Doris Fisher, put the Gap Foundation in place in 1977. Here we are now in 2006 and that spirit of social responsibility has remained vibrant. We have clearly had a long history of sustainability. The support from the top continues with our board of directors, which has a committee focused on our company's CSR work, through our President and our executive leadership teams. We have also put the leadership and resources in place to keep these efforts sustainable. We have dedicated leaders for Gap Foundation and for our corporate social responsibility work including a Chief Philanthropic Officer and a Senior Vice President of Social Responsibility. In addition to our foundation team, HR and our social responsibility team play a big role. There are over 90 dedicated Gap Inc. employees that ensure global compliance around the world in areas such as garment manufacturing. Lastly, we have fully integrated this with our core business. Many of our businesses see the value that CSR has to offer. One example is our factory monitoring program supported by the scorecard we introduced. Our brand leaders tell us that the scorecard really assures them that we are in factories that are high-quality, that we are keeping track of what's going on and that we're following through on our supply chain commitments. So you can see, we have chosen a **very** comprehensive investment level.

(Pat): Yes. And it sounds like there are a lot of great things going on. Let's shift to talk a little bit about the role of the HR function. In what ways does the HR function help to promote corporate social responsibility within Gap Inc.?

(Eva Sage-Gavin): When we started off, I talked about four areas that we look at in regards to corporate social responsibility and one where HR plays a big role is our commitment to employees and our focus on the work environment. We strive very hard to deliver a positive work environment investing time, attention and resources towards it. The ultimate goal is really simple, we want people to be treated fairly and with respect and integrity, whether they work for us as an employee, with us as a vendor partner, or shop in our stores as a customer. We have developed and communicated a code of business conduct regarding how we expect people to behave within our environment in any country in which we do business. We also actively seek to maintain a values-based culture. When we bring new people into our company as employees we talk with them about the purpose, values and behaviors of Gap Inc. and then we reinforce that with our leadership teams. HR also supports this effort with competitive rewards and benefits. We talk about the health and well-being of our employees, and we provide things like comprehensive health care for employees who work over 30 hours or more a week. And we've just started offering access to health care to our part-time employees who work less than 30 hours a week.

We also foster an environment of open communication with employees. We conduct formal and informal employee opinion surveys ,we have open-door channels and we have hotlines for code of business conduct, We have an online channel where employees can tell us anything they want and it is reviewed at the highest levels, whether it's around our environment, around our corporate social responsibility, or around our code of business conduct. And we actively respond and follow-up on any claims or issues.

(Pat): OK. Let's turn to your role. What is your role personally in Gap's corporate social responsibility efforts?

(Eva Sage-Gavin): You know, I have a bit of a unique role in that I am the Executive Vice President of both Human Resources and Corporate Communications, so essentially, I am responsible for the overall employee experience. In regards to corporate social responsibility, I play a role in three key areas. The first is our values and culture. I have the honor of building on a 37-year foundation of social responsibility. We try to bring our values and culture to life for every employee by having it show up in very real, tangible ways that are fully integrated in everything we do from hiring, to development to recognition and engagement. We also do very visible things to promote a spirit of volunteerism and active encouragement. One of the things I'm particularly proud of is our Founders Award which recognizes employees who do work in their communities around the world. The winner of the yearly award receives paid time off to volunteer and a grant to give to their community partner.

The second area is leadership. I have to ensure that we train our leaders to understand what it means to live our values as a socially responsible company, and we're very clear on their role in creating a positive work environment ; Lastly, as the Chief People Office, I actively create ways for our leaders to listen and respond to the voices our employees, whether it's the employee survey, the code of business conduct, or our informal feedback channels. Any employee anywhere in the world can open a door and raise an issue and we'll respond appropriately.

So I like to think of myself as the chief architect putting these three channels in place so that everything that we set out to do honors our legacy, but that we sustain it by following through.

(Pat): As we talk about the sustainability question, I'll ask you to prognosticate a bit about the future of CSR and sustainability. And my concern often is that in times of plenty, as we get a growing economy, it's easy for companies to invest in such efforts, but when times gets harder and the economy is a little bit tighter then it doesn't seem to be as popular anymore. And so as you look not just with regard to Gap Inc., because I'm sure you're confident Gap Inc.'s sustainability effort, but as you look overall what do you think is the future of corporate social responsibility? Is this truly a paradigm shift that we're seeing across the U.S. or across the globe in terms of how firms view their roles in society, or is this just a temporary fad? How do you see CSR 10 years from now?

(Eva Sage-Gavin): I can only speak to our environment, but I can say confidently that it's a critical part of our long-term growth and sustainability of our business. We know that our success depends on our employees and it depends on creating value for our shareholders, but ultimately it's about the customer experience and their desire to purchase great products. We know that we won't do that without employees who aren't engaged, satisfied, proud to work here – employees that want to exceed our customer's expectations. It's a very competitive global environment. We also know that improved factory working conditions leads to better factories, and that leads to a better supply chain. That's why some of these tools we've talked about provide a simple, clear, transparent way to make really good decisions for partners that are like-minded about CSR. The thing I'm probably most proud of, though – and I think other forward-looking global retailers and global brands will have to think about this – is this must be sustainable in good times and bad. If you look at the last two years since we've published this report in May of '04, our CSR efforts have continued, even though our financial performance has not been as high as we would like. So whether it is looking back at the last two years or any prediction of the next eight, at Gap Inc. this is a long-

term commitment. So I think it's easy for Gap, Inc. CSR is just critical to who we are, what our brand stands for, and it is absolutely essential to sustain.

(Pat): Well, it's always great to hear from a company that puts this as kind of the centerpiece to the way they run their business. I want to thank you again for your time and I want to thank you for sharing the things that are going on at Gap with regard to corporate social responsibility.

(Eva Sage-Gavin): It's always a pleasure. We're passionate about this and we're happy to talk about it. As I mentioned, this is a legacy that we look back on and we're proud of the work we've done. I'm excited that we're starting to see research that's talking about why this is important and really challenging all of us to think about the road ahead, not just the past.

END