

III. B. Contract Labor Requirements

With respect to the following Contract Labor Requirements (“CLR”), the overall model contemplates vendor responsibility and accountability for ensuring that foreign contract workers¹ (a) first receive full disclosure and then sign employment contracts in their home countries; and (b) can return home for any reason and at any time without fear of reprisal and without extraordinary debt.

Vendors that recruit or employ foreign contract workers must comply with all of the following provisions of the CLR except to the extent any term is expressly prohibited by law:

01. **Employee Contract in Home Country:** The vendor will be responsible for ensuring that each applicant receives a contract for employment (“Employment Contract”) in his or her home country. The vendor must thereafter execute the Employment Contract with each worker in the worker’s home country. (This requirement applies to all workers hired after March 1, 2001). The vendor may not impose any additional terms or requirements on the worker after the Employment Contract is signed unless expressly required by law.
02. **Employment Contract Terms:** The Employment Contract must be in the local language of the worker and must specify, among other things:
 - (a) Term (duration) of the contract;
 - (b) Minimum and overtime wage rates to be paid;
 - (c) Maximum allowable overtime hours consistent with the laws of the host country and Gap Code (no more than 60 hours/week on regularly scheduled basis);
 - (d) All benefits to be provided (including medical coverage, sick leave, annual leave and holidays);
 - (e) All deductions to be taken (including charges for food and housing);
 - (f) Estimated minimum net pay that the worker can expect to receive per month;
 - (g) Recruitment fee restrictions (if imposed by applicable host or home country laws); and
 - (h) Summary of the living conditions, including any curfews.

The Employment Contract will also set forth the substance of Sections 3, 6, 7, 8 and 9 of the CLR as well as the amount of the Return Fee (see Section 6 below) to be refunded to any worker who paid any recruitment fees to obtain employment and who returns to his/her home country without completing the contractual term, regardless of reason. Recruitment Fees are to be defined broadly to include all administrative and processing fees and any other amounts paid to secure employment in the home country.

03. **Host Country Fees:** The vendor must pay all host country fees and costs, including any levies, renewal fees or other costs associated with the use of foreign labor (per the Gap Code of Vendor Conduct). The vendor must also reimburse any host country fees paid by existing workers.
04. **Recruitment Agency Fees:** The vendor must take all reasonable steps necessary to ensure that it does business with reputable recruitment agencies which do not charge workers fees in excess of what is legally permitted by any applicable law of the host or home country. The vendor must also have a written agreement with the agency(ies) expressly requiring that total fees paid by the worker must not exceed any such legal limits. Wherever possible, the vendor should avoid using recruitment agencies altogether and instead either transfer existing workers from the vendors’ home country facilities or hire workers directly.

[1] Foreign contract workers – workers who sign an employment contract to work at a factory outside their home country.

05. **Vendor Fees and Deductions:** The vendor (including its employees and representatives) must not accept any reimbursements, kickbacks or other amounts from any recruitment agency or other person involved in the recruiting process. The vendor also must not charge back or accept reimbursement from any foreign contract worker to recover any fees paid by the vendor in the recruitment or hiring of said worker.
06. **Return Fee:** For all foreign contract workers hired after March 1, 2001, the vendor must pay all transportation costs from the home to host country. For any foreign contract worker (regardless of date of hire) who wishes to leave the factory FOR ANY REASON AND AT ANY TIME and elects to return to his/her home country after March 1, 2001, the vendor must arrange and pay for the worker's airfare and/or other reasonable transportation costs home. In addition, the vendor must pay to the worker a "Return Fee" (as defined below), in addition to any wages, benefits or other amounts due and owing to the worker. All of these sums must be paid to the worker contemporaneously with his or her return to the home country. The only exception to the requirement to pay a Return Fee will be where a vendor can demonstrate that the worker was hired without the use or involvement of, or payment to, any third party recruiter.)

The Return Fee will equal the estimated average recruitment fees incurred by workers in their home country (as determined from time to time by Gap in consultation with workers, vendors, local NGOs and government authorities as appropriate), less a pro rata portion based on the actual duration of stay vs. the contractual term. For example, if the estimated average recruitment fees incurred by any worker from Country A to secure employment in Country B are \$2,000, such a worker who entered into a two year contract but decided to return home after 6 months would receive a Return Fee of \$1,500 ($\$2,000 - 6/24 \text{ mos}$).
07. **Control of Passport:** The vendor must allow the worker full control over his or her passport and similar documentation and must provide the worker with a locked and secure storage space in which to keep this documentation. The worker may choose to allow the factory to keep his/her passport but this must be in writing and must not be a condition of employment.
08. **Control of Earnings:** The vendor must allow workers full and complete control over the monies they earn (as required in Gap's Code) and must not withhold any "guarantee money" or recruitment fee sums from pay otherwise due to foreign contract workers.
09. **Same Minimum Wage:** The vendor must pay the same minimum wage to foreign contract workers in the same job category as local workers.
10. **Provision of Worker Lists:** The vendor must make available to Gap or its representatives upon request current lists of all foreign contract workers employed at each facility, including the date of arrival, contract term, and anticipated date of return.