
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 1, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-7562

THE GAP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

94-1697231

(I.R.S. Employer Identification
No.)

Two Folsom Street

San Francisco, California 94105

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(415) 427-0100**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.05 par value	GPS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock outstanding as of May 21, 2021 was 377,602,302.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Words such as “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “project,” and similar expressions also identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the following:

- the potential impact of COVID-19 on the assumptions and estimates used when preparing the quarterly financial statements, and on our results of operations, financial position, and liquidity;
 - the impact of recent accounting pronouncements;
 - recognition of revenue deferrals as revenue;
 - our new credit card program with Barclays and Mastercard, as well as our previous program with Synchrony Financial;
 - compliance with applicable covenants under the Notes and the ABL Facility (each as defined below);
 - unrealized gains and losses from designated cash flow hedges;
 - future share repurchases, including the potential timing and amounts thereof;
 - the impact of losses due to indemnification obligations;
 - the outcome of proceedings, lawsuits, disputes, and claims, including the impact of such actions on our financial results;
 - our Power Plan 2023 strategy and our ability to execute against it;
 - our omni-channel capabilities;
 - our key initiatives and business priorities;
 - our Gap Home venture with Walmart.com and other existing and potential future partnerships;
 - the impact of COVID-related store closures and supply chain challenges;
 - product acceptance by our customers;
 - our investments in demand generation;
 - targeted closures of North American stores, including the number and timing thereof and costs associated therewith;
 - the impact of our expected lease buyouts amounts;
 - our ability to reach agreements with our landlords regarding suspended rent payments for our temporarily closed stores;
 - the expected timing, cost and scope of the strategic review of our operating model in Europe;
 - the impact of the divestiture of the Janie & Jack and Intermix businesses;
 - our loyalty programs;
 - creating product that offers value to our customers through a combination of fit, quality, brand and price;
 - investing in our four purpose-led lifestyle brands to drive relevance and gain market share;
 - growing our online business;
 - attracting and retaining strong talent in our businesses and functions;
 - reducing our fixed cost structure to fuel demand generation investments;
 - leveraging our scale to navigate constraints in supply chain;
 - managing inventory to support a healthy merchandise margin;
 - rationalizing the Gap and Banana Republic brands;
 - prioritizing asset-light growth through licensing, online, and franchise partnerships globally;
 - continuing to integrate social and environmental sustainability into business practices;
 - our ability to respond to developments in the COVID-19 pandemic situation and guidance from international and domestic authorities;
 - our ability to manage through the impacts of COVID-19, including the impact it has on our liquidity;
 - our ability to supplement near-term liquidity, if necessary, with the ABL Facility or other available market instruments;
 - cash flows from our operations, along with current cash balances, and the Notes and the ABL Facility being sufficient to support our business operations;
 - the impact of seasonality and COVID-19 recovery on our operations;
 - our dividend policy, including the potential timing and amounts of future dividends; and
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- the impact of changes in internal control over financial reporting.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, without limitation, the following:

- the overall global economic environment and risks associated with the COVID-19 pandemic;
- the risk that we or our franchisees will be unsuccessful in gauging apparel trends and changing consumer preferences;
- the risk that failure to maintain, enhance and protect our brand image could have an adverse effect on our results of operations;
- the highly competitive nature of our business in the United States and internationally;
- engaging in or seeking to engage in strategic transactions that are subject to various risks and uncertainties;
- the risk that our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate;
- the risk that the failure to manage key executive succession and retention and to continue to attract qualified personnel could have an adverse impact on our results of operations;
- the risk that if we are unable to manage our inventory effectively, our gross margins will be adversely affected;
- the risks to our business, including our costs and supply chain, associated with global sourcing and manufacturing;
- the risks to our reputation or operations associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct;
- the risk that we are subject to data or other security breaches that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation;
- the risk that a failure of, or updates or changes to, our information technology systems may disrupt our operations;
- the risks to our efforts to expand internationally, including our ability to operate in regions where we have less experience;
- the risk that we or our franchisees will be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively;
- the risk that our franchisees' operation of franchise stores is not directly within our control and could impair the value of our brands;
- the risk that trade matters could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition, and results of operations;
- the risk that foreign currency exchange rate fluctuations could adversely impact our financial results;
- the risk that comparable sales and margins will experience fluctuations;
- the risk that natural disasters, public health crises (similar to and including the ongoing COVID-19 pandemic), political crises, negative global climate patterns, or other catastrophic events could adversely affect our operations and financial results, or those of our franchisees or vendors;
- the risk that changes in global economic conditions or consumer spending patterns could adversely impact our results of operations;
- the risk that we will not be successful in defending various proceedings, lawsuits, disputes, and claims;
- the risk that changes in the regulatory or administrative landscape could adversely affect our financial condition and results of operations;
- the risk that reductions in income and cash flow from our credit card arrangement related to our private label and co-branded credit cards could adversely affect our operating results and cash flows;
- the risk that changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our financial position or our business initiatives;
- the risk that the adoption of new accounting pronouncements will impact future results; and
- the risk that we do not repurchase some or all of the shares we anticipate purchasing pursuant to our repurchase program.

Additional information regarding factors that could cause results to differ can be found in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 and our other filings with the U.S. Securities and Exchange Commission.

Future economic and industry trends that could potentially impact net sales and profitability are difficult to predict. These forward-looking statements are based on information as of May 28, 2021. We assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

We suggest that this document be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

THE GAP, INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

THE GAP, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(\$ and shares in millions except par value)	May 1, 2021	January 30, 2021	May 2, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,066	\$ 1,988	\$ 1,028
Short-term investments	475	410	51
Merchandise inventory	2,370	2,451	2,217
Other current assets	1,091	1,159	920
Total current assets	6,002	6,008	4,216
Property and equipment, net of accumulated depreciation of \$5,616, \$5,608 and \$5,886	2,839	2,841	2,945
Operating lease assets	4,060	4,217	4,851
Other long-term assets	703	703	698
Total assets	<u>\$ 13,604</u>	<u>\$ 13,769</u>	<u>\$ 12,710</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Revolving credit facility	\$ —	\$ —	\$ 500
Accounts payable	1,530	1,743	971
Accrued expenses and other current liabilities	1,294	1,276	1,051
Current portion of operating lease liabilities	798	831	886
Income taxes payable	16	34	23
Total current liabilities	3,638	3,884	3,431
Long-term liabilities:			
Long-term debt	2,218	2,216	1,250
Long-term operating lease liabilities	4,449	4,617	5,331
Other long-term liabilities	493	438	381
Total long-term liabilities	7,160	7,271	6,962
Commitments and contingencies (see Note 9)			
Stockholders' equity:			
Common stock \$0.05 par value			
Authorized 2,300 shares for all periods presented; Issued and Outstanding 377, 374, and 373 shares	19	19	19
Additional paid-in capital	118	85	17
Retained earnings	2,667	2,501	2,235
Accumulated other comprehensive income	2	9	46
Total stockholders' equity	2,806	2,614	2,317
Total liabilities and stockholders' equity	<u>\$ 13,604</u>	<u>\$ 13,769</u>	<u>\$ 12,710</u>

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(\$ and shares in millions except per share amounts)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Net sales	\$ 3,991	\$ 2,107
Cost of goods sold and occupancy expenses	2,361	1,839
Gross profit	1,630	268
Operating expenses	1,390	1,512
Operating income (loss)	240	(1,244)
Interest expense	54	19
Interest income	(1)	(4)
Income (loss) before income taxes	187	(1,259)
Income taxes	21	(327)
Net income (loss)	\$ 166	\$ (932)
Weighted-average number of shares - basic	376	372
Weighted-average number of shares - diluted	385	372
Earnings (loss) per share - basic	\$ 0.44	\$ (2.51)
Earnings (loss) per share - diluted	\$ 0.43	\$ (2.51)

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Net income (loss)	\$ 166	\$ (932)
Other comprehensive income (loss), net of tax		
Foreign currency translation	(3)	(9)
Change in fair value of derivative financial instruments, net of tax of \$— and \$2	(7)	19
Reclassification adjustment for losses (gains) on derivative financial instruments, net of tax of \$— and \$—	3	(4)
Other comprehensive income (loss), net of tax	(7)	6
Comprehensive income (loss)	<u>\$ 159</u>	<u>\$ (926)</u>

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

(\$ and shares in millions except per share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance as of January 30, 2021	374	\$ 19	\$ 85	\$ 2,501	\$ 9	\$ 2,614
Net income for the thirteen weeks ended May 1, 2021				166		166
Other comprehensive income (loss), net of tax						
Foreign currency translation					(3)	(3)
Change in fair value of derivative financial instruments					(7)	(7)
Amounts reclassified from accumulated other comprehensive income					3	3
Issuance of common stock related to stock options and employee stock purchase plans	1	—	25			25
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(32)			(32)
Share-based compensation, net of forfeitures			40			40
Balance as of May 1, 2021	<u>377</u>	<u>\$ 19</u>	<u>\$ 118</u>	<u>\$ 2,667</u>	<u>\$ 2</u>	<u>\$ 2,806</u>
Balance as of February 1, 2020	<u>371</u>	<u>\$ 19</u>	<u>\$ —</u>	<u>\$ 3,257</u>	<u>\$ 40</u>	<u>\$ 3,316</u>
Net loss for the thirteen weeks ended May 2, 2020				(932)		(932)
Other comprehensive income (loss), net of tax						
Foreign currency translation					(9)	(9)
Change in fair value of derivative financial instruments					19	19
Amounts reclassified from accumulated other comprehensive income					(4)	(4)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	6			6
Issuance of common stock and withholding tax payments related to vesting of stock units	1	—	(7)			(7)
Share-based compensation, net of forfeitures			18			18
Common stock dividends declared (\$0.2425 per share) (1)				(90)		(90)
Balance as of May 2, 2020	<u>373</u>	<u>\$ 19</u>	<u>\$ 17</u>	<u>\$ 2,235</u>	<u>\$ 46</u>	<u>\$ 2,317</u>

(1) On March 4, 2020, the Company declared a first quarter fiscal year 2020 dividend of \$0.2425 per share. The dividend payable amount for the first quarter of fiscal 2020 was estimated based upon the shareholders of record as of May 2, 2020. The dividend was paid during the first quarter of fiscal 2021 to shareholders of record at the close of business on April 7, 2021.

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Cash flows from operating activities:		
Net income (loss)	\$ 166	\$ (932)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	120	130
Share-based compensation	36	18
Impairment of operating lease assets	5	360
Impairment of store assets	—	124
Amortization of debt issuance costs	4	—
Non-cash and other items	13	3
Loss on divestiture activity	56	—
Deferred income taxes	18	(41)
Changes in operating assets and liabilities:		
Merchandise inventory	69	(79)
Other current assets and other long-term assets	10	126
Accounts payable	(205)	(203)
Accrued expenses and other current liabilities	40	(86)
Income taxes payable, net of receivables and other tax-related items	(18)	(322)
Other long-term liabilities	41	(18)
Operating lease assets and liabilities, net	(15)	(20)
Net cash provided by (used for) operating activities	340	(940)
Cash flows from investing activities:		
Purchases of property and equipment	(124)	(122)
Proceeds from divestiture activity	28	—
Purchases of short-term investments	(298)	(59)
Proceeds from sales and maturities of short-term investments	233	297
Net cash provided by (used for) investing activities	(161)	116
Cash flows from financing activities:		
Proceeds from revolving credit facility	—	500
Proceeds from issuances under share-based compensation plans	25	6
Withholding tax payments related to vesting of stock units	(32)	(7)
Cash dividends paid	(91)	—
Net cash provided by (used for) financing activities	(98)	499
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(1)	(8)
Net increase (decrease) in cash, cash equivalents, and restricted cash	80	(333)
Cash, cash equivalents, and restricted cash at beginning of period	2,016	1,381
Cash, cash equivalents, and restricted cash at end of period	\$ 2,096	\$ 1,048
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	\$ 2	\$ 38
Cash paid for income taxes during the period, net of refunds	\$ 20	\$ 37

See Accompanying Notes to Condensed Consolidated Financial Statements

THE GAP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Accounting Policies

Basis of Presentation

In the opinion of The Gap, Inc. (the "Company," "we," and "our") management, the accompanying unaudited Condensed Consolidated Financial Statements contain all normal and recurring adjustments (except as otherwise disclosed) considered necessary to present fairly our financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows as of May 1, 2021 and May 2, 2020 and for all periods presented. The Condensed Consolidated Balance Sheet as of January 30, 2021 has been derived from our audited financial statements.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted from these interim financial statements, although the Company believes that the disclosures made are adequate to make the information not misleading. We suggest that you read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

The results of operations for the thirteen weeks ended May 1, 2021 are not necessarily indicative of the operating results that may be expected for the 52-week period ending January 29, 2022.

COVID-19

In March 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. Fiscal 2020 results were significantly impacted as we temporarily closed our North America retail stores and a large number of our stores globally. During the thirteen weeks ending May 1, 2021, there continued to be residual impacts from store closures in international markets and in our supply chain as a result of COVID-19. We continue to consider the impact of COVID-19 on the assumptions and estimates used when preparing these quarterly financial statements.

Restricted Cash

As of May 1, 2021, restricted cash primarily included consideration that serves as collateral for our insurance obligations. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within our Condensed Consolidated Balance Sheets to the total shown on our Condensed Consolidated Statements of Cash Flows:

(\$ in millions)	May 1, 2021	January 30, 2021	May 2, 2020
Cash and cash equivalents, per Condensed Consolidated Balance Sheets	\$ 2,066	\$ 1,988	\$ 1,028
Restricted cash included in other current assets	—	4	—
Restricted cash included in other long-term assets	30	24	20
Total cash, cash equivalents, and restricted cash, per Condensed Consolidated Statements of Cash Flows	<u>\$ 2,096</u>	<u>\$ 2,016</u>	<u>\$ 1,048</u>

Accounting Pronouncements Recently Adopted

In April 2020, the Financial Accounting Standards Board ("FASB") provided guidance on accounting for rent concessions resulting from the COVID-19 pandemic. We considered the FASB's guidance regarding lease modifications as a result of the effects of COVID-19 and elected to apply the temporary practical expedient to account for lease changes as variable rent unless an amendment results in a substantial change in the Company's lease obligations. The impact of applying the temporary practical expedient was not material to our Condensed Consolidated Financial Statements for the thirteen weeks ending May 1, 2021.

ASU No. 2019-12, Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued accounting standards update ("ASU") No. 2019-12, Simplifying the Accounting for Income Taxes. The ASU is intended to enhance and simplify aspects of the income tax accounting guidance in Accounting Standards Codification Topic 740 as part of the FASB's simplification initiative. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2020 with early adoption permitted. The Company adopted this ASU on January 31, 2021 on a prospective basis and the adoption of this standard did not have a material impact on our Condensed Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

The Company has considered all recent accounting pronouncements and concluded that there are no recent accounting pronouncements that may have a material impact on our Condensed Consolidated Financial Statements, based on current information.

Note 2. Revenue

Disaggregation of Net Sales

We disaggregate our net sales between stores and online and also by brand and region. Net sales by region are allocated based on the location of the store where the customer paid for and received the merchandise or the distribution center or store from which the products were shipped. The COVID-19 pandemic and resulting temporary closure of our stores negatively affected our net sales for the first quarter of fiscal 2020.

Net sales disaggregated for stores and online sales are as follows:

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Store sales (1)	\$ 2,384	\$ 1,108
Online sales (2)	1,607	999
Total net sales	<u>\$ 3,991</u>	<u>\$ 2,107</u>

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- (1) Store sales primarily include sales made at our Company-operated stores and franchise sales.
 - (2) Online sales primarily include sales originating from our online channel including those that are picked up or shipped from stores. Additionally, sales from the business-to-business program are also included during the thirteen weeks ended May 1, 2021.

Net sales disaggregated by brand and region are as follows:

(\$ in millions)

13 Weeks Ended May 1, 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other (3)	Total
U.S. (1)	\$ 2,099	\$ 556	\$ 333	\$ 347	\$ 89	\$ 3,424
Canada	159	68	34	—	—	261
Europe	—	69	3	—	—	72
Asia	1	163	16	—	—	180
Other regions	21	30	3	—	—	54
Total	\$ 2,280	\$ 886	\$ 389	\$ 347	\$ 89	\$ 3,991

(\$ in millions)

13 Weeks Ended May 2, 2020	Old Navy Global	Gap Global	Banana Republic Global	Athleta (2)	Other (4)	Total
U.S. (1)	\$ 949	\$ 311	\$ 245	\$ 205	\$ 51	\$ 1,761
Canada	77	34	24	—	—	135
Europe	—	54	3	—	—	57
Asia	1	108	12	—	—	121
Other regions	11	17	5	—	—	33
Total	\$ 1,038	\$ 524	\$ 289	\$ 205	\$ 51	\$ 2,107

(1) U.S. includes the United States, Puerto Rico, and Guam.

(2) Previously, net sales for the Athleta brand were grouped within the "Other" column. Beginning in fiscal 2021, we have made a change for all periods presented to break out Athleta net sales into its own column.

(3) Primarily consists of net sales for the Intermix brand. Also includes net sales for the Janie and Jack brand through April 7, 2021.

(4) Primarily consists of net sales for the Intermix, Janie and Jack, and Hill City brands.

Deferred Revenue

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, credit vouchers, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement. For the thirteen weeks ended May 1, 2021, the opening balance of deferred revenue for these obligations was \$231 million, of which \$89 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$222 million as of May 1, 2021.

We expect that the majority of our revenue deferrals as of the quarter ended May 1, 2021, will be recognized as revenue in the next twelve months as our performance obligations are satisfied.

For the thirteen weeks ended May 2, 2020, the opening balance of deferred revenue for these obligations was \$226 million, of which \$79 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$198 million as of May 2, 2020.

During the thirteen weeks ended May 1, 2021, the Company entered into new long-term credit card program agreements with Barclays and Mastercard. Barclays will become the exclusive issuer of Gap Inc.'s co-branded and private label credit card program in the U.S. beginning in May 2022. Accordingly, our previous private label credit card program with Synchrony Financial will be discontinued in April 2022. During the thirteen weeks ended May 1, 2021, the Company received a \$45 million payment relating to the new agreement, which was recorded in other long-term liabilities on our Condensed Consolidated Balance Sheet as of May 1, 2021.

Note 3. Debt and Credit Facilities

Long-term debt recorded on the Condensed Consolidated Balance Sheets consists of the following:

(\$ in millions)	May 1, 2021	January 30, 2021	May 2, 2020
2021 Notes	\$ —	\$ —	\$ 1,250
2023 Notes	500	500	—
2025 Notes	750	750	—
2027 Notes	1,000	1,000	—
Less: Unamortized debt issuance costs	(32)	(34)	—
Total long-term debt	<u>\$ 2,218</u>	<u>\$ 2,216</u>	<u>\$ 1,250</u>

The scheduled maturity of the Notes is as follows:

Scheduled Maturity (\$ in millions)	Principal	Interest Rate	Interest Payments
Senior Secured Notes (1)			
May 15, 2023	\$ 500	8.375 %	Semi-Annual
May 15, 2025	750	8.625 %	Semi-Annual
May 15, 2027	1,000	8.875 %	Semi-Annual
Total issuance	<u>\$ 2,250</u>		

(1) Includes an option to call the Notes in whole or in part at any time, subject to a make-whole premium.

As of May 1, 2021, the aggregate estimated fair value of the notes due 2023 ("2023 Notes"), 2025 ("2025 Notes"), and 2027 ("2027 Notes") (collectively, the "Notes") was \$2.57 billion and was based on the quoted market price for each of the Notes (level 1 inputs) as of the last business day of the fiscal quarter. The aggregate principal amount of the Notes is recorded in long-term debt on the Condensed Consolidated Balance Sheet, net of the unamortized debt issuance cost.

In May 2020, we entered into the senior secured asset-based revolving credit agreement (the "ABL Facility"), which has a \$1.8675 billion borrowing capacity and bears interest at a base rate (typically LIBOR) plus a margin depending on borrowing base availability. The ABL Facility is scheduled to expire in May 2023. We also have the ability to issue letters of credit on our ABL Facility. As of May 1, 2021, we had \$52 million in standby letters of credit issued under the ABL Facility. There were no borrowings under the ABL Facility as of May 1, 2021.

As of May 1, 2021, we were in compliance with the applicable financial covenants and expect to maintain compliance for the next twelve months.

We also had a \$500 million, five-year, revolving credit facility, which was scheduled to expire in May 2023. On March 25, 2020, we drew down the entire amount under the revolving credit facility resulting in a total of \$500 million outstanding as of May 2, 2020, which was repaid in full on May 7, 2020. The borrowings accrued interest at a base rate (typically LIBOR) plus a margin based on our long-term senior unsecured credit ratings and our leverage ratio. The draw-down proceeds were recorded in revolving credit facility on the Condensed Consolidated Balance Sheet. There were no material outstanding letters of credit under the revolving credit facility as of May 2, 2020.

We also maintain multiple agreements with third parties that make unsecured revolving credit facilities available for our operations in foreign locations (the "Foreign Facilities"). The Foreign Facilities are uncommitted and had a total capacity of \$49 million as of May 1, 2021. As of May 1, 2021, there were no borrowings under the Foreign Facilities. There were \$11 million in bank guarantees issued and outstanding primarily related to store leases under the Foreign Facilities as of May 1, 2021.

We have bilateral unsecured standby letter of credit agreements that are uncommitted and do not have expiration dates. There were no material standby letters of credit issued under these agreements as of May 1, 2021.

Note 4. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives and available-for-sale debt securities. The Company categorizes financial assets and liabilities recorded at fair value based upon a three-level hierarchy that considers the related valuation techniques.

There were no material purchases, sales, issuances, or settlements related to recurring level 3 measurements during the thirteen weeks ended May 1, 2021 or May 2, 2020. There were no transfers of financial assets or liabilities into or out of level 1, level 2, and level 3 during the thirteen weeks ended May 1, 2021 or May 2, 2020.

Financial Assets and Liabilities

Financial assets and liabilities measured at fair value on a recurring basis and cash equivalents are as follows:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(\$ in millions)	May 1, 2021			
Assets:				
Cash equivalents	\$ 143	\$ —	\$ 143	\$ —
Short-term investments	475	365	110	—
Derivative financial instruments	6	—	6	—
Deferred compensation plan assets	49	49	—	—
Other assets	4	—	—	4
Total	\$ 677	\$ 414	\$ 259	\$ 4
Liabilities:				
Derivative financial instruments	\$ 30	\$ —	\$ 30	\$ —
		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(\$ in millions)	January 30, 2021			
Assets:				
Cash equivalents	\$ 375	\$ 25	\$ 350	\$ —
Short-term investments	410	342	68	—
Derivative financial instruments	5	—	5	—
Deferred compensation plan assets	43	43	—	—
Other assets	2	—	—	2
Total	\$ 835	\$ 410	\$ 423	\$ 2
Liabilities:				
Derivative financial instruments	\$ 21	\$ —	\$ 21	\$ —
		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(\$ in millions)	May 2, 2020			
Assets:				
Cash equivalents	\$ 139	\$ —	\$ 139	\$ —
Short-term investments	51	—	51	—
Derivative financial instruments	36	—	36	—
Deferred compensation plan assets	47	47	—	—
Other assets	2	—	—	2
Total	\$ 275	\$ 47	\$ 226	\$ 2
Liabilities:				
Derivative financial instruments	\$ 5	\$ —	\$ 5	\$ —

We have highly liquid fixed and variable income investments classified as cash equivalents. With the exception of our available-for-sale investments noted below, we value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our investments in cash equivalents are placed primarily in time deposits, money market funds, and debt securities.

Our available-for-sale securities are comprised of investments in debt securities and are recorded in both short-term investments and cash and cash equivalents on the Condensed Consolidated Balance Sheets. These securities are recorded at fair value using market prices. As of May 1, 2021, January 30, 2021, and May 2, 2020, the Company held \$475 million, \$410 million, and \$51 million, respectively, of available-for-sale debt securities with maturity dates greater than three months and less than two years within short-term investments on the Condensed Consolidated Balance Sheets. In addition, as of May 1, 2021, January 30, 2021, and May 2, 2020, the Company held \$25 million, \$90 million and \$1 million, respectively, of available-for-sale debt securities with maturities of three months or less at the time of purchase within cash and cash equivalents on the Condensed Consolidated Balance Sheet. Unrealized gains and losses on available-for-sale debt securities included within accumulated other comprehensive income were not material as of May 1, 2021 and May 2, 2020.

The Company regularly reviews its available-for-sale debt securities for other-than-temporary impairment. For the thirteen weeks ended May 1, 2021 or May 2, 2020, the Company did not consider any of its securities to be other-than-temporarily impaired and, accordingly, did not recognize any impairment loss.

Derivative financial instruments primarily include foreign exchange forward contracts. The fair value of the Company's derivative financial instruments is determined using pricing models based on current market rates. See Note 6 of Notes to Condensed Consolidated Financial Statements for information regarding currencies hedged against the U.S. dollar.

We maintain the Gap, Inc. Deferred Compensation Plan ("DCP"), which allows eligible employees to defer base compensation and bonus up to a maximum percentage, and non-employee directors to defer receipt of a portion of their Board fees. Plan investments are directed by participants and are recorded at market value and designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices, and the assets are recorded in other long-term assets on the Condensed Consolidated Balance Sheets.

Nonfinancial Assets

We review the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The fair value of the long-lived assets is determined using level 3 inputs and based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the risk. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores is at the store level.

During the thirteen weeks ended May 1, 2021, the Company recorded impairment of operating lease assets of \$5 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of \$15 million to their fair value of \$10 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations. There were no material impairment charges recorded for store long-lived assets during the thirteen weeks ended May 1, 2021.

During fiscal 2020, the impact of COVID-19 resulted in a qualitative indication of impairment related to our store long-lived assets. For store locations, we analyzed our store asset recoverability. During the thirteen weeks ended May 2, 2020, the Company recorded impairment of store assets of \$124 million and impairment of operating lease assets of \$360 million. The impairment of the store assets reduced the carrying amount of the applicable long-lived assets of \$127 million to their fair value of \$3 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of \$1,358 million to their fair value of \$998 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations.

We review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually and whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable.

There were no impairment charges recorded for goodwill or other indefinite-lived intangible assets for the thirteen weeks ended May 1, 2021 or May 2, 2020.

Note 5. Income Taxes

The effective income tax rate was 11.2 percent for the thirteen weeks ended May 1, 2021, compared with 26.0 percent for the thirteen weeks ended May 2, 2020. The decrease in the effective tax rate is primarily due to a tax benefit resulting from divestiture activity during the first quarter of fiscal 2021.

Note 6. Derivative Financial Instruments

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. We use derivative financial instruments to manage our exposure to foreign currency exchange rate risk and do not enter into derivative financial contracts for trading purposes. Consistent with our risk management guidelines, we hedge a portion of our transactions related to merchandise purchases for foreign operations and certain intercompany transactions using foreign exchange forward contracts. These contracts are entered into with large, reputable, financial institutions that are monitored for counterparty risk. The currencies hedged against changes in the U.S. dollar are Canadian dollar, British pound, Japanese yen, Euro, Mexican peso, Taiwan dollar, and Chinese yuan. Cash flows from derivative financial instruments are classified as cash flows from operating activities on the Condensed Consolidated Statements of Cash Flows.

Cash Flow Hedges

We designate the following foreign exchange forward contracts as cash flow hedges: (1) forward contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies; and (2) forward contracts used to hedge forecasted intercompany revenue transactions related to merchandise sold from our regional purchasing entity, whose functional currency is the U.S. dollar, to certain international subsidiaries in their local currencies. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs, and intercompany revenue transactions generally have terms of up to 24 months. The effective portion of the gain or loss on the derivative financial instruments is reported as a component of other comprehensive income and is recognized into net income (loss) during the period in which the underlying transaction impacts the Condensed Consolidated Statements of Operations.

Other Derivatives Not Designated as Hedging Instruments

We use foreign exchange forward contracts to hedge our market risk exposure associated with foreign currency exchange rate fluctuations for certain intercompany balances denominated in currencies other than the functional currency of the entity with the intercompany balance. The gain or loss on the derivative financial instruments that represent economic hedges, as well as the remeasurement impact of the underlying intercompany balances, is recorded in operating expenses on the Condensed Consolidated Statements of Operations in the same period and generally offset each other.

Outstanding Notional Amounts

We had foreign exchange forward contracts outstanding in the following notional amounts:

(\$ in millions)	May 1, 2021	January 30, 2021	May 2, 2020
Derivatives designated as cash flow hedges	\$ 343	\$ 508	\$ 319
Derivatives not designated as hedging instruments	683	811	785
Total	<u>\$ 1,026</u>	<u>\$ 1,319</u>	<u>\$ 1,104</u>

Quantitative Disclosures about Derivative Financial Instruments

The fair values of foreign exchange forward contracts are as follows:

(\$ in millions)	May 1, 2021	January 30, 2021	May 2, 2020
Derivatives designated as cash flow hedges:			
Other current assets	\$ 4	\$ —	\$ 16
Accrued expenses and other current liabilities	19	12	—
Derivatives not designated as hedging instruments:			
Other current assets	2	5	20
Accrued expenses and other current liabilities	11	9	5
Total derivatives in an asset position	<u>\$ 6</u>	<u>\$ 5</u>	<u>\$ 36</u>
Total derivatives in a liability position	<u>\$ 30</u>	<u>\$ 21</u>	<u>\$ 5</u>

All of the unrealized gains and losses from designated cash flow hedges as of May 1, 2021 will be recognized into net income within the next twelve months at the then-current values, which may differ from the fair values as of May 1, 2021 shown above.

Our foreign exchange forward contracts are subject to master netting arrangements with each of our counterparties and such arrangements are enforceable in the event of default or early termination of the contract. We do not elect to offset the fair values of our derivative financial instruments on the Condensed Consolidated Balance Sheets, and as such, the fair values shown above represent gross amounts. The amounts subject to enforceable master netting arrangements were not material for all periods presented.

See Note 4 of Notes to Condensed Consolidated Financial Statements for disclosures on the fair value measurements of our derivative financial instruments.

The pre-tax amounts recognized in net income (loss) related to derivative instruments are as follows:

(\$ in millions)	Location and Amount of (Gain) Loss Recognized in Net Income (Loss)			
	13 Weeks Ended May 1, 2021		13 Weeks Ended May 2, 2020	
	Cost of goods sold and occupancy expenses	Operating expenses	Cost of goods sold and occupancy expenses	Operating expenses
Total amount of expense line items presented in the Condensed Consolidated Statements of Operations in which the effects of derivatives are recorded	\$ 2,361	\$ 1,390	\$ 1,839	\$ 1,512
(Gain) loss recognized in net income (loss)				
Derivatives designated as cash flow hedges	3	—	(4)	—
Derivatives not designated as hedging instruments	—	11	—	(43)
Total (gain) loss recognized in net income (loss)	\$ 3	\$ 11	\$ (4)	\$ (43)

Note 7. Share Repurchases

In February 2019, the Board of Directors approved a \$1.0 billion share repurchase authorization (the "February 2019 repurchase program"). The February 2019 repurchase program had \$800 million remaining as of May 1, 2021. There were no shares repurchased during the thirteen weeks ended May 1, 2021 or May 2, 2020.

Note 8. Earnings (Loss) Per Share

Weighted-average number of shares used for earnings (loss) per share is as follows:

(shares in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Weighted-average number of shares - basic	376	372
Common stock equivalents (1)	9	—
Weighted-average number of shares - diluted	385	372

(1) For the thirteen weeks ended May 2, 2020, the dilutive impact of outstanding options and awards was excluded from dilutive shares as a result of the Company's net loss for the respective period.

The anti-dilutive shares related to stock options and other stock awards excluded from the computation of weighted-average number of shares – diluted were 7 million and 15 million for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively, as their inclusion would have an anti-dilutive effect on earnings (loss) per share.

Note 9. Commitments and Contingencies

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters. These contracts primarily relate to our commercial contracts, operating leases, trademarks, intellectual property, financial agreements, and various other agreements. Under these contracts, we may provide certain routine indemnifications relating to representations and warranties (e.g., ownership of assets, environmental or tax indemnifications), or personal injury matters. The terms of these indemnifications range in duration and may not be explicitly defined. Generally, the maximum obligation under such indemnifications is not explicitly stated, and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our Condensed Consolidated Financial Statements taken as a whole.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. As of May 1, 2021, Actions filed against us included commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. As of May 1, 2021, January 30, 2021, and May 2, 2020, we recorded a liability for an estimated loss if the outcome of an Action is expected to result in a loss that is considered probable and reasonably estimable. The liability recorded was not material for any individual Action or in total for all periods presented. Subsequent to May 1, 2021, and through the filing date of this Quarterly Report on Form 10-Q, no information has become available that indicates a change is required that would be material to our Condensed Consolidated Financial Statements taken as a whole.

We cannot predict with assurance the outcome of Actions brought against us. However, we do not believe that the outcome of any current Action would have a material effect on our Condensed Consolidated Financial Statements taken as a whole.

Note 10. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of May 1, 2021, our operating segments included: Old Navy Global, Gap Global, Banana Republic Global, and Athleta. Each operating segment has a brand president who is responsible for various geographies and channels. Each of our brands serves customer demand through well-located stores and digital advantaged online channels, leveraging our omni-channel capabilities that allow customers to shop seamlessly across all of our brands. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one reportable segment as of May 1, 2021. We continually monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments.

See Note 2 of Notes to Condensed Consolidated Financial Statements for disaggregation of revenue for stores and online and by brand and region.

Note 11. Divestitures

As part of a strategic review of the Company's brands and businesses, the Company entered into agreements to sell its Janie and Jack and Intermix brands. The sale of Janie and Jack was completed on April 8, 2021. The sale of Intermix was completed on May 21, 2021. The Company reclassified \$109 million of assets and \$112 million of liabilities for the Intermix brand as held for sale within other current assets and accrued expenses and other current liabilities, respectively, on the Condensed Consolidated Balance Sheet as of May 1, 2021 and measured the disposal group at its estimated fair value less costs to sell. The aggregate carrying amount of assets and liabilities for amounts classified as held for sale primarily consist of \$61 million of net operating lease assets, \$19 million of inventory, and \$97 million of operating lease liabilities.

As a result of these transactions, the Company recognized a pre-tax loss of \$56 million within operating expenses on the Condensed Consolidated Statements of Operations during the thirteen weeks ended May 1, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

OUR BUSINESS

We are a collection of purpose-led, lifestyle brands offering apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. We have Company-operated stores in the United States, Canada, the United Kingdom, France, Ireland, Japan, Italy, China, Taiwan, and Mexico. Our products are available to customers online through Company-owned websites and through the use of third parties that provide logistics and fulfillment services. We also have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, Old Navy, and Athleta throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. In addition to operating in the specialty, outlet, online, and franchise channels, we use our omni-channel capabilities to bridge the digital world and physical stores to further enhance our shopping experience for our customers. Our omni-channel services, including curbside pick-up, buy online pick-up in store, order-in-store, find-in-store, and ship-from-store, as well as enhanced mobile-enabled experiences, are tailored uniquely across our collection of brands. Most of the products sold under our brand names are designed by us and manufactured by independent sources.

OVERVIEW

During fiscal 2020, we unveiled our Power Plan 2023 strategy, which reflects long-term plans to grow and strengthen the Company. Since then, we have focused on our key initiatives, including growing Old Navy and Athleta, repositioning and transforming Gap and Banana Republic, growing our online business, expanding into new categories such as inclusive sizing, and scaling strategic partnerships such as our recently announced venture into the Home market through the launch of Gap Home at Walmart.com, to amplify the reach of our brands to customers across product categories, markets, and channels.

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, we temporarily closed a large number of our stores globally during the first quarter of fiscal 2020; however, we innovated ways to safely serve customer demand through leveraging our omni-fulfillment capabilities, including curbside pick-up and ship-from-store. We re-opened the majority of our stores that were temporarily closed by the beginning of the third quarter of fiscal 2020. Our results for the first quarter of fiscal 2021 reflect continued domestic recovery from the effects of the COVID-19 pandemic and an ongoing shift in focus from store sales to online sales, however, there continued to be impacts from store closures in international markets and in our supply chain. Pandemic-related costs and increased shipping costs incurred to meet customer demand for our growing online business were offset by fixed cost savings gained through strategic store closures as a result of our fleet rationalization initiatives. Additionally, product acceptance from our customers has improved in response to our investments in demand generation resulting in improved product margins.

In line with our Power Plan 2023, the Company shared its strategic focus to reduce the number of Gap and Banana Republic stores in North America by approximately 350 stores from the beginning of fiscal 2020 to the end of fiscal 2023. The majority of the select stores being considered have leases that expired in fiscal 2020 or will expire in fiscal 2021 which allows us to exit underperforming stores with a minimal net impact to our Consolidated Statement of Operations. As of May 1, 2021, we have closed, net of openings, 195 Gap and Banana Republic stores in North America since the beginning of fiscal 2020.

The Company also expects substantial cash lease buyout amounts relating to a small population of stores we intend to close across multiple brands; however, we expect these buyouts to have a minimal net impact to our Consolidated Statements of Operations. During the first quarter of fiscal 2021, the Company executed store buyout agreements. The net impact of these buyouts was not material to our Condensed Consolidated Statement of Operations. As a result of COVID-19, we suspended rent payments for our temporarily closed stores. We are continuing to work through negotiations with our landlords relating to those leases. The rent abatement benefit was not material to our Condensed Consolidated Statement of Operations for the first quarter of fiscal 2021.

We are continuing our previously shared strategic review of our operating model in Europe. We remain focused on continuing to serve our customers in Europe with asset-light partnerships such as franchise or online. While no decisions have been made, our strategic plans could result in significant costs to the Company including charges related to leases and inventory, and employee-related costs. We are targeting to finalize our plans in fiscal 2021.

On March 19, 2021, the Company entered into an agreement to sell the Janie and Jack brand and on April 30, 2021, entered into an agreement to sell the Intermix brand. We closed the sale of Janie and Jack in April 2021 and the sale of Intermix closed on May 21, 2021. We believe these divestitures will allow the Company to prioritize its strategic focus and resources on growing our four purpose-led, lifestyle brands. We recognized a pre-tax loss of \$56 million for the first quarter of fiscal 2021 in conjunction with these transactions. See Note 11 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for further information.

As part of our Power Plan 2023, the Company is focused on enhancing its rewards program to attract new customers and create enduring relationships to turn its customers into lifelong loyalists. In April 2021, the Company entered into new long-term credit card program agreements with Barclays and Mastercard. Barclays will become the exclusive issuer of Gap Inc.'s co-branded and private label credit card program in the U.S. beginning in May 2022. In addition, Gap Inc. and Barclays will issue the co-branded credit cards on the Mastercard payment network. Accordingly, our previous private label credit card program with Synchrony Financial will be discontinued in April 2022.

Our business priorities for fiscal 2021 are as follows:

- creating product that offers value to our customers through a combination of fit, quality, brand and price;
- investing in our four purpose-led lifestyle brands to drive relevance and gain market share;
- growing our online business;
- attracting and retaining strong talent in our businesses and functions;
- reducing our fixed cost structure to fuel demand generation investments;
- leveraging our scale to navigate constraints in supply chain;
- managing inventory to support a healthy merchandise margin;
- rationalizing the Gap and Banana Republic brands;
- prioritizing asset-light growth through licensing, online, and franchise partnerships globally; and
- continuing to integrate social and environmental sustainability into business practices to support long-term growth.

We believe focusing on these priorities in the near term will propel the Company to execute against the Power Plan 2023 strategy, including leveraging:

- The Power of its Brands, reflected by the Company's four purpose-led, lifestyle brands, Old Navy, Gap, Banana Republic and Athleta;
- The Power of its Portfolio, which enables growth synergies across key customer categories; and
- The Power of its Platform, which leverages the Company's powerful platform to both enable growth, such as through competitive omni-channel capabilities, as well as cost synergies, fueled by its scaled operations.

We continue to monitor the evolving pandemic situation and guidance from international and domestic authorities, including federal, state, and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan.

Financial results for the first quarter of fiscal 2021 are as follows:

- Net sales for the first quarter of fiscal 2021 increased 89 percent compared with the first quarter of fiscal 2020.
- Online sales for the first quarter of fiscal 2021 increased 61 percent compared with the first quarter of fiscal 2020 and store sales for the first quarter of fiscal 2021 increased 115 percent compared with the first quarter of fiscal 2020.
- Gross profit for the first quarter of fiscal 2021 was \$1,630 million compared with \$268 million for the first quarter of fiscal 2020. Gross margin for the first quarter of fiscal 2021 was 40.8 percent compared with 12.7 percent for the first quarter of fiscal 2020.
- Operating income for the first quarter of fiscal 2021 was \$240 million compared with operating loss of \$(1,244) million for the first quarter of fiscal 2020.
- The effective income tax rate for the first quarter of fiscal 2021 was 11.2 percent, compared with 26.0 percent for the first quarter of fiscal 2020.
- Net income for the first quarter of fiscal 2021 was \$166 million compared with net loss of \$(932) million for the first quarter of fiscal 2020.
- Diluted earnings per share was \$0.43 for the first quarter of fiscal 2021 compared with diluted loss per share of \$(2.51) for the first quarter of fiscal 2020.

RESULTS OF OPERATIONS

Net Sales

See Note 2 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for net sales disaggregation.

Comparable Sales ("Comp Sales")

Comp Sales include the results of Company-operated stores and sales through online channels. The calculation of Gap Inc. Comp Sales excludes the results of our franchise business.

A store is included in the Comp Sales calculations when it has been open and operated by the Company for at least one year and the selling square footage has not changed by 15 percent or more within the past year. A store is included in the Comp Sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15 percent or more as a result of a remodel, expansion, or reduction are excluded from the Comp Sales calculations until the first day they have comparable prior year sales.

A store is considered non-comparable ("Non-comp") when it has been open and operated by the Company for less than one year or has changed its selling square footage by 15 percent or more within the past year.

A store is considered "Closed" if it is temporarily closed for three or more full consecutive days or it is permanently closed. When a temporarily closed store reopens, the store will be placed in the Comp/Non-comp status it was in prior to its closure. If a store was in Closed status for three or more days in the prior year, the store will be in Non-comp status for the same days the following year.

Current year foreign exchange rates are applied to both current year and prior year Comp Sales to achieve a consistent basis for comparison.

For the thirteen weeks ended May 1, 2021, any stores temporarily closed for more than three days as a result of COVID-19 during the first quarter of fiscal 2020 were excluded from the Comp Sales calculations. After temporarily closed stores reopened, subsequent sales were included in the Comp/Non-comp status they were in prior to temporary closure. Online sales continued to be included in the Comp Sales calculation for each period.

As a result of the extensive temporary store closures due to the COVID-19 pandemic, Comp Sales are not a meaningful metric for the thirteen weeks ended May 2, 2020. The Comp Sales for the thirteen weeks ended May 1, 2021 reflect continued recovery from the pandemic.

The percentage change in Comp Sales by global brand and for The Gap, Inc. for the thirteen weeks ended May 1, 2021 is as follows:

	13 Weeks Ended May 1, 2021
Old Navy Global	35 %
Gap Global	29 %
Banana Republic Global	(4) %
Athleta	27 %
The Gap, Inc.	28 %

Store count, openings, closings, and square footage for our stores are as follows:

	January 30, 2021	13 Weeks Ended May 1, 2021		May 1, 2021	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed (1)	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,220	24	2	1,242	19.9
Gap North America	556	1	5	552	5.8
Gap Asia	340	5	8	337	2.9
Gap Europe	117	1	2	116	1.0
Banana Republic North America	471	1	3	469	4.0
Banana Republic Asia	47	3	2	48	0.2
Athleta North America	199	3	—	202	0.8
Intermix North America	31	—	—	31	0.1
Janie and Jack North America (2)	119	—	—	—	—
Company-operated stores total	3,100	38	22	2,997	34.7
Franchise	615	36	77	574	N/A
Total	3,715	74	99	3,571	34.7
Decrease over prior year				(8.7) %	(5.4) %

	February 1, 2020	13 Weeks Ended May 2, 2020		May 2, 2020	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed (1)	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,207	4	3	1,208	19.5
Old Navy Asia	17	—	17	—	—
Gap North America	675	—	8	667	7.1
Gap Asia	358	5	2	361	3.2
Gap Europe	137	—	7	130	1.1
Banana Republic North America	541	—	2	539	4.5
Banana Republic Asia	48	1	3	46	0.2
Athleta North America	190	1	—	191	0.8
Intermix North America	33	—	—	33	0.1
Janie and Jack North America	139	—	1	138	0.2
Company-operated stores total	3,345	11	43	3,313	36.7
Franchise	574	29	5	598	N/A
Total	3,919	40	48	3,911	36.7
Increase (decrease) over prior year				1.6 %	(0.3) %

(1) Represents stores that have been permanently closed, not stores temporarily closed as a result of COVID-19.

(2) On April 8, 2021, the Company completed the sale of the Janie and Jack brand. The 119 stores sold are not included as store closures or in the ending balance for fiscal 2021.

Outlet and factory stores are reflected in each of the respective brands.

Net Sales

Our net sales for the first quarter of fiscal 2021 increased \$1,884 million, or 89 percent, compared with the first quarter of fiscal 2020, driven primarily by temporary store closures across our fleet during the first quarter of fiscal 2020 due to the COVID-19 pandemic.

Store sales increased 115% compared with the first quarter of fiscal 2020, primarily driven by significant increases across all brands as store traffic came back at domestic store locations the Company has reopened; partially offset by strategic store closures. Even with the return of store traffic, our investment in demand generation during the period helped drive online sales growth for the first quarter of fiscal 2021 which increased \$608 million or 61 percent, compared with the first quarter of fiscal 2020 reflecting progress against executing our Power Plan 2023 strategy of digital dominance.

Cost of Goods Sold and Occupancy Expenses

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Cost of goods sold and occupancy expenses	\$ 2,361	\$ 1,839
Gross profit	\$ 1,630	\$ 268
Cost of goods sold and occupancy expenses as a percentage of net sales	59.2 %	87.3 %
Gross margin	40.8 %	12.7 %

Cost of goods sold and occupancy expenses decreased 28.1 percentage points as a percentage of net sales in the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020.

- Cost of goods sold decreased 13.9 percentage points as a percentage of net sales in the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020, primarily driven by higher inventory impairment recognized in the first quarter of fiscal 2020 due to store closures as a result of COVID-19. Cost of goods sold as a percentage of net sales in the first quarter of fiscal 2021 also decreased as a result of improved retail traffic and lower promotional activity primarily at Old Navy Global and Gap Global.
- Occupancy expenses decreased 14.2 percentage points as a percentage of net sales in the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020 primarily driven by an increase in net sales largely due to temporary store closures as a result of COVID-19 during the first quarter of fiscal 2020. Additionally, during the first quarter of fiscal 2021 online sales continued to grow which has minimal impact on fixed occupancy expenses.

Operating Expenses

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Operating expenses	\$ 1,390	\$ 1,512
Operating expenses as a percentage of net sales	34.8 %	71.8 %
Operating margin	6.0 %	(59.0)%

Operating expenses decreased \$122 million or 37 percentage points as a percentage of net sales in the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020 primarily due to the following:

- a decrease due to impairment charges related to store assets and operating lease assets of \$484 million that occurred during the first quarter of fiscal 2020 primarily due to the impact of COVID-19; partially offset by
- an increase in store payroll and benefits and other store operating expenses due to COVID-19 temporary store closures during the first quarter of fiscal 2020;
- an increase in advertising expense to fuel demand across all purpose-led lifestyle brands;
- an increase in bonus expense as a result of improved performance; and
- a loss on divestiture activity related to the Janie and Jack and Intermix brands.

Interest Expense

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Interest expense	\$ 54	\$ 19

Interest expense increased \$35 million or 184 percent during the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020 primarily due to higher outstanding long-term debt and higher interest rates as a result of the May 2020 issuance of the Notes. The total outstanding principal related to our Notes was \$2.25 billion as of May 1, 2021 as compared with \$1.25 billion related to our previous 5.95 percent 2021 Notes as of May 2, 2020. Additionally, the new Notes bear interest at 8.375 percent, 8.625 percent, and 8.875 percent compared with our previous 5.95 percent 2021 Notes.

Income Taxes

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Income taxes	\$ 21	\$ (327)
Effective tax rate	11.2 %	26.0 %

The decrease in the effective tax rate for the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020 is primarily due to a tax benefit resulting from divestiture activity during the first quarter of fiscal 2021 as well as the impact of the Coronavirus Aid, Relief, and Economic Security Act in the first quarter of fiscal 2020. This was partially offset by changes in the mix of pretax income between domestic and international operations during the first quarter of fiscal 2020.

LIQUIDITY AND CAPITAL RESOURCES

We continue to manage through the impacts of COVID-19, including the impact it has on our liquidity. As of May 1, 2021, we consider the following to be our primary measures of liquidity and capital resources:

(\$ in millions)	Source of Liquidity	Outstanding Indebtedness	Total Available Liquidity
Cash and cash equivalents	\$ 2,066	\$ —	\$ 2,066
Short-term investments	475	—	475
Debt			
8.375 percent 2023 Notes	500	500	—
8.625 percent 2025 Notes	750	750	—
8.875 percent 2027 Notes	1,000	1,000	—
Total	\$ 4,791	\$ 2,250	\$ 2,541

We are also able to supplement near-term liquidity, if necessary, with our ABL Facility or other available market instruments.

Our largest source of operating cash flows is cash collections from the sale of our merchandise. Our primary uses of cash include merchandise inventory purchases, lease and occupancy costs, personnel-related expenses, purchases of property and equipment, and payment of taxes.

We believe our capital structure provides sufficient liquidity and our cash flows from our operations, along with current cash balances, and the instruments mentioned above will be sufficient to support our business operations for the next twelve months.

Cash Flows from Operating Activities

Net cash provided by operating activities increased by \$1,280 million during the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020, primarily due to the following:

Net Income (Loss)

- Net income compared with net loss in prior comparable period;

Non-cash item

- a decrease of \$479 million due to higher non-cash impairment charges for operating lease assets and store assets during the first quarter of fiscal 2020 compared with the first quarter of fiscal 2021;

Changes in operating assets and liabilities

- an increase of \$304 million related to income taxes payable, net of receivables and other tax-related items resulting from the net operating loss carrybacks attributable to the first quarter of fiscal 2020 as well as timing of tax-related payments;

- an increase of \$148 million related to merchandise inventory primarily due to the utilization of seasonal inventory stored at our distribution center since fiscal 2020 as a result of the COVID-19 pandemic compared with higher inventory purchases during the first quarter of fiscal 2020; and
- an increase of \$126 million related to accrued expenses and other current liabilities primarily due to the timing of interest payments related to our long-term debt.

We fund inventory expenditures during normal and peak periods through cash flows from operating activities and available cash. Our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period. The seasonality of our operations, in addition to the residual impact of COVID-19 and strategic initiatives, may lead to significant fluctuations in certain asset and liability accounts between fiscal year-end and subsequent interim periods.

Cash Flows from Investing Activities

Net cash used for investing activities was \$161 million during the first quarter of fiscal 2021 compared with \$116 million of cash provided by investing activities during the first quarter of fiscal 2020, primarily due to the following:

- \$303 million higher net purchases of available-for-sale debt securities during the first quarter of fiscal 2021 compared with the first quarter of fiscal 2020.

Cash Flows from Financing Activities

Net cash used for financing activities was \$98 million during the first quarter of fiscal 2021 compared with \$499 million of cash provided by financing activities during the first quarter of fiscal 2020, primarily due to the following:

- \$500 million in proceeds received as a result of drawing down on our revolving credit facility during the first quarter of fiscal 2020; and
- \$91 million payment of the dividend that was deferred during the first quarter of fiscal 2020 as a result of the COVID-19 pandemic.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. We believe free cash flow is an important metric because it represents a measure of how much cash a company has available for discretionary and non-discretionary items after the deduction of capital expenditures, as we require regular capital expenditures to build and maintain stores and purchase new equipment to improve our business and infrastructure. We use this metric internally, as we believe our sustained ability to generate free cash flow is an important driver of value creation. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP results.

The following table reconciles free cash flow, a non-GAAP financial measure, from a GAAP financial measure.

(\$ in millions)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Net cash provided by (used for) operating activities	\$ 340	\$ (940)
Less: Purchases of property and equipment	(124)	(122)
Free cash flow	<u>\$ 216</u>	<u>\$ (1,062)</u>

Debt and Credit Facilities

For financial information about the Company's debt and credit facilities as of May 1, 2021 see "Debt and Credit Facilities" in Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Dividend Policy

In determining whether and at what level to declare a dividend, we consider a number of factors including sustainability, operating performance, liquidity, and market conditions.

During the thirteen weeks ended May 1, 2021, the Company paid the previously declared first quarter of fiscal 2020 dividend to shareholders of record at the close of business on April 7, 2021. On May 11, 2021, the board of directors authorized a second quarter fiscal year 2021 dividend of \$0.12 per share, payable on or after July 28, 2021 to shareholders of record at the close of business on July 7, 2021.

Share Repurchases

On May 11, 2021, the Company announced the resumption of its share repurchase program, which has \$800 million of its \$1 billion authorization remaining. Subject to market conditions and other considerations, the Company intends to repurchase up to \$200 million of shares under the program in the remainder of fiscal year 2021.

Certain financial information about the Company's share repurchases is set forth under the heading "Share Repurchases" in Note 7 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Summary Disclosures about Contractual Cash Obligations and Commercial Commitments

There have been no material changes to our contractual obligations and commercial commitments as disclosed in our Annual Report on Form 10-K as of January 30, 2021, other than those which occur in the normal course of business. See Note 9 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on commitments and contingencies.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021. See Note 1 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risk profile as of January 30, 2021, is disclosed in our Annual Report on Form 10-K and has not significantly changed. See Notes 3, 4, and 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q for disclosures on our debt, investments, and derivative financial instruments.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the Company's first quarter of fiscal 2021 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that many of our employees are working remotely. We continually monitor and assess the control environment for potential impacts to the design and operating effectiveness of internal controls over financial reporting due to various factors, including any residual impact of COVID-19.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims ("Actions") arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages, and some are covered in part by insurance.

We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact operations in the quarter of such development, settlement, or resolution. However, we do not believe that the outcome of any current Action would have a material effect on our financial results.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On February 26, 2019, we announced that the Board of Directors approved a \$1 billion share repurchase authorization (the "February 2019 repurchase program"), which has no expiration date. There were no shares repurchased, other than shares withheld to settle employee statutory tax withholding related to the vesting of stock units, during the thirteen weeks ended May 1, 2021. The February 2019 repurchase program had \$800 million remaining as of May 1, 2021.

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation (P)	10-K	1-7562	3.1	April 26, 1993	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation	10-K	1-7562	3.2	April 4, 2000	
3.3	Amended and Restated Bylaws (effective March 23, 2020)	8-K	1-7562	3.1	March 5, 2020	
10.1 †	2021 Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan	8-K	1-7562	10.1	March 9, 2021	
10.2 †	2021 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan	8-K	1-7562	10.2	March 9, 2021	
10.3 †	2021 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan	8-K	1-7562	10.3	March 9, 2021	
10.4 *	Credit Card Program Agreement, dated as of April 8, 2021, by and among Registrant, Old Navy, LLC, Banana Republic, LLC, Athleta LLC and Barclays Bank Delaware					X
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
32.1	Certification of the Chief Executive Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Chief Financial Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from The Gap, Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 1, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements					X
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)					X

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

† Indicates management contract or compensatory plan or arrangement.

* Certain portions of this Exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE GAP, INC.

Date: May 28, 2021

By /s/ Sonia Syngal

Sonia Syngal

Chief Executive Officer

(Principal Executive Officer)

Date: May 28, 2021

By /s/ Katrina O'Connell

Katrina O'Connell

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

*****CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) IS OF THE TYPE THAT THE REGISTRANT TREATS AS PRIVATE OR CONFIDENTIAL.**

CREDIT CARD PROGRAM AGREEMENT

BETWEEN

BARCLAYS BANK DELAWARE

AND

THE GAP, INC.

OLD NAVY, LLC

BANANA REPUBLIC, LLC

ATHLETA LLC

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CREDIT CARD PROGRAM AGREEMENT

THIS CREDIT CARD PROGRAM AGREEMENT (this “Agreement”) is made as of the 8th day of April, 2021 (the “Effective Date”), by and among The Gap, Inc., Old Navy, LLC, Banana Republic, LLC and Athleta LLC (collectively, “Gap”), on the one hand, and Barclays Bank Delaware (“Barclays”), on the other hand.

BACKGROUND

1) Barclays desires to issue credit cards branded with Gap Marks to Gap Customers and establish associated open-end consumer accounts; and

2) Gap desires to participate in a program whereby Barclays will offer and service open-end consumer credit card accounts in the Territory to Gap Customers and through Gap Channels (such program, the “Program”).

NOW THEREFORE, in consideration of the mutual agreements and covenants set forth in this Agreement, and other good and valuable consideration provided for in this Agreement, Gap and Barclays agree as follows:

ARTICLE I. DEFINITIONS

1.1 Definitions.

For the purposes of this Agreement (including the Background and the preamble preceding this Article I) and except as otherwise specifically set forth herein, the following capitalized terms shall be defined as hereinafter set forth:

“Account” means an open-end revolving consumer credit account established by Barclays under the Program whereby a Cardholder may finance purchases of merchandise or services on credit pursuant to the terms of the Cardholder Agreement.

“Account Documentation” means with respect to an Account, any and all documentation in tangible or intangible form relating to such Account or processing an Application for an Account, including Program Card mailers, Applications, Cardholder Agreements, Account statements, credit records, checks and stubs, receipts, credit bureau reports, adverse action notices, change of terms notices, Cardholder service communications and any other disclosures required under Applicable Banking Law. For clarity, “Account Documentation” does not include the Program Card form factors or Marketing Materials.

“Affected Party” has the meaning set forth in Section 7.4(b).

“Affiliate” means, with respect to a Person, any Person directly or indirectly controlling, controlled by, or under common control with such Person. The term “control” (including, with correlative meaning, the terms “controlled by” and “under common control with”) as used with respect to a Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract, or otherwise.

“Agreement” has the meaning set forth in the first paragraph of this Agreement.

“Annual Marketing Plan” has the meaning set forth in Section 3.1(a).

“Applicable Law” means all federal, state and local laws, regulations, rules and ordinances, judgments, decrees, injunctions, writs and orders or like actions of any Government Authority and the rules, regulations, orders, written interpretations, guidance, licenses and permits of any Government Authority that, in each case, apply to the Program, the business and operations of a Party, or the performance of a Party’s obligations under this Agreement.

“Applicable Banking Law” means all Applicable Law, whether of specific or general application (such as laws related to unfair or deceptive acts or practices), related to Barclays or to the Applications, Program Cards or Accounts, including their marketing, solicitation, establishment, use, servicing or collection; provided that “Applicable Banking Law” shall not include any Applicable Law that is solely applicable to Gap.

“Applicant” means a natural Person that commences the process to apply for an Account under the Program.

“Application” means the form made available by Barclays to an Applicant to apply for an Account.

“Back Book Assets” means the Gap Mark-branded credit card accounts (co-branded and private label) maintained by Synchrony Bank and in effect as of the Back Book Conversion Date, together with associated receivables, account documentation, transaction histories, BIN Identifiers, and any additional data or assets sold by Synchrony Bank to Barclays pursuant to the purchase and sale agreement between Synchrony Bank and Barclays, except the following credit card accounts shall be excluded: [***].

“Back Book Conversion Date” means the target date of [***], or such other target date that the Parties mutually agree is the target for completing Barclays’ acquisition of the Back Book Assets and the conversion of the associated credit card accounts to the Systems Barclays uses to operate the Program.

“Barclays” shall have the meaning set forth in the first paragraph of this Agreement.

“Barclays Indemnified Parties” has the meaning set forth in Section 11.1(b)(i).

“Barclays Marks” means any trademark, service mark, or name owned by or licensed to Barclays (except for Gap Marks) and used by Barclays in connection with the Program.

“BIN Identifier” means each bank identification number or Interbank Card Association number licensed by the Network to Barclays in connection with the Program.

“Brand Acquirer” has the meaning set forth in Section 2.7.

“Business Day” means any day, except Saturday, Sunday, federal holidays, or a day on which Barclays is closed.

“Cardholder” means any natural person to whom a Program Card has been issued pursuant to the Program.

“Cardholder Agreement” means the agreement governing usage of the Account and Program Card between each natural person, as the obligor, and Barclays, as the lender, in accordance with Applicable Law.

“Cardholder Indebtedness” means all amounts owing by Cardholders with respect to an Account (including finance charges, late fees and other similar fees and charges), whether or not billed, less the amount of any payments received, any credit balances owed to Cardholders, including any credits associated with returns, including returns of Gap Goods and Services, and similar credits and adjustments, whether or not billed.

“Cardholder Terms” means the Purchase, penalty and cash advance annual percentage rates together with fees charged to Accounts for each Program Card product.

“Closing Date” means (a) if this Agreement is expiring pursuant to Sections 12.1 and 12.2, the last day of the Term, or (b) if this Agreement terminates pursuant to Sections 12.3, 12.4 or 12.5, within [***] months following the delivery of a termination notice by either Party.

“Co-Branded Account” means an Account linked to a Co-Branded Card.

“Co-Branded Card” means the Program Card that is branded with a Network mark and enabled for Purchases both within and outside Gap Channels and Cross-Shop Locations.

“Comparable Retailer Programs” means co-brand and private label credit card programs, respectively, for Retailers in the Territory that are comparable to the Program in [***]. The Comparable Retailer Programs as of the Effective Date are listed in Schedule 1.1(a).

“Confidential Information” has the meaning set forth in Section 7.1.

“Cross-Shop Locations” means such digital and physical locations owned or operated by Gap, other than Gap Channels, as mutually agreed between the Parties from time to time.

“Dispute” means any and all disagreements, claims, disputes and controversies between the Parties (a) that arise out of this Agreement or any transaction contemplated by this Agreement (including, without limitation, disagreements, claims, disputes and controversies regarding the interpretation or application of this Agreement or any actual or alleged breach of this Agreement); and (b) with respect to which no Persons other than the Parties to this Agreement and their Affiliates are necessary parties to the resolution process in order for the disagreement, claim, dispute or controversy to be fully resolved and appropriate relief afforded.

“Effective Date” has the meaning in the first paragraph of this Agreement.

“Existing Cardholders” has the meaning set forth in Section 2.5(c).

“Gap” has the meaning set forth in the first paragraph of this Agreement.

“Gap Channels” means physical and digital properties owned or operated by Gap in the Territory that are branded with any of the following Gap Marks or any successor trademark, service mark or name thereto: “Gap”, “Old Navy”, “Banana Republic”, and “Athleta”.

“Gap Customers” means natural Persons who have purchased Gap Goods and Services through Gap Channels for consumer or household purposes or who otherwise use, enter or access Gap Channels or otherwise contact or are contacted by Gap or its Affiliates in connection with their business operations (whether or not such Person makes any purchases).

“Gap Customer Data” means the following: all information, regardless of form or format and whether personally identifiable or aggregated or anonymized, regarding or derived from a Gap Customer, including all transaction, search, experience and purchase information obtained in connection with (i) such Gap Customer using, entering or accessing Gap Channels or making a purchase of Gap Goods and Services, including all line item purchase data collected about such actual or prospective purchases of Gap Goods and Services, or (ii) such Gap Customer applying for membership in or being a member of the Gap Loyalty Program (including in combination with an Application) and any transactions pursuant to the Gap Loyalty Program, in each case in clause (i) or (ii), whether such information is obtained by Gap and its Affiliates independently or from Barclays pursuant to Gap Customer agreement that information is being shared concurrently with Gap.

“Gap Goods and Services” means the products and services sold by or through Gap Channels, including Gap-branded gift cards that can be used to purchase Gap Goods and Services; provided that Gap Goods and Services shall not include any credit insurance, debt protection, credit monitoring or similar add-on products that are ancillary to an Account.

“Gap Indemnified Parties” has the meaning set forth in Section 11.1(a)(i).

“Gap Loyalty Program” means any rewards program that allows Gap Customers to earn and redeem points and other benefits, as such program may be changed by Gap from time to time in accordance with this Agreement.

“Gap Mark” means any trademark, service mark, or name owned by or licensed to Gap or any of its Affiliates (except for Barclays Marks).

“General Manager” has the meaning set forth in Section 6.2.

“Governmental Authority” means any federal, state, county, local, regulatory or municipal government body or court in the Territory having jurisdiction over any of the Parties to this Agreement.

“Indemnified Party” has the meaning set forth in Section 11.2.

“Indemnifying Party” has the meaning set forth in Section 11.2.

“Initial Term” means the period of time commencing on the Effective Date and ending on the day that is ten years after [***].

“Inserts” has the meaning set forth in Section 3.3(d).

“Intellectual Property” means trade names, logos, trademarks, service marks, trade dress, internet domain names, copyrights, patents, trade secrets, know how, and proprietary technology, any other rights with respect to inventions, discoveries, improvements, know-how, formulae, algorithms, processes, technical information and other technology, whether or not subject to statutory registration or protection, and all registrations and applications therefor.

“Joint Management Committee” has the meaning set forth in Section 6.1(a).

“Launch Date” means the date on which Barclays begins to accept Applications.

“Licensed Barclays Marks” has the meaning set forth in Section 8.2(a).

“Licensed Gap Marks” has the meaning set forth in Section 8.1(a).

“Losses” means losses, liabilities, costs, judgments, damages, penalties, fines, fees and expenses (including reasonable fees and expenses for attorneys, experts and consultants, reasonable out-of-pocket expenses, interest and penalties, and the cost of enforcing any right hereunder and the cost of pursuing any insurance providers), settlements, equitable relief, judgments, and damages, claims (including counter and cross-claims, and allegations whether or not proven), demands, offsets, defenses, actions, or proceedings incurred without regard to whether such Losses would be deemed material under this Agreement; provided however, that Losses shall not include any overhead costs that either Party would normally incur in conducting its everyday business.

“Marketing Materials” means any content in any form that references the Program and is distributed to Gap Customers or otherwise used for the purpose of promoting the Program, soliciting an Application or using an Account or Program Card functionality, including website and mobile application advertisements or promotions, Store signage or email or direct mail pieces. For clarity, Marketing Materials shall not include Account Documentation.

“Marketing Template” has the meaning set forth in Section (b) of Schedule 3.2.

“Master File” means all data and records necessary to convert the Program Assets to the systems of the applicable Designated Purchaser(s).

“Net Purchase Sales” means, with respect to Purchases in any given period, an amount equal to (a) gross purchases of goods and services, including applicable taxes and service charges, posted to an Account during such period, minus (b) the sum of credits posted for returned goods, cancelled services, unauthorized or disputed transaction and other credits (such as concessions, discounts and adjustments) on such Account during such period. In no event shall Net Purchase Sales include: (x) annual fees, finance charges and other bank fees or charges posted to the Account (such fees to include, but not be limited to, late fees, return check fees, overlimit fees, credit insurance premiums, cash advance fees, collection costs and administrative fees), (y) cash advances and balance transfers and/or cash advance and balance transfer transaction fees (which include the use of convenience checks), and (z) purchases posted to an Account whose Program Card has been reported lost or stolen and which has not been subsequently replaced or reissued (unless such purchases have been made by the Cardholder of the Account).

“Network” means the payment network through which Purchases outside of Gap Channels or Cross-Shop Locations are authorized and settled.

“Network Rules” means, with respect to a Party, the applicable bylaws, rules, regulations, orders and interpretations, as in effect from time to time, issued by the Network.

“Non-Public Personal Information” means, in connection with the Program, (a) any information that alone, or in combination with other information, relates to a specific, identifiable individual current or former Applicant or Cardholder or can be used to identify such an individual; or (b) any information that

is “nonpublic personal information” as defined in Title V, Subtitle A of the Gramm-Leach-Bliley Act, 15 USC §§ 6801 et seq., as amended.

“Operating Requirements” means the written instructions and procedures regarding the operational responsibilities of the Parties in connection with the Program.

“Parties” means Gap and Barclays, collectively.

“Party” means either Gap or Barclays, considered individually.

“PCI-DSS” means the Payment Card Industry Data Security Standards in effect from time to time adopted by the PCI Security Standards Council.

“Person” means a natural person, corporation, partnership, joint venture, limited liability company, an association, trust, unincorporated organization, other entity or Governmental Authority.

“Private Label Account” means an Account linked to a Private Label Card.

“Private Label Card” means the Program Card that is only enabled for Purchases within Gap Channels and Cross-Shop Locations.

“Process” or “Processing” means any operation or set of operations performed upon Non-Public Personal Information.

“Product Innovations” means features or functions that can be used by credit cardholders in connection with using a credit card account in the Territory. Examples of “Product Innovations” may include [***]. For clarity, for purposes of the Program, “Product Innovations” do not include any elements of the Cardholder Terms or Program Value Proposition or any promotional or introductory financing offers that vary the Purchase APR.

“Program” has the meaning set forth in the Background.

“Program Assets” means Accounts, receivables associated with Accounts, BIN Identifiers, Program Information, the Master File, and any other records specific to the Program, except “Program Assets” shall not include any Accounts and associated receivables and Program Information that (i) [***] or (iii) other accounts agreed by Barclays and the Designated Purchaser, consistent with industry practices.

“Program Card” means a payment card, regardless of form factor, bearing a Gap Mark that is linked to an Account.

“Program Information” means any information, regardless of form or format, relating to Applicants and Cardholders that is identifiable to (i) an Applicant or Cardholder, (ii) the Program, or (iii) Gap, which Barclays, or a third party on behalf of Barclays, collects, generates or derives in connection with the Program.

“Program Purchase Date” means the date of consummation of the sale of the Program Assets following Gap’s exercise of the Purchase Option.

“Program Value Proposition” means those Barclays-provided benefits (if any), Gap-provided benefits, and Network-provided benefits as set forth in Schedule 2.2(a), as modified by the Parties from time to time in accordance with the terms of this Agreement.

“Program Website” means the website branded with the Gap Marks and Barclays Marks and hosted by Barclays.

“Program Year” means the time period, (a) for calendar year 2022, commencing upon the Launch Date and continuing until January 31, 2023, (b) for the last calendar year of the Term, commencing upon February 1st of such calendar year and continuing until the end of the Term, and (c) for all other 12-month periods years during the Term, the 12 months commencing upon February 1st and concluding upon January 31st.

“Purchase” means a transaction using a Program Card in connection with the sale of goods or services.

“Purchase Agreement” means all necessary agreements, instruments and other documentation between a purchaser and a seller customary for a transaction for the sale of assets like the Program Assets, including a purchase and sale agreement, and which contains reasonable and customary terms and conditions consistent with credit card industry standards for transactions of a similar size and nature and that are reasonably acceptable to the Designated Purchaser and Barclays.

“Records Requests” has the meaning set forth in Section 7.4(c).

“Referred Matter” has the meaning set forth in Section 6.1(b).

“Remediation Plan” has the meaning set forth in Section 7.4(b).

“Renewal Term” means any 12-month period following the conclusion of either the Initial Term, whether immediately following the Initial Term or any 12-month period thereafter where this Agreement remains in effect.

“Representatives” means a Person’s employees, officers, directors, agents, third party service providers or contractors, and other advisors, including, accountants, consultants, independent auditors or attorneys.

“Retailer” means a Person, other than Gap, that is materially engaged in the business of selling clothing or other goods and services that are substantially similar to the Gap Goods and Services to natural Persons. For clarity, “Retailer” does not include a hotel, airline, or cruise ship operator.

“Risk Management Policies” means the processes and criteria used by Barclays to process Applications, establish, service, collect, suspend, and terminate or charge off Accounts, and authorize, approve or decline transactions on Accounts, in each case including for purposes of addressing credit, fraud, and operational risks.

“Royalties” means Royalties (internal) and Royalties (external).

“Security Incident” has the meaning set forth in Section 7.4(b).

“Senior Executive” has the meaning set forth in Section 6.1(b).

“Service Levels” has the meaning set forth in Section 5.15.

“Similarly Situated Portfolio” means, [***]. The Similarly Situated Portfolios as of the Effective Date are listed in Schedule 1.1(b).

“Solvent” means, as to any Person, (i) that the present fair salable value of such person’s assets exceeds the total amount of its liabilities and (ii) that such Person is generally able to pay its debts as they come due. The phrase “present fair salable value of such person’s assets” means that value that could be obtained if such Person’s assets were sold within a reasonable time in one or more arm’s-length transactions in an existing and not theoretical market.

“Stores” means those physical retail locations selling Gap Good and Services, which are owned and operated by Gap.

“Systems” means, with respect to any Party, software, databases, computers, systems, processing platforms and networks owned, leased, licensed or contracted or operated by such Party or its Affiliates or on behalf of such Party or its Affiliates by third parties engaged by such Party or its Affiliates; provided that a System shall not be a System of a particular Party if access to or permission to use such System must be granted by the other Party or its Affiliates.

“Term” means, collectively, the Initial Term and any Renewal Term(s).

“Territory” means the 50 United States, the District of Columbia, and Puerto Rico, and any internet, mobile and other virtual sales channels offered to residents of the foregoing.

“Transition Communication” has the meaning set forth in Section 2.5(c).

“Transition Communication Plan” has the meaning set forth in Section 2.5(c).

“Wind-Down Period” means the period: (i) beginning with (A) in the case of termination pursuant to Section 12.3 or 12.4, the date of any notice of termination, or (B) in the case of expiration pursuant to Section 12.1, the date of any notice of non-renewal; and (ii) ending on either: (A) [***] or (B) [***]; provided, however, that in the case of an expiration pursuant to Section 12.1, the Wind-Down Period shall not end prior to the end of the then-current Term.

1.2 Rules of Construction. In this Agreement, the following rules of construction apply:

- (a) all references to a plural form shall include the singular form (and vice versa);
- (b) the terms “include” and “including” are meant to be illustrative and not exclusive, and shall be deemed to mean “include without limitation” or “including without limitation;”
- (c) the word “or” is disjunctive, but not necessarily exclusive, except where clearly indicated by the context;
- (d) the word “and” is conjunctive only, except where clearly indicated by the context;
- (e) the words “herein,” “hereof,” “hereunder” and words of like import shall refer to this Agreement as a whole (including its Schedules and Exhibits), unless the context clearly indicates to the contrary (for example, where a particular Section, Schedule or Exhibit is the intended reference);

(f) the word “reasonable” shall be interpreted to reference what a hypothetical commercial entity of similar size, resources and experience would do under the circumstances.

(g) where specific language is used to clarify or illustrate by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict the construction of the general statement which is being clarified or illustrated;

(h) text enclosed in parentheses has the same effect as text that is not enclosed in parentheses;

(i) all references made in this Agreement to a statute or statutory provision shall mean such statute or statutory provision as it has been amended through the date as of which the particular portion of this Agreement is to take effect, or to any successor statute or statutory provision relating to the same subject as the statutory provision so referred to in this Agreement, and to any then applicable rules or regulations promulgated thereunder, unless otherwise provided;

(j) all references in this Agreement to an Article, Attachment, Section or Schedule are to the Article of, Attachment of, Section of, or Schedule to this Agreement unless otherwise expressly provided;

(k) all references to an Article or Section in this Agreement shall, unless the context clearly indicates to the contrary, refer to all sub-parts or sub-components of any said article or section;

(l) for all references to “agreement”, “notice,” “notification,” “approval” or “consent” (together with derivations of such terms), such action shall be in writing but shall be sufficient if provided by a Party’s General Manager or Senior Executive by email, and acknowledged by responsive email by the other Party’s General Manager or Senior Executive, except if such action must expressly be “written” or “in writing”, in which case such action must be taken in compliance with Section 13.11 (“Notices”);

(m) all references to a Party providing its “agreement,” “consent,” or “approval” (together with derivations of such terms) shall be deemed to include the phrase “not to be unreasonably withheld, conditioned or delayed”, unless such references expressly state that such Party may take such action “in its sole discretion.”

(n) all references to “days” mean calendar days unless otherwise indicated through the use of the phrase “Business Day”;

(o) any Article, Section, Subsection, Paragraph or Subparagraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement;

(p) unless the context otherwise requires or unless otherwise provided herein, all references in this Agreement to a particular agreement, instrument, or document also shall refer to all schedules or exhibits, renewals, extensions, modifications, amendments and restatements of such agreement, instrument, or document;

(q) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur by the end of the next Business Day;

- (r) “reasonable” means what is commercially reasonable under the relevant facts and circumstances;
- (s) “in the aggregate” means viewing an action in the totality of relevant circumstances and over the course of a 12-month period;
- (t) the use of the term “website” includes all formats a website may be manifested in, including desktop, mobile and tablet;
- (u) a reference to time is to Pacific Time in the United States; and
- (v) Cross-references to sections of this Agreement include any Schedules referenced in such sections.

1.3 Obligation Effectiveness. The following provisions shall be effective commencing upon the Effective Date: Article I (Definitions), Sections 2.1(a) and (b) (Generally), Section 2.5 (Conversion), Article III (Marketing and Promotion of the Program) in relation to marketing for the launch of the Program, Section 5.1 (Operating Requirements), Section 5.2 (Systems), Section 5.20 (Compliance), Section 6.1 (Joint Management Committee), Section 6.2 (General Managers), Section 6.4 (Dispute Resolution), Section 6.5 (Compliance Responsibilities), Article VII (Information Use and Security), Article VIII (Ownership and Licensing of Intellectual Property), Article X (Representations and Warranties), Article XI (Indemnification and Limitation of Liability), Article XII (Term and Termination), and Article XIII (Miscellaneous). Unless otherwise expressly provided herein, all other provisions of this Agreement are effective upon the earlier of the (a) Launch Date, or (b) the Back Book Conversion Date. Although the Parties will use reasonable efforts to cause the Launch Date and the Back Book Conversion Date to occur on the same day, they acknowledge that this may not be possible. If the Launch Date occurs before the Back Book Conversion Date, then the following shall apply:

- (a) Gap shall ensure that no new accounts are acquired following the Launch Date under Gap’s agreement with Synchrony Bank;
- (b) On the Launch Date Gap shall use reasonable efforts to, or shall use reasonable efforts to cause Synchrony Bank to, provide Barclays with a list of existing accounts included in the Back Book Assets, including the names, addresses and social security numbers of each account holder of such accounts;
- (c) On or before the Launch Date, Gap shall, and shall cause Synchrony Bank to, cease all marketing in connection with the Synchrony Bank program;
- (d) Gap shall be solely responsible for training relevant Gap personnel and updating Gap’s websites and any marketing material to avoid customer confusion regarding the Synchrony Bank program and the Program; and
- (e) The Parties shall discuss and agree on operational processes necessary to [***].

**ARTICLE II.
THE PROGRAM AND PROGRAM CARDS**

2.1 Generally.

(a) Subject to the terms and conditions of this Agreement, the Parties hereby jointly establish the Program that shall begin as of the Launch Date, whereby Barclays and Gap shall collaborate to develop, market and implement the Program in the Territory to Gap Customers in accordance with the terms and conditions contained in this Agreement.

(b) The Parties shall use reasonable efforts to effect a Launch Date by [***]. Gap represents and warrants that it is not under any contractual limitation that would preclude effecting a Launch Date by [***].

(c) See also Schedule 2.1(c).

2.2 Program Card Products and Program Value Propositions.

(a) As of the Launch Date, (i) the Program shall consist of the Program Cards having the Program Value Propositions set forth in Schedule 2.2(a) (“Program Card Products and Program Value Propositions”).

(b) Unless otherwise mutually agreed in writing, no Program Card may have [***].

(c) See also Schedule 2.2(c).

2.3 Product Innovations.

(a) As of the Back Book Conversion Date, the Program shall be enabled with the Product Innovations set forth in Schedule 2.3(a).

(b) See also Schedule 2.3(b).

(c) Notwithstanding the foregoing, any Product Innovation shall be subject to the procedure set forth in Section 2.6 (“Extraordinary Costs”) and Schedule 2.6.

2.4 Program Exclusivity. See Schedule 2.4.

2.5 Conversion of Back Book Assets.

(a) Gap shall give notice of nonrenewal of its existing credit card program agreement with Synchrony Bank promptly following the Effective Date. [***].

(b) Barclays shall be responsible for all of its costs related to the sale or conversion of the Back Book Assets, except to the extent that Synchrony Bank is obligated to pay any such costs pursuant to its agreement with Gap. Neither Gap nor Barclays will have any responsibility for costs incurred by Synchrony Bank or Synchrony Bank’s processor in connection with the sale or conversion of the Back Book Assets. [***].

(c) The Parties shall agree to a plan and schedule for notifying existing cardholders in the credit card program included in the Back Book Assets (“Existing Cardholders”) about the termination of

such program, Barclays' purchase of the Back Book Assets, any change in terms and delivery of the Cardholder Agreement to replace the existing credit card agreement governing the Synchrony Bank accounts (the "Transition Communication Plan" and each communication thereunder, a "Transition Communication"). [***] Barclays shall implement the Transition Communication Plan, including designing, developing, preparing, producing, delivering and/or disseminating each Transition Communication in accordance with such Transition Communication Plan. Subject to Section 5.4 and Article VIII and Barclays' determination of any matter governed by Applicable Banking Law or Network Rules, Gap shall have the right of prior review and approval of the content, timing and method of delivery of each Transition Communication. [***].

(d) Gap shall use reasonable efforts, [***] prior to the Back Book Conversion Date.

(e) See also Schedule 2.5(a).

2.6 Extraordinary Costs. Each Party shall comply with the process applicable to Extraordinary Costs as set forth in Schedule 2.6.

2.7 Retail Disposition. In the event that Gap divests the retail operations associated with a Gap Mark or Gap Channel, including via a merger, sale of shares or sale of assets, Gap shall be responsible for ensuring that [***]. Notwithstanding such divestiture, unless otherwise agreed between the Parties, [***].

ARTICLE III. MARKETING AND PROMOTION OF PROGRAM

3.1 Annual Marketing Plan.

(a) The Joint Management Committee shall jointly agree upon a plan each Program Year for marketing the Program (the "Annual Marketing Plan"). The Program shall be marketed in the Gap Channels and in mutually-agreed channels operated by third parties, such as social media, with specific marketing activities to be set forth in the Annual Marketing Plan.

(b) Each Annual Marketing Plan shall detail (i) the marketing implementation activities to be undertaken by each Party; (ii) the goals or metrics to be established by the Joint Management Committee in evaluating the success of each marketing campaign, and (iii) the activities of the personnel set forth in Section (b) of Schedule 6.3 who support the marketing of the Program. Throughout each applicable Program Year, the Joint Management Committee shall review the performance of each marketing campaign relative to the agreed goals.

3.2 Marketing.

(a) Gap shall [***] facilitate the use of Gap Channels to market the Program.

(b) Gap shall provide prominent placement of a link to, or integration with, the Program Website from Gap's mobile application and on the homepages for each Gap Channel. Gap shall provide purchase path integration in the Gap mobile application and on the Gap website for the Application. In addition, [***]. The Program will be promoted at relevant touch points on the Gap website and mobile application. Each Party shall reasonably cooperate with the other Party to maintain continuity of digital links between the Program Website and Gap's website and mobile application.

(c) Barclays shall dedicate at least [***] with Gap to discuss any Marketing Materials not approved or approved with changes. Barclays shall ensure that an individual who has decision making

authority to approve Marketing Materials attends each such meeting to enable opportunity for dialogue and quick resolution of outstanding items. [***].

(d) Gap may offer employee incentives in connection with Program marketing, provided that Barclays shall have the right to review and approve any such employee incentive related to the Program solely with respect to compliance with Applicable Law.

(e) See also Schedule 3.2.

3.3 Barclays Marketing Obligations.

(a) Without limiting Gap's right to develop Marketing Materials under Section (a) of Schedule 3.2, during the Term, Barclays may [***] develop Marketing Materials that may be used (i) by Barclays for any marketing by Barclays directly to Gap Customers, (ii) by Barclays through the Gap Channels, Barclays marketing channels, or third-party marketing channels, and (iii) by Gap in furtherance of its marketing rights under Section 3.2. Any Marketing Materials produced by Barclays shall be submitted to Gap for its review and approval, except to the extent of any content or format required by Barclays for compliance with Applicable Banking Law. Gap shall either approve or suggest changes to a proposed Marketing Material [***] of Gap's receipt of the proposed Marketing Material from Barclays, except that Gap shall use reasonable efforts to expedite such review upon Barclays' request. Barclays shall use reasonable efforts to [***] using any Marketing Material promptly following written notice from Gap that such Marketing Material does not comply with Gap's brand standards or Applicable Law relating to Gap sale or marketing of Gap Goods and Services.

(b) To the extent that Gap employees are engaged in marketing to support the Program (such as in Gap Channel store locations), Barclays shall provide training materials in a digital format, or, at Gap's option, Barclays shall provide access to a digital training portal, in either case for Gap employees who may be involved in Application solicitations or who may interact with Cardholders regarding their Accounts. Gap shall require such employees to participate in such training prior to engaging in Application solicitations or interacting with Cardholders regarding their Accounts, and at other times as may reasonably be required by Barclays, such as in relation to a change in Applicable Law, and upon Barclays' request, Gap shall provide Barclays with evidence that such employees have completed such training.

(c) Barclays shall, in consultation with Gap, conduct pre-screened Program Card offer campaigns through Gap Channels based, in part, upon mutually-agreed information to the extent that providing such information does not materially increase Gap's compliance obligations under Applicable Law. To the extent such campaigns identify Gap Customers or potential Gap Customers who are eligible for a pre-screened Program Card offer, Barclays shall deliver such offers to such Gap Customers through Gap Channels and, unless otherwise agreed between the Parties, in non-Gap Channels.

(d) Barclays shall permit Gap to include promotions and marketing messages relating to Gap Goods and Services ("Inserts") in Account Documentation, whether in the physical mail envelope, or to the extent permitted by Applicable Law, embedded within the physical or digital Account Documentation itself. With respect to Inserts in physical mail envelopes, (i) any notices to Cardholders or that Barclays is otherwise required to provide under Applicable Law shall take priority over such Inserts, (ii) Gap shall be solely responsible for [***] preparing such Inserts, and (iii) Gap shall be solely responsible for any [***] resulting from the inclusion of such Inserts in physical mail envelopes. The manner in which such Inserts may be embedded in Account Documentation shall be mutually agreed.

(e) See also Schedule 3.3.

3.4 Marketing Fund and Usage.

(a) The Marketing Fund may only be used for direct marketing-related expenses in support of the Program, such as [***]. For clarity, the Marketing Fund may not be used for [***].

(b) See also Schedule 3.4.

3.5 Ancillary Products. Unless otherwise agreed by the Parties in writing, Barclays shall not provide or market, directly or through third parties, any products or services ancillary to the Account, such as debt cancellation or credit protection programs.

3.6 Barclays Communication with Cardholders. Barclays shall have the exclusive right to communicate with Cardholders through any means to the extent Barclays determines necessary or advisable for purposes of the following: (a) in connection with the servicing and collection of the Accounts, (b) to otherwise perform its obligations under this Agreement, (c) as otherwise expressly permitted by this Agreement, (d) as otherwise required by Applicable Banking Law, or (e) as otherwise agreed to by Gap. For the avoidance of doubt, the foregoing shall not preclude Gap from communicating with Cardholders with respect to Gap Goods and Services or the Gap Loyalty Program, or to otherwise perform Gap's obligations under this Agreement, including Gap's obligations to market and promote the Program.

**ARTICLE IV.
GAP LOYALTY PROGRAM**

4.1 Operation of Gap Loyalty Program. See Schedule 4.1.

4.2 Cardholder Enrollment. Following Account opening, Barclays shall provide information set forth in the Operating Requirements to enable Gap to match any new Cardholder against its Gap Loyalty Program member database. Gap shall conduct such match process. For any new Cardholder who is not matched in the Gap Loyalty Program database, Gap shall promptly establish a Gap Loyalty Program account for such Cardholder.

**ARTICLE V.
OPERATION OF THE PROGRAM**

5.1 Operating Requirements. The Parties shall mutually agree on the Operating Requirements by [***] following the Effective Date. The Operating Requirements shall form a part of this Agreement, but the Operating Requirements shall not materially alter the rights, obligations or liabilities set forth in the body of this Agreement and Schedules, and the Operating Requirements are only intended to operationally implement the obligations set forth in the body of this Agreement and Schedules. Any modifications to the Operating Requirements shall be mutually agreed by the Parties in writing. Notwithstanding the foregoing, following prior discussion with Gap and consideration of Gap comments, Barclays may establish and modify provisions of the Operating Requirements in its reasonable discretion to the extent required to comply with Applicable Banking Law or Network Rules.

5.2 Systems.

(a) Existing Systems.

(i) Except as otherwise provided herein, each Party shall be responsible for its own Systems [***] in support of the Program.

(ii) Except as otherwise provided herein, neither Party shall, without the prior written approval of the other Party, intentionally make any material change to any of its Systems that would (A) render them incompatible with the other Party's Systems, or (B) require the other Party to make any change to any of its Systems. Subject to the foregoing, either Party may make routine changes without the other Party's prior approval.

(iii) Either Party may bring a proposed change to the Program or its Systems that would require a change in the other Party's Systems before the Joint Management Committee pursuant to Section 6.1. The Parties shall follow the procedures in Section 6.1 to resolve any disagreements (including the allocation of costs for such changes) over such a proposed change. The Parties agree that as a general principle, neither Party shall be required to reimburse the other Party for internal costs or immaterial external costs associated with such changes.

(b) Systems Interfaces.

(i) Prior to the Launch Date, the Parties shall identify the Systems and related interfaces required to be sustained between Gap and Barclays including the Systems and interfaces required to securely transmit data and reports between the Parties in accordance with the requirements of this Agreement. The Parties shall maintain these initial Systems and related interfaces, as well as any additional Systems and related interfaces agreed upon in the future, and subject to Article VI and Section 5.2(a)(iii), each Party shall cooperate in good faith with the other Party in connection with a Party's request from time to time to implement, modify, enhance, or terminate a System and/or related interface. Gap and Barclays shall provide sufficient personnel to support the Systems and interfaces required to be sustained between Gap and Barclays.

(ii) Except as otherwise provided herein or as required by Applicable Law or Network Rules, all requests for (A) new interfaces between Gap and Barclays, (B) modifications or enhancements to existing interfaces or (C) termination of existing interfaces shall be approved in writing by both Parties. Upon approval, the Parties shall work in good faith to establish the requested interfaces or modify, enhance or terminate the existing interfaces, as applicable, on a timely basis.

5.3 Application and Fulfillment Process.

(a) Commencing on the Launch Date, Barclays shall process Applications. Applicants who wish to apply for an Account under the Program shall be required to submit a complete Application in a manner and format approved by Barclays. Barclays shall process Applications sourced through Gap Channels, through the Program Website, and through the Barclays' website. The Application solicitation on Barclays' website shall be at least as prominent for the Program as solicitations for Similarly Situated Portfolios.

(b) Once Barclays approves an Application, Barclays shall promptly establish an Account and perform all functions necessary to facilitate the issuance of Program Cards, including: (i) establishing and administering the underwriting and credit decisions for the Program; (ii) handling Applicant inquiries,

notifying Applicants in writing of acceptance or rejection of credit under the Program; and (iii) producing and mailing Program Card plastics and Account Documentation. All Program Card plastics shall be contactless enabled.

(c) Barclays shall establish an instant credit process whereby Applicants can be approved for an Account at Gap physical and digital points-of-sale and be able to immediately use such Account to make Purchases within Gap Channels. Immediately following Barclays' establishment of an Account and to the extent auto-provisioning features are reasonably available as to technical capacity and security, Barclays shall also promptly auto provision any virtual card associated with the Account, such as in an approved digital wallet, so as to allow the Cardholder to use the virtual card outside of Gap Channels promptly following approval of an Account.

5.4 Cardholder Terms.

(a) As of the earlier of the (i) Back Book Conversion Date or (ii) Launch Date, the Cardholder Terms shall be as set forth in Schedule 5.4 ("Cardholder Terms"), except that the Accounts in the Back Book Assets will [***].

(b) Upon request of either Party, the Parties will review the Cardholder Terms [***]. [***] all changes to the Cardholder Terms shall be mutually agreed by the Parties. At least once each Program Year, Barclays shall provide a report to the Joint Management Committee setting forth Barclays' view of whether the Program is in compliance with this Section 5.4(b).

(c) See also Schedule 5.4(c).

5.5 Program Value Proposition.

(a) The Network-provided elements of the Program Value Proposition are those that are generally applicable to the Network card product tier for which the applicable Co-Branded Cards qualify. Barclays shall use reasonable efforts to ensure that the Network provides such Network-provided elements as part of the Program Value Proposition. For clarity, such benefits are covered by the treatment of Network fees in Schedule 9.1. The Parties shall mutually agree on any Barclays-provided benefits provided after the Launch Date.

(b) At least once each Program Year, the Joint Management Committee shall collectively review and determine whether the Program Value Proposition, in the aggregate, provides comparable value to Cardholders when compared to the [***].

5.6 Approval Rates & Risk Management. See Schedule 5.6.

5.7 Network. As of the Launch Date, the Network shall be Mastercard. Gap may elect to change the Network one time during the Term following [***] written notice to Barclays. Gap shall reimburse Barclays for reasonable, documented out-of-pocket costs incurred in connection with reissuing plastic cards to Cardholders, including the cost of any plastic cards or other form factors reflecting the prior Network that must be destroyed following a change to the Network. Barclays shall not enter into an agreement with the Network with the specific intent to reduce the consideration that the Network may offer to Gap in connection with such a change in Network or prevent Gap from being able to benefit from funds provided by the Network in the event of a change in Network. If a change in the Network adversely affects the Program economics, the Parties will engage in good faith discussions to amend the Agreement to adjust the Program economics to eliminate the adverse effect of such change.

5.8 BIN Identifiers. Barclays shall establish and maintain one or more BIN Identifiers in accordance with the Network Rules for Co-Branded Card Accounts or as applicable to Private Label Credit Card Accounts, specifically and solely for each of the four Gap Channels (i.e., a separate BIN Identifier range for each of Gap, Old Navy, Athleta, and Banana Republic). Each BIN Identifier shall permit Gap's systems to distinguish a Co-Branded Card automatically both at a point-of-sale terminal and through backend reporting. Barclays shall not use any BIN Identifier designated for the Program for any business or purpose other than supporting the Program.

5.9 Authorization and Settlement.

(a) Authorization and settlement of Program Card transactions will take place through the Network. Gap's merchant acquirer shall determine the [***] for all transactions processed and settled through the Network with Gap's acquirer. Except for Gap's [***], Private Label Card transactions will be processed and settled [***].

(b) Barclays shall only decline Purchase transaction authorizations (i) to the extent required by Applicable Law or Network Rules, (ii) where the Purchase would exceed the permitted credit limit or available credit or fails a fraud, unauthorized use or suspicious activity filter, (iii) if the Account is in default or (iv) otherwise in accordance with the Risk Management Policies.

5.10 Account Retention and Cross-Sells. Barclays shall use reasonable efforts to retain Accounts if a Cardholder expresses a desire to cancel the Account. Such efforts shall include offering incentives consistent with the Risk Management Policies if the Cardholder retains the Account. In the course of a communication with a Cardholder about cancelling an Account, Barclays shall not cross sell or offer to substitute another financial product in place of an Account unless a Cardholder expressly requests to receive a substitute financial product.

5.11 Program Website. By the Launch Date, Barclays shall establish a Program Website for the Program that shall include a mobile-optimized site for mobile and tablet devices. The branding and design of the Program Website shall be in Gap's reasonable discretion, except that Barclays must approve any Program-related content and format and Program Website design for compliance with Applicable Banking Law and any content referencing Barclays. The Program Website shall include a link to Gap's website and any Gap Loyalty Program portal. The Program Website shall provide Account servicing functionality to Cardholders as well as display mutually-agreed information about the Cardholder's Gap Loyalty Program benefits and points balance as provided to Barclays by Gap.

5.12 Account Servicing Requirements.

(a) Barclays shall service Cardholders through physical mail, the Program Website, Barclays' mobile application, a toll-free phone number, and other electronic communication methods offered by Barclays from time to time.

(b) Following reasonable prior notice and subject to Applicable Law and reasonable security and privacy protocols, Gap may review Cardholder servicing phone calls on a periodic basis, including both live and recorded calls. Barclays shall use an automated means to recognize Cardholders to provide a Program-specific greeting to answer Cardholder service calls. Barclays shall ensure that call center agents are trained in the Program, including the Program Value Proposition.

5.13 Cardholder Payments. All payments to be made by Cardholders in connection with an Account are due and payable exclusively to Barclays. Gap shall not collect or receive funds on Barclays' behalf or

permit Gap employees to do so and shall direct any Cardholder attempting to make payment through a Gap Channel to the Program Website, or such other location as may be specified by Barclays. Any payments that are sent to Gap in error shall be promptly sent by Gap to Barclays.

5.14 Cardholder Complaints and Disputes. Barclays shall maintain a Cardholder complaint identification, tracking, resolution and root cause analysis program. Barclays shall refer any complaints about Gap's products and services to Gap, and Gap shall refer any complaints about the Program to Barclays, in each case, in accordance with the Operating Requirements or under a mutually-agreed process.

5.15 Service Levels. Barclays shall comply with the service levels set forth in Schedule 5.15 ("Service Levels") as measured and defined therein. Each month, Barclays shall provide reports of Barclays' performance against the Service Levels for the prior month. Any changes to the Service Levels shall be made only upon mutual agreement of the Parties. The costs of meeting the Service Levels set forth in Schedule 5.15 [***].

5.16 Account Documentation. Subject to the last sentence of this paragraph: (a) Barclays shall design, determine the content of, and generate the form of the Account Documentation to be used under the Program in its sole discretion; (b) all Program materials shall be in the English language only unless otherwise required by Applicable Law or agreed by the Parties in writing; and (c) Gap shall have final approval rights over the use of Gap Marks in any Account Documentation that is customized with the Gap Marks. Notwithstanding the foregoing, administrative legal notices, collection letters, delinquency notices and other adverse action communications shall not bear Gap Marks, but may include references to Gap in the nominative sense to identify the Program.

5.17 Audit Rights.

(a) Each Party and its representatives may, subject to the confidentiality provisions set forth in Article VII, once per Program Year (unless the auditing Party disputes the amount of any monies owed by either Party to the other hereunder or if the auditing Party is directed by a Governmental Authority), audit (or cause a third party experienced in auditing credit card programs to audit) the other Party during normal business hours with 30 days advance written notice, in such a manner as to minimize interference with the other Party's normal business operations, to examine, audit and inspect records, files and books of account under the control of the other Party relating to the other Party's performance under this Agreement. Such audit shall be conducted in accordance with generally accepted auditing standards, and the auditing Party shall employ such reasonable procedures and methods as necessary and appropriate in the circumstances, minimizing interference with the audited Party's normal business operations.

(b) The cost and expense of all such audits shall be expenses of the auditing Party (and will not be deemed part of the Program operating expenses), except that to the extent of any material underpayments to the auditing Party identified in the course of an audit, the audited Party shall be responsible for the auditing Party's reasonable out-of-pocket costs incurred in connection with the audit.

(c) The audited Party shall use reasonable efforts to facilitate the auditing Party's review, including making reasonably available such personnel of the audited Party and its authorized service providers to assist the auditing Party and its representatives as reasonably requested. The audited Party shall deliver any document or instrument necessary for the auditing Party to obtain such records from any Person maintaining records for the audited Party and shall maintain records pursuant to its regular record retention policies. For purposes of this provision, the audited Party also shall be required to provide records relating to the Program held by authorized service providers at the auditing Party's request.

(d) Notwithstanding anything to the contrary contained herein, a Party shall not be required to provide the auditing Party or its representatives with access to information or records to the extent that (i) such access is prohibited by Applicable Law, (ii) such records are legally privileged, (iii) such records constitute the planning documents, operating budgets, management reviews or employee records of the audited Party, or (iv) such records relate to other customers or operations of such Party other than the Program or to personnel records not normally disclosed in connection with audits.

(e) Unless expressly agreed upon by the Parties to the contrary, the information obtained by the Parties from the exercise of its audits rights under this Section 5.17 is deemed Confidential Information and subject to the provisions of Article VII of this Agreement.

5.18 Audits by Governmental Authorities. Each Party agrees to cooperate with any audit or examination by Governmental Authority with jurisdiction over the other Party.

5.19 Records. Each Party shall keep books and records with respect to the Program in the ordinary course of business.

5.20 Compliance. Each Party shall comply with Applicable Law, and no undertaking of a Party hereunder shall require an act or omission in violation of Applicable Law. Each Party shall promptly notify the other Party, to the extent permitted by Applicable Law, if it receives notice of any action by a Government Authority that is likely to have a material adverse impact on it or the Program or is likely to require a material change to the Program.

5.21 Business Continuation/Disaster Recovery Plan. Each Party shall maintain a plan designed to mitigate damages resulting from Force Majeure or other causes that would threaten operation of such Party's business or loss or exposure of information requiring protection under Article VII.

5.22 Fraud. Each Party shall reasonably cooperate in good faith with the other Party to prevent fraudulent Applications and use of Accounts, including fraudulent Purchases through Gap Channels, and fraudulent activity with the Gap Loyalty Program.

5.23 Prohibition on Illegal Gambling. Gap shall not submit to Barclays any transaction consisting in whole or in part of a bet or wager (including a bet or wager placed by any means which involves the use, at least in part, of the Internet) where such bet or wager is unlawful under any applicable federal or state law in the state or tribal lands in which the bet or wager is initiated, received, or otherwise made.

5.24 Program Card Reissuance Cost. See Schedule 5.24.

5.25 Similarly Situated Portfolios. The Parties may from time to time mutually agree to update the list of "Similarly Situated Portfolios" listed in Schedule 1.1(b). Upon Gap's request, Barclays shall reasonably demonstrate its methodology for a determination concerning whether another Barclays program should be treated as a Similarly Situated Portfolio, consistent with Barclays confidentiality obligations owed to third parties.

5.26 Comparable Retailer Programs. The Parties may from time to time mutually agree to update the list of "Comparable Retailer Programs" in Schedule 1.1(a).

ARTICLE VI. PROGRAM GOVERNANCE AND MANAGEMENT

6.1 Joint Management Committee.

(a) The Parties shall establish a committee (the “Joint Management Committee”) to review and discuss, among other things: (a) development of the Annual Marketing Plan, including the goals and metrics set forth therein; (b) the general performance of the Program; (c) competitiveness of the Program, and the Risk Management Policies; (d) ongoing product development and modification, including the Program Value Proposition; and (e) any matters that either Party believes to be material with respect to the ongoing administration or operation of the Program. The Joint Management Committee shall be comprised of an equal number of Barclays and Gap employees with comparable seniority. Each Party will have one vote on all the matters discussed by the Joint Management Committee. The Joint Management Committee shall meet no less than quarterly, unless otherwise agreed to by the Parties and shall be attended by at least each Party’s General Manager.

(b) Either Party may refer any matter for review and resolution by the Joint Management Committee (each a “Referred Matter”). If a Referred Matter remains unresolved by the Joint Management Committee, the Referred Matter shall be referred to a senior executive at each Party with decision-making authority (each a “Senior Executive”), who shall in good faith attempt to resolve the Referred Matter. Any resolution by such Senior Executives shall be deemed the action and approval of the Joint Management Committee and the Parties. If the Senior Executives fail to resolve the Referred Matter, the Parties shall remain subject to their respective rights and obligations under this Agreement.

6.2 General Managers. Each Party shall designate a full-time employee who shall have overall responsibility for the performance of the Program within his or her respective corporate organization and who shall serve as the primary contact for the other Party (each, a “General Manager”).

6.3 Barclays Personnel to Support the Program. See Schedule 6.3.

6.4 Dispute Resolution.

(a) In the event of a Dispute, each Party shall first use reasonable efforts to resolve any Dispute within the Joint Management Committee. Either Party may call an interim meeting of the Joint Management Committee to consider a Dispute by providing at least 10 Business Days’ prior written notice to the other Party.

(b) If the Dispute remains unresolved by the Joint Management Committee, the Senior Executives shall attempt in good faith to resolve such Dispute. If after 10 Business Days, such Senior Executives are unable to resolve the Dispute, then each Party may pursue any rights or remedies it may have under Applicable Law.

(c) Unless otherwise agreed in writing, the Parties will continue to provide service and honor all other commitments under this Agreement during the course of Dispute resolution pursuant to the provisions of this Section 6.4.

(d) Notwithstanding any of the foregoing provisions of this Section 6.4, a Party may institute formal proceedings without undertaking the Dispute resolution procedures to (i) avoid the expiration of any applicable limitations period, (ii) preserve a superior position with respect to other creditors, (iii) exercise its right to terminate this Agreement, and (iv) seek any provisional or other remedy including specific performance, injunctive relief or a temporary restraining order from any court of competent jurisdiction, as may be necessary, in the aggrieved Party’s sole discretion, to protect its rights under this Agreement.

6.5 Compliance Responsibilities. See Schedule 6.5.

6.6 Reports. Each Party shall deliver to the other Party the reports set forth in Schedule 6.6 (“Reports”) in the frequency specified therein. Barclays shall provide its such reports through an online web portal that is accessible to Gap except during periods of scheduled maintenance. Barclays shall also fulfill all reasonable ad hoc reporting requests made by Gap and provide any other standard reports that Barclays maintains related to the Program in the ordinary course of business.

ARTICLE VII. INFORMATION USE AND SECURITY

7.1 Definition of Confidential Information

(a) “Confidential Information” means any of the following: (i) information that is provided by or on behalf of a Party to the other Party or its agents in connection with the Program or in connection with the transactions contemplated by this Agreement; (ii) information about a Party or its Affiliates, or their respective businesses, customers and employees, that is otherwise obtained by the other Party in connection with the Program, in each case including (A) information concerning marketing plans, objectives and financial results; (B) information regarding business systems, methods, processes, financing data, programs and products and the terms and features and tests thereof; and (C) proprietary information relating to a Party’s Intellectual Property used in connection with this Agreement. The terms and conditions of this Agreement and documents and information jointly generated by the Parties under this Agreement (*e.g.*, the Annual Marketing Plans) will be the Confidential Information of both Gap and Barclays; and (iii) any copies, excerpts, summaries, analyses or notes of the foregoing.

(b) “Confidential Information” does not mean information that: (i) is already rightfully known to such Party at the time it obtains Confidential Information from the other Party; (ii) is or becomes generally available to the public other than as a result of disclosure in breach of this Agreement or any other confidentiality obligations; (iii) is lawfully received on a non-confidential basis from a third party not known to be bound by an obligation of confidentiality, and without breach of this Agreement; or (iv) is independently developed by a Party without use of or reference to the other Party’s Confidential Information.

7.2 Use of Confidential Information

(a) Subject to Section 7.2(b), each Party that receives Confidential Information of the other Party shall use the Confidential Information of the disclosing Party only for the purpose for which such Confidential Information was provided by the disclosing Party, or if no such purpose was specified, then only for the purpose of performing its obligations or enforcing its rights with respect to the Agreement and the Program or as otherwise expressly permitted by this Agreement.

(b) Each Party receiving Confidential Information of the other Party may disclose such Confidential Information: (i) to the extent required by Applicable Law to Governmental Authorities having jurisdiction over the receiving Party; (ii) to those consultants and service providers engaged by the receiving Party in connection with this Agreement where such Persons have executed a non-disclosure agreement as protective of the disclosing Party’s Confidential Information as set forth in this Agreement; (iii) to the receiving Party’s Affiliates who reasonably require such Confidential Information to perform its obligations or exercise its rights under this Agreement or with respect to the Program; (iv) subject to Section (b) of Schedule 12.7, for due diligence or other purposes in connection with significant transactions involving corporate financing for which a Party’s interest in the Program would be pledged as collateral, or mergers and acquisitions which would include a Party’s interest in the Program, to other potential parties to such transactions or their professional advisors; or (v) in connection with the enforcement of any right or remedy under this Agreement or with respect to the Program.

(c) Prior to disclosing any Confidential Information of the disclosing Party as permitted under Section 7.2(b)(i)-(ii), except with respect to Barclays' disclosure to its supervisory agencies in the ordinary course, the receiving Party shall (i) provide reasonable notice to the disclosing Party and identify the Confidential Information being sought, to extent permitted by Applicable Law and (ii) in the case of disclosure under Section 7.2(b)(i), use reasonable efforts to avoid such disclosure and afford the Parties an opportunity to seek a protective order to prevent or limit disclosure of the Confidential Information to third parties.

(d) Prior to disclosing any Confidential Information of the disclosing Party as permitted under Section 7.2(b)(iv), the receiving Party shall (i) enter into a non-disclosure agreement as protective of the disclosing Party's Confidential Information as set forth in this Agreement, and (ii) in the case of Gap as the receiving Party disclosing Confidential Information of the Program to a financial institution, Gap shall require such financial institution to prohibit sharing of such information with any credit card business of the financial institution.

(e) The Parties' use and disclosure of Program Information and Gap Customer Data shall be governed by Section 7.3 not this Section 7.2.

7.3 Program Information and Gap Customer Data. See Schedule 7.3.

7.4 Data Security.

(a) Each Party shall implement appropriate administrative, technical, physical and organizational safeguards (including encryption and tokenization, at rest and in transit, as applicable, using current industry standards for approved security functions, such as those listed in the Financial Services Sector of the National Institute of Standards and Technology Control Security Framework (CSF), SF800-53) to protect the security, confidentiality, availability and integrity of all Non-Public Personal Information in accordance with Applicable Law, including protecting against any anticipated threats or hazards, improper, unauthorized or unlawful Processing, or any loss or other compromise. Each Party shall review such security measures regularly, but no less than annually, and update and maintain such security measures to comply with Applicable Law. In addition, each Party shall, as appropriate, use reasonable measures designed to properly dispose of all records containing Non-Public Personal Information, whether in paper, electronic, or other form, including adhering to policies and procedures that require the destruction or erasure of electronic media containing such Non-Public Personal Information so that the information cannot practicably be read or reconstructed.

(b) Each Party shall implement and maintain an adequate and appropriate data security incident management program and disaster recovery plans. Each Party shall review and amend its disaster recovery plans annually in accordance with technology advances as needed. In the event there is any material loss of Non-Public Personal Information, or any unauthorized or unlawful access to, use, Processing or disclosure of Non-Public Personal Information or any other compromise of Non-Public Personal Information, whether in paper, electronic or other form (each, a "Security Incident"), the Party suffering the Security Incident (the "Affected Party"), shall notify the other Party promptly, and in no event more than 24 hours following discovery of any Security Incident. Barclays shall notify Gap by telephone 1-866-839-3911 option 1 and by email to Corporate_security@gap.com and by telephone and email to Gap's General Manager, and Gap shall notify Barclays' General Manager by phone and e-mail. Each Party shall fully cooperate to investigate and resolve the Security Incident, including coordinating on the content of any notifications of the Security Incident. The Affected Party further agrees: (i) to take action immediately, at its own expense, to investigate the Security Incident, (ii) to identify and mitigate the effects of the Security Incident, (iii) to properly document responsive actions taken related to any

Security Incident, including post-incident review of events and actions taken, if any, to make changes in business practices related to the protection of Non-Public Personal Information, escalation procedures and reporting to any regulatory and law enforcement agencies, and (iv) to implement reasonable and appropriate measures in response to such Security Incident. The Affected Party also shall provide the other Party with all available information regarding such breach to assist that other Party in implementing its information security response program and, if applicable, in notifying affected Cardholders. Notwithstanding the foregoing, in the event of a Security Incident the Parties shall work expeditiously and in good faith to agree on a plan to use reasonable methods to remediate such problems (“Remediation Plan”). Once the Parties agree on a Remediation Plan, each Party shall execute and complete its responsibilities without unreasonable delay and notify the other Party when such actions are completed.

(c) In addition to Section 5.17 (“Audit Rights”), upon reasonable advance notice and during normal business hours and subject to health, safety, confidentiality and security restrictions, either Party may conduct a site visit of the other Party’s facilities by representatives of the requesting Party (including its independent third party auditor), provided that: (i) the scope of the audit and Records Requests (defined below) are relevant and applicable to the terms of Section 7.4; (ii) such site visit shall occur at a mutually agreeable time, not more than once per calendar year per facility; (iii) such site visit shall not unreasonably interfere with either Party’s business operations; (iv) any third party representatives acting on behalf of either Party shall execute nondisclosure agreements with the Party whose site is being audited in a form reasonably acceptable to such Party with respect to the confidential treatment and restricted use of such Party’s Confidential Information. Access at the Party’s facilities shall be subject to reasonable access requirements and security policies. Thirty days prior to a scheduled visit, the auditing Party shall provide a list of the records it seeks to inspect (“Records Requests”). If there are objections to the auditing Party reviewing or copying particular records, the auditing Party shall be notified promptly, and the Parties shall discuss the matter in good faith to arrive at a mutually agreed Records Request in the most expedient time possible. If either Party, in good faith, is not able to have Records Requests available at the time of the on-site audit, such Party shall notify the auditing Party in advance, but no less than five days prior to the site visit date and the Parties shall decide whether to proceed with the visit. If either Party chooses not to exercise its right to an annual onsite audit, the Party may request a Records Request or may request additional written information from the other Party as necessary to satisfy its own compliance obligations and ensure that the other Party is operating in compliance with its privacy and security obligations under this Section 7.4.

(d) Notwithstanding the foregoing, in the event of a determination by either Party that a problem exists with the details disclosed during an onsite audit or during a Records Request, the Parties shall work expeditiously and in good faith to agree on a plan to use reasonable methods to remediate such problems in a Remediation Plan. Once the Parties agree on a Remediation Plan, each Party shall execute and complete its responsibilities without unreasonable delay and notify the other Party when such actions are completed.

(e) Each Party shall ensure that it will have written agreements in place with any third party, including its partners, affiliates, agents, representatives and contractors and/or service providers who may Process Non-Public Personal Information, and that such agreements shall impose data security and privacy obligations on such third party. If a Party is aware that its service provider has experienced a Security Incident, such Party will comply with the obligations pertaining to Security Incidents under this Section 7.4.

(f) Each Party’s obligations under this Section 7.4 shall continue so long as such Party has access to or retains Non-Public Personal Information.

(g) See also Schedule 7.4.

7.5 Non-Public Personal Information. Gap shall direct any Cardholder who makes a request to Gap regarding her or his Non-Public Personal Information with regard to the Program to contact Barclays' designated contact, and (ii) Barclays shall direct any Cardholder who makes a request regarding his or her personal information relating to Gap Goods and Services to contact Gap's designated contact, in each such case to make a consumer rights request to the extent the Cardholder has the right under Applicable Law to request such information.

7.6 Post-Termination Destruction. Following the later of the expiration or termination of this Agreement, the Program Purchase Date, or the end of the Wind-Down Period, each Party shall either return or destroy the Confidential Information disclosed by the other Party. Notwithstanding the foregoing and Section (c)(iv) of Schedule 7.3, a Party shall not be obligated to destroy, erase or delete any electronic copies of Confidential Information or Gap Customer Data contained in an archived computer system backup made in accordance with such Party's security or disaster recovery policies or procedures, or that a Party is otherwise required by Applicable Law to retain, provided that such archived or retained copies will remain subject to the obligations of confidentiality and data security set forth in this Agreement until the eventual erasure or destruction of such electronic copies. Upon request from a Party, the other Party shall provide a certification that such return or destruction has occurred.

ARTICLE VIII. OWNERSHIP AND LICENSING OF INTELLECTUAL PROPERTY

8.1 License to Gap Marks

(a) Gap hereby grants to Barclays a royalty-free, non-exclusive, non-transferable license to use those Gap Marks set forth in Schedule 8.1 ("Licensed Gap Marks") for the purposes set forth in this Agreement during the Term and any Wind -Down Period. Gap represents and covenants that it has the legal right to use and to permit Barclays to use, to the extent set forth herein, such licensed Gap Marks.

(b) Barclays shall only use such Licensed Gap Marks as described in this Agreement or as otherwise authorized by Gap and in accordance with any Gap brand standards provided to Barclays, it being understood that Gap's approval of Marketing Materials and Account Documentation constitutes Gap's approval.

(c) Gap shall retain all rights in and to Gap Marks, and all goodwill associated with the use of Gap Marks, whether under this Agreement or otherwise, shall inure to the benefit of Gap.

8.2 License to Barclays Marks

(a) Barclays hereby grants to Gap a royalty-free, non-exclusive, non-transferable license to use those Barclays Marks set forth in Schedule 8.2 ("Licensed Barclays Marks") for the purposes set forth in this Agreement during the Term and any Wind -Down Period. Barclays represents and covenants that it has the legal right to use and to permit Gap to use, to the extent set forth herein, such licensed Barclays Marks.

(b) Gap shall only use such Licensed Barclays Marks as described in this Agreement or as otherwise authorized by Barclays and in accordance with any Barclays brand standards provided to Gap, it being understood that Barclays' approval of Marketing Materials constitutes Barclays' approval.

(c) Barclays shall retain all rights in and to Barclays Marks, and all goodwill associated with the use of Barclays Marks, whether under this Agreement or otherwise, shall inure to the benefit of Barclays.

8.3 Other Intellectual Property.

(a) Each Party shall own exclusively all right, title, and interest in (and any Intellectual Property embodied therein): (i) any and all technology that such Party or its Affiliates develop independently from the Program, but which is provided to the other Party or its Affiliates or otherwise made available for use in establishing, operating, developing, marketing or administering the Program, including any technology provided by a Party for inclusion on, or to provide functionality for, the Program Website or a Party's websites or mobile app; (ii) any and all changes or other modifications made to or derivative works of such technology by or on behalf of either Party or its Affiliates; and (iii) any and all technology created or developed by a Party or any of its Affiliates for the Program independently from other Party. Notwithstanding the foregoing, unless expressly agreed otherwise in a writing signed by a Barclays Managing Director, Barclays shall own and be permitted to use without restriction any software or other technology implemented on Barclays Systems in connection with the Program and all Intellectual Property therein.

(b) Neither Party may use the other Party's Intellectual Property for purposes other than as necessary to perform its obligations and exercise its rights under this Agreement.

(c) Each Party agrees to treat the technology of the other Party or its Affiliates licensed to such Party or its Affiliates hereunder as Confidential Information in accordance with Article VII.

(d) To the extent that either Party incorporates technology owned by a third party into any technology that the Party provides to the other for use in the Program, the contributing Party shall secure and pay for all rights and licenses necessary for the other Party to use such third party technology as necessary to perform the obligations and exercise the rights hereunder.

(e) Each Party acknowledges and agrees that, as of the Effective Date, the Parties do not intend to jointly develop any Intellectual Property. Any joint efforts to develop any Intellectual Property shall be subject to an appropriate development agreement governing the terms of such development, including creation, license (if any), economic terms and ownership, and any respective obligations of the Parties with respect to such developed intellectual property.

8.4 Ownership of Accounts; Account Documentation.

(a) Except to the extent of Gap's ownership of Licensed Gap Marks, and Gap's option to purchase the Program Assets under Schedule 12.7, and without limiting Gap's review and approval rights pursuant to Article III, Barclays shall be the sole and exclusive owner of all Accounts and Account Documentation and shall have all rights, powers, and privileges with respect thereto as such owner; provided that Barclays shall exercise such rights consistent with the provisions of this Agreement and Applicable Law. All purchases of goods and services (including Gap Goods and Services) in connection with the Accounts and the Cardholder Indebtedness shall create the relationship of debtor and creditor between the relevant Cardholder and Barclays, respectively. Gap acknowledges and agrees that (i) except for its (A) right, title and interest in Licensed Gap Marks, (B) rights pursuant to Article IX herein, and (C) option to purchase the Program Assets under Schedule 12.7, Gap has no right, title or interest in or to any of the Accounts or Account Documentation or any proceeds of the foregoing, and (ii) Barclays extends credit directly to Cardholders.

- (b) Barclays shall fund all Cardholder Indebtedness on the Accounts.
- (c) Barclays shall have the exclusive right to effect collection of Cardholder Indebtedness.

ARTICLE IX. FINANCIAL TERMS

See Schedule 9.

ARTICLE X. REPRESENTATIONS AND WARRANTIES

Each Party makes the following representations and warranties to the other Party as of the date of this Agreement with such representations and warranties remaining true and correct throughout the Term:

10.1 Organization. Such Party is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has full power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Such Party is duly qualified and in good standing to do business in all jurisdictions where located and/or conducting business, except where the failure to be so qualified would not have a material adverse effect on such Party's business or such Party's or the other Party's ability to perform as required under this Agreement or operate the Program.

10.2 Authorization, Validity, Non-Contravention and Solvency.

(a) This Agreement has been duly authorized by all necessary corporate or other governing proceedings by each such Party. Further, this Agreement has been duly executed and delivered by such Party and is a valid and legally binding agreement of such Party and duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles). The natural person signing this Agreement on each Party's behalf is duly authorized to do so by each such Party.

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over such Party is required for (nor would the absence of such adversely affect) the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by such Party and the compliance by such Party with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not violate or result in the violation of the Articles of Incorporation or By-Laws (or analogous rules of governance) of such Party; and (iii) will not conflict with, violate, result in the breach of, constitute an event which would, or with the lapse of time or action by a third party or both would, result in a default under, or accelerate the performance required by, the terms of any contract, instrument or agreement to which such Party or any of its Affiliates is a party or by which they are bound, or to which any of the assets of such Party or any of its Affiliates are subject. Furthermore, there are no material actions, suits or proceedings pending or threatened against such Party which would adversely affect the ability of such Party to perform this Agreement.

(d) Such Party is Solvent.

10.3 Additional Representations, Warranties and Covenants. Gap and Barclays, as applicable, each makes their respective additional representations, warranties and covenants set forth in Schedule 10.3.

ARTICLE XI. INDEMNIFICATION & LIMITATION OF LIABILITY

11.1 Indemnification Obligations.

(a) Indemnification by Barclays.

(i) Barclays shall indemnify, defend and hold harmless Gap, its Affiliates, and their respective representatives (the “Gap Indemnified Parties”) from and against any and all third-party claims brought against such Gap Indemnified Parties and all related Losses, to the extent such third-party claims or Losses arise out of the following, except to the extent such third-party claims, investigations or Losses are caused by the gross negligence, recklessness or willful misconduct of the Gap Indemnified Parties:

(A) any gross negligence or willful misconduct of Barclays, its Affiliates or their respective Representatives in the performance or non-performance of Barclays’ obligations under this Agreement;

(B) any inaccuracy or misrepresentation in any representation or warranty of Barclays contained in this Agreement;

(C) any breach or failure to perform by Barclays of any of the terms, covenants or other provisions contained in this Agreement;

(D) the failure of the Account Documentation or Marketing Materials prepared or approved by Barclays to comply with Applicable Banking Law, except to the extent Gap has used such materials in a manner inconsistent with Barclays’ approval or instructions;

(E) any claim that Gap’s, its Affiliates’ or their respective sublicensees’ use of any Barclays Marks or other Intellectual Property in accordance with the terms of this Agreement infringes or misappropriates the Intellectual Property rights of any third party;

(F) the failure of Barclays to comply with Applicable Law in connection with the Program, unless such failure was as a result of any action taken or not taken by Gap in violation of its express obligations under this Agreement or in violation of written instructions of Barclays delivered to Gap in accordance with this Agreement; or

(G) any actions or omissions by Gap taken or not taken at Barclays’ written request or written direction pursuant to this Agreement, to the extent that such losses arise out of Gap’s compliance with Barclays’ written request or written direction.

(ii) Barclays shall indemnify, defend and hold harmless the Gap Indemnified Parties from and against any and all Losses arising out of a Security Incident involving Non-Public Personal Information in the control of Barclays, its Affiliates or their respective representatives or subcontractors, except to the extent that said Losses are caused by the gross negligence, recklessness or willful misconduct of the Gap Indemnified Parties.

(b) Indemnification by Gap.

(i) Gap shall indemnify, defend and hold harmless Barclays, its Affiliates, and their respective representatives (the “Barclays Indemnified Parties”) from and against any and all third-party claims or investigations brought against such Barclays Indemnified Parties and all related Losses, to the extent such third-party claims, investigations or Losses arise out of the following, except to the extent such third-party claims, investigations or Losses are caused by the gross negligence, recklessness or willful misconduct of the Barclays Indemnified Parties:

(A) any gross negligence or willful misconduct of Gap, its Affiliates or their respective Representatives in the performance or non-performance of Gap’s obligations under this Agreement;

(B) any inaccuracy or misrepresentation in any representation or warranty of Gap contained in this Agreement;

(C) any breach or failure to perform by Gap of any of the terms, covenants or other provisions contained in this Agreement;

(D) Gap’s failure to satisfy any of its obligations or liabilities to Cardholders in connection with the sale of Gap Goods and Services;

(E) the failure of any Marketing Materials prepared by Gap to comply with Applicable Law relating to Gap or Gap Goods and Services;

(F) the failure of Gap to comply with Applicable Law in connection with the Program, unless such failure was the result of any action taken or not taken by Gap at the written request or direction of Barclays;

(G) any claim that Barclays’, its Affiliates’ or their respective sublicensees’ use of any Gap materials or Gap Intellectual Property (including Gap Marks) under this Agreement in accordance with the terms of this Agreement infringes or misappropriates the Intellectual Property rights of any third party;

(H) any claim related to Gap’s operation of the Gap Loyalty Program;

(I) any actions or omissions by Barclays taken or not taken at Gap’s written request or written direction pursuant to this Agreement, to the extent that such losses arise out of Barclays’ compliance with Gap’s written request or written direction;

(J) Gap Inserts (except to the extent of an allegation that such Inserts failed to comply with Applicable Banking Law); or

(K) the [***], to the extent the [***] is provided through an issuer other than Barclays.

(ii) Gap shall indemnify, defend and hold harmless the Barclays Indemnified Parties from and against any and all Losses arising out of a Security Incident involving Non-Public Personal Information in the control of Gap, its Affiliates or their respective representatives or subcontractors,

except to the extent that such Losses are caused by the gross negligence, recklessness or willful misconduct of the Barclays Indemnified Parties.

11.2 Notice of Indemnification Claim. In connection with any claim or action described in this Section 11.2, the Party seeking to be indemnified (“Indemnified Party”): (a) will give, subject to any restrictions under Applicable Law, the other Party (“Indemnifying Party”) prompt written notice of a third-party claim, including, if possible, the amount or estimate of the amount of liability arising from it and a copy of any documentation it has received setting forth the basis of the claim, (b) will cooperate with the Indemnifying Party (at the Indemnifying Party’s expense) in connection with the defense and settlement of the claim (other than with respect to indemnities involving Intellectual Property in which case the Party that owns the Intellectual Property subject to such claim shall have the right to control the defense of such claim), and (c) will permit the Indemnifying Party to control the defense and settlement of the claim; provided that the Indemnifying Party may not settle the claim without the prior written consent (which consent will not be unreasonably withheld, conditioned or delayed) of the Indemnified Party. Further, the Indemnified Party may, at its expense, participate in the defense and settlement of the claim. Notwithstanding the foregoing, upon prior written notice to the Indemnified Party, the Indemnifying Party shall have the right to compromise and settle any third-party claim without the prior written consent of the Indemnified Party if the Indemnifying Party (x) obtains a complete, unconditional, irrevocable release of the Indemnified Party with respect to such claim; (y) includes within the settlement agreement or release a statement to the effect that the Indemnified Party admits no liability or wrongdoing; and (z) does not agree to a settlement which provides for any non-monetary relief.

11.3 Right to Control Defense. Following written notice under Section 11.2: (a) where a third-party claim relates to the Indemnified Party’s Intellectual Property or Confidential Information, then the Indemnified Party shall have the right to assume control of and defend any claim of which it has received written notice pursuant to Section 11.2 at its expense and in the name of the Indemnifying Party by giving written notice of its assumption of defense; and (b) where a Governmental Authority is investigating the Barclays Indemnified Party’s performance in connection with the Agreement, then Barclays shall have the right to assume control of and defend any claim of which it has received written notice pursuant to Section 11.2 at its expense and in the name of the Indemnifying Party by giving written notice of its assumption of defense.

11.4 Cooperation. In connection with any third-party claim under this Section 11, each Party shall reasonably cooperate and regularly communicate with the other Party in good faith to coordinate the defense of any such action, recognizing that ultimate decision making rests with the Indemnifying Party, except as provided in Section 11.3. Without limiting the foregoing, the Indemnified Party shall make available to the Indemnifying Party or its Representatives, on a timely basis, all documents, records and other materials in the possession, control or power of the Indemnified Party, which are reasonably required in defending any third-party claim. Any information, documents, records and other materials provided in connection with defending a third-party claim shall be used solely for the defense of that claim and the Parties shall cooperate to seek further protections, including those of confidentiality pursuant to Article VII, as may be appropriate.

11.5 See also Schedule 11.5.

11.6 NO WARRANTIES. EXCEPT AS PROVIDED HEREIN, THERE ARE NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, RESPECTING THE SERVICES OR PRODUCTS SOLD OR PROVIDED BY A PARTY PURSUANT TO THIS AGREEMENT.

11.7 Liquidated Damages. See Schedule 11.7.

ARTICLE XII. TERM AND TERMINATION

12.1 Term and Expiration. This Agreement shall be effective as of the Effective Date and shall continue through the Initial Term and any Renewal Term and shall expire on the last day of the Initial Term or any Renewal Term, as applicable, unless sooner terminated as provided herein.

12.2 Initial Program Period Renewal. This Agreement shall automatically enter into a Renewal Term upon the conclusion of the Initial Term and each prior Renewal Term, unless one Party gives written notice of non-renewal to the other Party at least one year prior to the end of the Initial Term or any Renewal Term, as applicable.

12.3 Termination By Barclays. Barclays may terminate this Agreement immediately by providing written notice to Gap if any of the following events occur:

(a) If (i) Barclays provides written notice to Gap that contains reasonable detail concerning Gap's breach any of any material covenants or material representations contained in this Agreement, and (ii) such material breach remains materially uncured for 30 days from the date Gap received such written notice;

(b) If Gap or a direct or indirect holding company of Gap: (i) shall become subject to voluntary or involuntary bankruptcy, insolvency, receivership, conservatorship or like proceedings pursuant to Applicable Law; (ii) ceases to conduct its normal and customary business operations; or (iii) shall make a general assignment for the benefit of its creditors;

(c) As provided in Section (c) of Schedule 2.5.

(d) As provided under Section 3 of Schedule 12.5;

(e) As provided under Section 13.13 ("Force Majeure");

12.4 Termination By Gap. Gap may terminate this Agreement immediately by providing written notice to Barclays if any of the following such events occur:

(a) If (i) Gap provides written notice to Barclays that contains reasonable detail concerning Barclays' breach any of any material covenants or material representations contained in this Agreement, and (ii) such material breach remains materially uncured for 30 days from the date Barclays received such written notice;

(b) If Barclays or a direct or indirect holding company of Barclays: (i) shall become subject to voluntary or involuntary bankruptcy, insolvency, receivership, conservatorship or like proceedings pursuant to Applicable Law; (ii) ceases to conduct its normal and customary business operations; (iii) shall make a general assignment for the benefit of its creditors; or (iv) fails to be at least "adequately capitalized" as that term is defined in Applicable Law relating to financial institution capitalization ratios;

(c) As provided in Section (c) of Schedule 2.5(a).

(d) As provided in Section (f) of Schedule 5.6;

- (e) As provided under Schedule 5.15 (“Service Levels”);
- (f) As provided under Section 3 of Schedule 12.5;
- (g) As provided under Section 13.13 (“Force Majeure”); or

12.5 See also Schedule 12.5.

12.6 Effect of Termination. See Schedule 12.6.

12.7 Program Assets Purchase Right. See Schedule 12.7.

ARTICLE XIII. MISCELLANEOUS

13.1 Entire Agreement. Each Party hereto has read this Agreement, understands it and agrees to be bound by its terms and conditions. This Agreement supersedes all prior verbal or written agreements between the Parties, and now constitutes the complete and exclusive statement of the terms and conditions between the Parties covering the performance hereof, and it cannot be altered, amended or modified except in a writing executed by a duly authorized representative of each Party.

13.2 No Waiver. No waiver of the provisions hereto shall be effective unless in writing and shall not be deemed to be a continuing waiver unless expressly so stated in writing. No failure or delay on the part of either Party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

13.3 Severability. If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect.

13.4 Counterparts. This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement. The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement.

13.5 Incorporation by Reference. Each exhibit and schedule referred to herein is hereby expressly incorporated herein in its entirety and made a part of this Agreement. All defined terms under this Agreement shall have the same meaning in the exhibits and schedules and all defined terms under the exhibits and schedules shall have the same meaning in the Agreement unless separately defined in each location.

13.6 Drafting. This Agreement is the joint product of Gap and Barclays and each provision hereof has been subject to mutual consultation, negotiation and agreement of Gap and Barclays; therefore, to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any Party based on the fact that either Party controlled the drafting of the document.

13.7 Public Announcements.

(a) Neither Party shall make, or cause to be made, any press release or public announcement in respect of the Program or this Agreement or the transactions contemplated hereby, or otherwise communicate with any news media regarding the Program or this Agreement, without the prior consent of

the other Party. The Parties shall mutually agree on the timing and contents of any such press release or public announcement. Prior to issuing any press releases or making any public announcements concerning this Agreement or the transactions specified herein, the Parties shall consult and mutually agree as to the substance and timing of such releases and announcements; provided, however, nothing in this Agreement shall prohibit marketing efforts by Gap or Barclays in the ordinary course.

(b) Notwithstanding Section 13.7(a): (i) each Party and its Affiliates may name the other Party as a partner and describe the Program without disclosing any of the other Party's Confidential Information, (ii) a Party shall not be required to obtain consent from the other Party with regard to (A) press releases and other announcements as may be required by Applicable Law or the applicable rules and regulations of any stock exchange (subject to requests of Governmental Authorities) and (B) publications prepared solely by and for employees of such Party, or its respective Affiliates, solely for distribution among employees of such Party and its respective Affiliates; and (ii) if the Parties consult regarding a response to a press inquiry received by either Party, but are not able to agree upon such response, Gap may respond if the inquiry relates to Gap's business other than participation in the Program and Barclays may respond if the inquiry relates to Barclays' business; provided, that in either case the Party responding shall do so in its reasonable discretion after due consideration to concerns raised by the other Party.

13.8 Assignment. Neither Party shall assign this Agreement or any of its respective rights hereunder without the prior written consent of the other Party, provided, however, that (a) either Party may assign this Agreement to an entity that merges with, or acquires all or substantially all of the assets of, such Party, (b) either Party may assign this Agreement to an Affiliate so long as (i) such assignee has both the financial and operational capability to reasonably perform or cause to be performed the obligations formerly performed by the assigning Party without material impairment to the Program, and (ii) the assignor remains liable to the other Party following the assignment, and (c) nothing in this Agreement shall restrict Gap from pledging its rights to receive payments from Barclays in connection with this Agreement so long as Gap remains obligated to perform under this Agreement.

13.9 Successors and Assigns. This Agreement and all obligations and rights arising hereunder shall be binding upon and inure to the benefit of the Parties hereto and their respective successors, transferees and assigns.

13.10 Subcontractors. To the extent that a Party delegates the performance of obligations to a service provider engaged by such Party, such Party shall ensure that such service provider is reputable and possesses relevant industry experience and is otherwise capable of performing such obligations. Such delegating Party shall be responsible for the functions performed by any third party it has engaged to the same extent such Party would be responsible if such Party had performed such functions itself. Any subcontractor or service provider with access to Cardholder Non-Public Personal Information that Gap proposes to use to perform any of its material obligations under this Agreement shall be subject to Barclays policies for evaluating and approving the use of service providers.

13.11 Notices. All written notices pursuant hereto to either Party shall be addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other Party, and shall be deemed given when delivered by hand, or two Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Barclays:

Attn: Bill Crabtree
Managing Director Retail Partnerships
Barclays Bank Delaware
125 S. West Street
Wilmington, DE 19801

With a Copy to:

Attn: General Counsel
Barclays Bank Delaware
125 S. West Street
Wilmington, DE 19801

If to Gap:

Attn: Chris Samway
SVP & General Manager
Loyalty & Payments
The Gap, Inc.
2 Folsom Street
San Francisco, CA 94105

With a copy to:

Attn: Global General Counsel
Corporate Law Department
The Gap, Inc.
2 Folsom Street
San Francisco, CA 94105

With a copy to:

Trevor Salter
Morrison & Foerster LLP
2100 L ST, NW, Suite 900
Washington, DC 20037

13.12 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the United States with regarding to the conflicts of law principles thereof. Any action by Barclays against Gap, other than a counterclaim in an action first brought by Gap, must be made in, and each Party consents to the jurisdiction and venue of, the state and federal courts located in San Francisco, California. Any action by Gap against Barclays, other than a counterclaim in an action first brought by Barclays, must be made in, and each Party consents to the jurisdiction and venue of, the state and federal courts located in Wilmington, Delaware.

13.13 Force Majeure. Neither Party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances outside of its reasonable control, including acts of God, pandemic or epidemic, flood, criminal acts, fire, riot, computer viruses or hackers, accident, strikes, embargo, sabotage, terrorism, and government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement). In the event a Party is unable to perform substantially for any of the reasons described in this Section 13.13, it will notify the other Party promptly of its inability so to perform, and if the inability continues for at least [***] consecutive days (or [***] days in the cases of Purchase authorizations or processing of Applications), the Party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the Party unable to perform from using its best efforts to avoid or remove such circumstance and such Party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

13.14 Taxes. Each Party shall be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on the other Party's income which shall be borne by the other Party), imposed by the United States, any state or local government, or other taxing authority, on all goods or services provided to the other Party. The Parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the Parties shall provide each other with any relevant tax information as reasonably requested

(including resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments).

13.15 Survival of Obligations, Rights and Remedies. Any provision that is intended by its nature to survive the termination of this Agreement or the expiration of the Term shall survive, including the provisions set forth in Article I (Definitions), Article VII (Information Use and Security), Sections 8.1 through 8.3 (but only to perform obligations or exercise rights applicable during the Wind-Down Period), Section 8.4(a), (c) (Ownership of Accounts), Section 3 of [***], Article XI (Indemnification and Limitation of Liability), Sections 12.5 through 12.7, and Article XIII (Miscellaneous) of this Agreement. In addition, all rights or obligations of either Party that may have arisen or accrued prior to termination of this Agreement or expiration of the Term shall survive such termination or expiration.

13.16 Independent Contractor. In performing their responsibilities pursuant to this Agreement, the Parties are in the position of independent contractors. Nothing in this Agreement will be construed as creating a joint venture, partnership or employment relationship between Gap and Barclays. Neither Party will have the right, power or implied authority to create any obligation or duty on behalf of the other Party, unless pursuant to a separate written agreement between the Parties.

13.17 Specific Performance. The Parties agree that money damages would not be a sufficient remedy for any breach of this Agreement or the failure of a Party to perform any of its material obligations hereunder, and that, in addition to all other remedies, each Party shall be entitled to seek specific performance and to seek injunctive or other equitable relief as a remedy for any such breach or failure to perform its material obligations hereunder.

13.18 Further Assurances. Gap and Barclays agree to produce or execute such other documents or agreements as may be necessary or desirable for the execution and implementation of this Agreement and the consummation of the transactions specified herein and to take all such further action as the other Party may reasonably request in order to give evidence to the consummation of the transactions specified herein.

13.19 Third Parties. Except for the Gap Indemnified Parties and the Barclays Indemnified Parties with respect to indemnity claims pursuant to Article XI, the Parties do not intend: (a) the benefits of this Agreement to inure to any third party; or (b) any rights, claims or causes of action against a Party to be created in favor of any Person or entity other than the other Party.

13.20 Credit Reporting Agency. Notwithstanding any other provision of this Agreement, neither Party nor any of its Affiliates shall be required hereunder to engage in any action or omission that would cause it to become a “consumer reporting agency” under the federal Fair Credit Reporting Act or similar law as amended from time to time. To the best of the Parties’ understanding as of the Effective Date, the foregoing does not prohibit compliance with Section (c) of Schedule 2.4 as of the Effective Date.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in manner and form sufficient to bind them as of the Effective Date.

The Gap, Inc.

By: /s/ John F Strain

Printed Name: John F Strain

Title: Executive Vice President

Old Navy, LLC

By: /s/ John F Strain

Printed Name: John F Strain

Title: Executive Vice President

Banana Republic, LLC

By: /s/ John F Strain

Printed Name: John F Strain

Title: Executive Vice President

Athleta LLC

By: /s/ John F Strain

Printed Name: John F Strain

Title: Executive Vice President

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement in manner and form sufficient to bind them as of the Effective Date.

Barclays Bank Delaware

By: /s/ Bill Crabtree

Printed Name: Bill Crabtree

Title: Managing Director, Retail Partnership

[Signature page 2 to Credit Card Program Agreement]

List of Omitted Schedules

Schedule	Name of Schedule
1.1(a)	Comparable Retailer Programs as of the Effective Date
1.1(b)	Similarly Situated Portfolios as of the Effective Date
2.1(c)	Customer Service
2.2(a)	Program Card Products and Program Value Propositions as of the Effective Date
2.2(c)	Additional Terms Relating to Program Cards and the Program Value Proposition
2.3(a)	Product Innovations
2.3(b)	Additional Terms Relating to Product Innovations
2.4	Program Exclusivity
2.5(a)	Additional Terms Relating to the Conversion of the Back Book Assets
2.5(b)	Back Book Conversion Milestones
2.6	Extraordinary Costs
3.2	Additional Terms Relating to Marketing
3.3	Additional Terms Relating to Barclays Marketing Obligations
3.4	Additional Terms Relating to Marketing Fund and Usage
4.1	Operation of the Gap Loyalty Program
5.4	Cardholder Terms
5.4(c)	Additional Terms Relating to Cardholder Terms
5.6	Approval Rates and Risk Management
5.6(b)	Approval Rates
5.15	Service Levels
5.24	Program Card Reissuance
6.3	Barclays Personnel to Support the Program
6.5	Compliance Responsibilities
6.6	Barclays Provided Reports
7.3	Program Information and Gap Customer Data
7.3(b)(iii)	Program Privacy Policy
7.3(b)(v)	Program Information Sharing
7.4	Privacy and Data Security Policies
8.1	Licensed Gap Marks
8.2	Licensed Barclays Marks
9	Financial Terms
9.1	Additional Financial Terms
Exhibit A	Gain Share Statement
Exhibit B	Examples of Gain Share Payment Calculation
10.3	Additional Representations and Warranties
11.5	Limitation of Liability
11.7	Liquidated Damages
12.5	Additional Termination Rights
12.6	Effective of Termination

12.7	Program Assets Purchase Right
12.7(a)	Form of Confidentiality Agreement
12.7(b)(i)	Key Portfolio Data
12.7(b)(ii)	Account-Level Data
12.7(e)	Determination of Purchase Price for Co-Branded Accounts
12.7(f)	Designated Retailers

The registrant will provide a copy of any omitted schedule to the Securities and Exchange Commission or its staff upon request.

CERTIFICATIONS

I, Sonia Syngal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 28, 2021

/s/ Sonia Syngal

Sonia Syngal

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Katrina O'Connell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 28, 2021

/s/ Katrina O'Connell

Katrina O'Connell

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Gap, Inc. (the “Company”) on Form 10-Q for the period ended May 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sonia Syngal, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 28, 2021

/s/ Sonia Syngal

Sonia Syngal

Chief Executive Officer

(Principal Executive Officer)

**Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of The Gap, Inc. (the “Company”) on Form 10-Q for the period ended May 1, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Katrina O’Connell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 28, 2021

/s/ Katrina O’Connell

Katrina O’Connell

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)