

The size and scope of this chart preclude a thorough analysis of all issues identified across regions. However, the following discussion highlights some of our key findings in 2006. To compare these results with previous years, please see pp. 14-15 of our 2003 Social Responsibility Report, and pp. 22-23 of our 2004 Social Responsibility Report.

Issue-Specific Trends

Underage Labor*

In 2006, we revised our remediation policy for underage labor. Previously, if VCOs uncovered instances in which workers were below the legal minimum working age, our policy was to terminate business with the factory. We believed that this approach sent a strong message to suppliers that underage labor was wholly unacceptable. However, we have learned from our experience over the years and extensive consultations with stakeholders that such a policy of immediate termination is not necessarily in the best interest of children. Accordingly, we have revised our policy, and now require that any underage workers found in a factory be immediately removed from the workplace, given access to schooling, paid an ongoing wage and guaranteed a job at the factory as soon as they reach the

appropriate age. We believe that this new approach is not only in the best interest of underage workers, but also provides an effective deterrent to suppliers not to use underage labor in the first place.

In 2006, we uncovered two instances in China and one instance in Egypt in which workers were hired before their sixteenth birthdays, the legal minimum working age in both countries. In both the Egyptian case and one of the cases in China, the worker had already turned 16, so both remained employed, but we required both factories to strengthen their age verification policies. In the other Chinese case, we asked management to remove the underage worker from the factory floor, continue to pay her the same wage and extend an offer of re-employment on her sixteenth birthday. In this instance, the factory refused to comply, so we terminated our business.

We also uncovered a case of underage labor in Indonesia. We immediately involved the parent supplier in the situation and asked factory management to obtain permission from the worker's parents to send her to school and/or vocational training. The factory agreed to pay for her school expenses, continue paying her the minimum wage and offer her re-employment once she reached the minimum age of 15.

Forced Labor

In 2006, we discovered that two factories in Vietnam required workers to sign a contract requiring them to remain employed for a certain period of time or pay the factory a "training fee." We asked the factory to stop this practice immediately, provide contracts to workers that excluded this clause and ensure that workers were aware that they could leave at any time. We verified that the practice ceased in both factories.

In Peru, we uncovered one instance in which a supervisor retained workers' identification cards to prevent them from leaving the factory at the end of the work shift. We asked the factory management to address the situation immediately and verified that the supervisor was disciplined. In addition, the factory developed and implemented procedures to ensure that all overtime work is voluntary, and also provided specialized training to supervisors to reinforce factory policies and legal standards.

Physical Punishment

In 2006, interviews with workers conducted during a routine visit revealed that a foreign supervisor had hurled a piece of clothing at a worker during a disagreement. The factory took disciplinary action against the supervisor,

- No code violations found
 - Violations verified in less than 1% of factories
 - Violations verified in 1-9.99% of factories
 - Violations verified in 10-24.99% of factories
 - Violations verified in 25-49.99% of factories
 - Violations verified in 50-99.99% of factories
- In 2006, we did not find any instances in which violations were found in more than 50% of factories.
- We believe that violations in these areas are more widespread than our data suggest.

2006 Code Violations

| Region | | Greater China | North Asia | Southeast Asia |
|--|--|---------------|------------|----------------|
| | | 385 | 75 | 532 |
| General Principle | IA Lacks full compliance with local laws | ● | ● | ● |
| | IB Restricted access of Gap Inc. representatives | • | – | • |
| Environment | IIA Lack of environmental management system or plan | • | • | ● |
| | IIB Insufficient notification procedures in case of environmental emergency | • | • | ● |
| Discrimination | IIIA Employment | • | – | • |
| | IIIB Wages and benefits | – | – | • |
| Forced Labor | IVA Use of involuntary labor | – | – | • |
| | IVB For foreign contract workers, non-payment of agency recruitment fees and/or requiring workers to remain in employment against their will | – | – | • |
| Child Labor* | VA Workers are not 14 years old or do not meet minimum legal age requirement | • | – | • |
| | VB Not in full compliance with child labor laws | • | – | • |
| | VC Failure to allow eligible workers to attend night classes and/or participate in educational programs | – | – | – |
| | VD Poor age documentation | ● | ● | • |
| Wages & Hours | VIA Pay is below minimum wage | ● | ● | ● |
| | VIB Overtime rates are below legal minimum | • | • | • |
| | VIC Work week in excess of 60 hours | • | • | • |
| | VID Workers cannot refuse overtime without threat of penalty or punishment | • | • | • |
| | VIE Workers do not have at least 1 day off in 7 | • | • | • |
| | VIF Violation of local laws on annual leave and/or holidays | • | • | • |
| | VIG Unclear wage statements | ● | ● | ● |
| Working Conditions | VIIA Physical punishment or coercion | – | – | • |
| | VIIB Psychological coercion and/or verbal abuse | • | – | • |
| | VIIC Violation of local laws on working conditions | • | • | ● |
| | VIID Insufficient lighting | • | • | • |
| | VIIE Poor ventilation | • | • | • |
| | VIIF Insufficient or poorly marked exits | • | • | • |
| | VIIG Obstructed aisles, exits or stairwells | ● | ● | ● |
| | VIH Locked or inaccessible doors and exits | • | • | • |
| | VIII Insufficient number of and/or inadequately maintained fire extinguishers | • | • | • |
| | VIIJ Insufficient number of fire alarms and/or emergency lights | • | • | • |
| | VIK Not enough evacuation drills | • | ● | • |
| | VIII Machinery lacks some operational safety devices | ● | • | ● |
| | VIIM Inadequate personal protective equipment | ● | • | • |
| VIIN Insufficient access to potable water | • | – | • | |
| VIO Inadequate first-aid kits | • | ● | • | |
| VIIIP Unsanitary toilets and/or restricted access | • | • | • | |
| VIIQ Inadequate storage of hazardous and combustible materials | ● | • | ● | |
| Freedom of Association | VIIA Workers are not free to choose whether or not to lawfully organize and join associations | – | – | • |
| | VIIB Penalization or interference with workers' lawful efforts to organize | – | – | • |

* In most of the countries where we do business, the minimum legal age is 15 or higher. In the few cases where the minimum age has been set at 14, we will be working as we revise our COVC to ensure that the countries in question have fulfilled the requirements for an exception under ILO Convention 138.