

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

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended February 3, 2024

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 of Incorporation)

**94-1697231**  
(I.R.S. Employer Identification No.)

**Two Folsom Street**  
**San Francisco, California 94105**  
(Address of principal executive offices)

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

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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 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, a 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 28, 2023 was approximately \$2 billion based upon the last price reported for such date in the NYSE-Composite transactions.

The number of shares of the registrant's common stock outstanding as of March 13, 2024 was 373,512,503.

**Documents Incorporated by Reference**

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2024 (hereinafter referred to as the "2024 Proxy Statement") are incorporated into Part III.

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## Special Note on Forward-Looking Statements

This Annual Report on Form 10-K 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:

- our strategies, plans, prospects, priorities, and expectations regarding our brands, business, industry, results, and financial condition;
  - meeting the closing conditions to transfer the Gap Taiwan operations to Baozun;
  - our agreements with third parties to operate stores and websites selling apparel and related products under our brand names;
  - our integrated loyalty program and the expected benefits therefrom;
  - pursuing technology and product innovation that supports our sustainability efforts and delivering great quality product to customers;
  - investing in our business and enhancing the customer experience;
  - strategically registering our trademarks, domain names, and copyrights;
  - aggressively policing our intellectual property and pursuing those who infringe;
  - compliance with United States and foreign laws, rules, and regulations;
  - initiatives to optimize inventory levels and increase supply chain efficiency and responsiveness;
  - initiatives to improve assortments and increase sell-through;
  - initiatives to develop an omni-channel shopping experience and integrate our stores and digital shopping channels;
  - completing construction of our distribution center in London, Ontario, Canada;
  - managing inventory to facilitate margin recovery and optimizing our cost structure with operational and financial rigor;
  - reinvigorating our brands to drive relevance and an engaging omni-channel experience;
  - creating trend-right product assortments while driving creative excellence and delivering consistent product with storytelling that excites our customers;
  - attracting and retaining strong talent in our businesses and functions;
  - continuing to integrate social and environmental sustainability into business practices to support long-term growth;
  - the anticipated timing of settlement of purchase obligations and commitments;
  - the ability of our existing balances of cash and cash equivalents, cash flows from operations, and debt instruments to support our business operations and liquidity requirements;
  - the importance of our sustained ability to generate free cash flow, which is a non-GAAP financial measure and is defined and discussed in more detail in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K;
  - our dividend policy and the payment of our first quarter fiscal 2024 dividend;
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- changes to the estimates and assumptions used to calculate our inventory valuation;
- the impact of recent accounting pronouncements on our Consolidated Financial Statements;
- the expected impact of the Pillar Two rules and ongoing monitoring of related legislative action;
- settling liability balances related to our restructuring during fiscal 2024;
- the impact of recognizing a decrease in gross unrecognized tax benefits within the next 12 months;
- recognition of unrealized gains and losses from designated cash flow hedges;
- recognition of unrecognized share-based compensation expense;
- the impact of losses due to indemnification obligations on our Consolidated Financial Statements;
- the outcome of proceedings, lawsuits, disputes, and claims, and the impact on our Consolidated Financial Statements; and
- 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 and geopolitical environment and consumer spending patterns;
  - the highly competitive nature of our business in the United States and internationally;
  - the risk that we or our franchisees may be unsuccessful in gauging apparel trends and changing consumer preferences or responding with sufficient lead time;
  - the risk that we fail to maintain, enhance and protect our brand image and reputation;
  - the risk that we may be unable to manage our inventory effectively and the resulting impact on our gross margins and sales;
  - the risk of loss or theft of assets, including inventory shortage;
  - the risk that we fail to manage key executive succession and retention and to continue to attract qualified personnel;
  - the risks to our business, including our costs and global 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 trade matters could increase the cost or reduce the supply of apparel available to us;
  - the risk that we or our franchisees may be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively;
  - engaging in or seeking to engage in strategic transactions that are subject to various risks and uncertainties;
  - the risk that changes in our business strategy or restructuring our operations may not generate the intended benefits or projected cost savings;
  - the risk that our efforts to expand internationally may not be successful;
  - the risk that our franchisees and licensees could impair the value of our brands;
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- the risk that our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate;
- the risk of data or other security breaches or vulnerabilities that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in our security measures;
- the risk that failures of, or updates or changes to, our IT systems may disrupt our operations;
- reductions in income and cash flow from our credit card arrangement related to our private label and co-branded credit cards;
- the risk of foreign currency exchange rate fluctuations;
- the risk that our comparable sales and margins may experience fluctuations, that we may fail to meet financial market expectations, or that the seasonality of our business may experience fluctuations;
- the risk that our level of indebtedness may impact our ability to operate and expand our business;
- the risk that we and our subsidiaries may be unable to meet our obligations under our indebtedness agreements;
- the risk that changes in our credit profile or deterioration in market conditions may limit our access to the capital markets;
- evolving regulations and expectations with respect to ESG matters;
- the adverse effects of climate change on our operations and those of our franchisees, vendors and other business partners;
- natural disasters, public health crises (such as pandemics and epidemics), political crises (such as the ongoing Russia-Ukraine and Israel-Hamas conflicts), negative global climate patterns, or other catastrophic events;
- our failure to comply with applicable laws and regulations and changes in the regulatory or administrative landscape;
- the risk that we will not be successful in defending various proceedings, lawsuits, disputes, and claims;
- the risk that our estimates and assumptions used when preparing the Consolidated Financial Statements are inaccurate or may change;
- the risk that changes in the geographic mix and level of income or losses, the expected or actual outcome of audits, changes in deferred tax valuation allowances, and new legislation could impact our effective tax rate, or that we may be required to pay amounts in excess of established tax liabilities;
- the risk that changes in our business structure, our performance or our industry could result in reductions in our pre-tax income or utilization of existing tax carryforwards in future periods, and require additional deferred tax valuation allowances; and
- the risk that the adoption of new accounting pronouncements will impact future results.

Additional information regarding factors that could cause results to differ can be found in this Annual Report on Form 10-K and our other filings with the U.S. Securities and Exchange Commission (“SEC”).

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 March 19, 2024, and 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.

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**THE GAP, INC.**  
**2023 ANNUAL REPORT ON FORM 10-K**  
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# Part I

## Item 1. Business.

### General

The Gap, Inc. (Gap Inc., the "Company," "we," and "our") is a collection of lifestyle brands offering apparel, accessories, and personal care products for women, men, and children under the Old Navy, Gap, Banana Republic, and Athleta brands.

Gap Inc. is an omni-channel retailer, with sales to customers both in stores and online, through Company-operated and franchise stores, Company-owned websites, and third-party arrangements. As of February 3, 2024, we had Company-operated stores in the United States, Canada, Japan, and Taiwan. In fiscal 2022, we signed agreements with a third party, Baozun Inc. ("Baozun"), to operate Gap China and Gap Taiwan ("Gap Greater China") stores and the in-market website as a franchise partner. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

We have franchise agreements to operate Old Navy, Gap, Banana Republic, 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. We also have licensing agreements with licensees to sell products using 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 the shopping experience for our customers. Our omni-channel services, including 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.

**Old Navy.** Old Navy is a North American value apparel brand that makes on-trend fashion accessible to everyone. The brand democratizes style through its combination of on-trend product, consistent quality, and affordable pricing. Old Navy is committed to creating an accessible, frictionless, and delightful shopping experience including a fun store environment, a dynamic online channel, and convenient omni-channel capabilities. Old Navy opened its first store in 1994 in the United States and since then has expanded to more than 1,200 Company-operated stores in the U.S. and Canada, as well as franchise stores around the world.

**Gap.** Founded in San Francisco in 1969, Gap is an authority on modern American style and continues to build on its heritage of championing originality. The brand includes adult apparel and accessories, GapKids, babyGap, Gap Maternity, GapBody, and GapFit collections. Gap connects with customers online, in Company-operated and franchise retail locations globally, and through licensing partnerships. Gap also serves value-conscious customers with exclusively designed collections for Gap Outlet and Gap Factory Stores.

**Banana Republic.** Acquired in 1983 as a travel and adventure outfitter, Banana Republic is a premium lifestyle retailer celebrating exploration and self-expression through timeless quality, versatile fabrics, and exceptionally made womenswear, menswear, and home designs. Customers can purchase Banana Republic products globally in the brand's specialty stores, factory stores, online, and franchise stores.

**Athleta.** Athleta is a premium fitness and lifestyle brand whose mission is to foster empowerment, confidence, strength, and well-being through movement. Established in 1998 and acquired by Gap Inc. in 2008, Athleta integrates technical features and innovative design across its women's and girls' collection to carry her through a life in motion, from yoga, training, and sports to everyday activities and travel.

Since 2018, Athleta has been certified as a benefit corporation ("B Corp"), furthering its commitment to using the business as a force for good to drive social and environmental impact. The Company continues to meet rigorous standards across social and environmental performance, with accountability and transparency. With this accreditation, Gap Inc. is one of the largest publicly-traded retail companies with a B Corp certified subsidiary apparel brand.

We ended fiscal 2023 with 2,562 Company-operated stores and 998 franchise store locations. For more information on the number of stores by brand and region, see the table included in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K.

Old Navy, Gap, Banana Republic, and Athleta each have a private label credit card program and a co-branded credit card program through which customers receive benefits. Private label and co-branded credit cards are provided by a third-party financing company, with associated revenue sharing arrangements reflected in Gap Inc. operations. We also have an integrated loyalty program across the U.S. and Puerto Rico that aims to attract new customers and create enduring relationships by turning customers into lifelong loyalists. We are focused on increasing the lifetime value of our loyalty members through greater personalization, including leveraging first party data and increasing promotions with targeted content, offers, and experiences. Although each brand expression has a different look and feel, customers can earn and redeem rewards across all of our brands. All of our brands issue and redeem gift cards.

### **Product Development**

We design, develop, market, and sell a wide range of apparel and accessory products reflecting a mix of basics and fashion items based on widely accepted fashion trends, striving to bring product to market quickly and provide unrivaled value to customers. We are committed to pursuing technology and product innovation that supports our sustainability efforts while also delivering great quality products to our customers. Our product teams research, test, and iterate each season to deliver the latest styles in fabrics and silhouettes that are made to last while remaining conscious of the types of materials being sourced and the suppliers they work with. We leverage feedback and purchasing data from our customer database, along with market trend insights, to guide our product and merchandising decision-making.

### **Marketing and Advertising**

We use a variety of marketing and advertising mediums to drive brand health, customer acquisition, and engagement. We leverage our customer database and respond to shopping behaviors and needs with personalized content across email, site, and digital media to drive relevance and urgency. Our diversified media mix spans traditional to digital to social media. We focus on productivity of demand generation investments to drive increased effectiveness.

## Merchandise Vendors

We purchase private label and non-private label merchandise from over 250 vendors. Our vendors have factories in about 30 countries. Our two largest vendors accounted for approximately 9 percent and 7 percent of the dollar amount of our total fiscal 2023 purchases. Of our merchandise purchased during fiscal 2023, substantially all purchases, by dollar value, were from factories outside the United States. Approximately 29 percent of our fiscal 2023 purchases, by dollar value, were from factories in Vietnam. Approximately 18 percent of our fiscal 2023 purchases, by dollar value, were from factories in Indonesia. Product cost increases or events causing disruption of imports from Vietnam, Indonesia, or other foreign countries, including the imposition of additional import restrictions or taxes, or vendors temporarily closing or potentially failing due to political, financial, or regulatory issues, could have an adverse effect on our operations. Substantially all of our foreign purchases of merchandise are negotiated and paid for in U.S. dollars. For additional information on risks related to our merchandise vendors, see the below sections in Item 1A, Risk Factors, of this Form 10-K.

- "Risks Related to Our Business Operations—Our business is subject to risks associated with global sourcing and manufacturing,"
- "Risks Related to Our Business Operations—Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business,"
- "Risks Related to Our Business Operations—Trade matters may disrupt our supply chain," and
- "General Risks—Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events."

## Seasonal Business

Our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period. Additionally, other macroeconomic conditions such as the uncertainty surrounding global inflationary pressures, acts of terrorism or war, global credit and banking markets, and new legislation have had and may continue to have an impact on customer behavior that could result in temporary changes in the seasonality of our business.

## Brand Building

Our ability to develop and evolve our existing brands is a key to our success. We believe our distinct brands are among our most important assets. Virtually all aspects of brand development, from product design and distribution to marketing, merchandising, and shopping environments, are controlled by Gap Inc. employees. We continue to invest in our business and enhance the customer experience through ongoing supply chain, digital, marketing, and omni-channel initiatives. For additional information on risks related to building our brands, see the section entitled "Risk Factors—Risks Related to Strategic Transactions and Investments—Our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate" in Item 1A, Risk Factors, of this Form 10-K.

## Trademarks and Service Marks

We own the material trademarks used in connection with the marketing, distribution and sale of our products, domestically and internationally, where our products are currently sold or manufactured. Our major trademarks include the Old Navy, Gap, Gap Kids, babyGap, Gap Body, GapFit, Banana Republic, and Athleta trademarks and service marks, and certain other trademarks and service marks. We have obtained and continue to maintain registrations for the aforementioned marks in the United States, Canada, Mexico, the United Kingdom, the European Union, Japan, China, and numerous other countries throughout the world. In addition, we own domain names for our primary trademarks and numerous copyright registrations. We intend to continue to strategically register, both domestically and internationally, trademarks, domain names, and copyrights that we utilize today and those we develop in the future. We will continue to aggressively police our intellectual property and pursue those who infringe, both domestically and internationally. We believe the distinctive trademarks we use in connection with our products are important in building our brand image and distinguishing our products from those of others.

## Franchise and Licensing

We have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta in about 40 countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. We also have licensing agreements with licensees to sell products using our brand names. For additional information on risks related to our franchise and licensing business, see the below sections in Item 1A, Risk Factors, of this Form 10-K.

- “Risks Related to Strategic Transactions and Investments—Our efforts to expand internationally may not be successful,” and
- “Risks Related to Strategic Transactions and Investments—Our franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands.”

## Inventory

The nature of the retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we, along with other retailers, generally build up inventory levels. We maintain a large part of our inventory in distribution centers. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. For additional information on risks related to our inventory, see the below sections in Item 1A, Risk Factors, of this Form 10-K.

- “Risks Related to Competition, Brand Relevance and Brand Execution—We must successfully gauge apparel trends and changing consumer preferences to succeed,”
- “Risks Related to Our Business Operations—If we are unable to manage our inventory effectively, our results of operations could be adversely affected,”
- “Risks Related to Our Business Operations—Failure to protect our inventory from loss and theft may adversely affect our results of operations,” and
- “General Risks—Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events.”

## Competitors

The global apparel retail industry is highly competitive. We compete with local, national, and global apparel retailers. For additional information on risks related to competition, see the section entitled “Risk Factors—“Risks Related to Competition, Brand Relevance and Brand Execution—Our business is highly competitive” in Item 1A, Risk Factors, of this Form 10-K.

## Human Capital

As of February 3, 2024, we had a workforce of approximately 85,000 employees. We also hire seasonal employees, primarily during the peak holiday selling season. As of February 3, 2024, approximately 83 percent of employees worked in retail locations, approximately 9 percent of employees worked in distribution centers, and approximately 8 percent of employees worked in headquarters locations. In addition, as of that date, approximately 82 percent of employees were located in the U.S. and approximately 18 percent of employees were located outside of the U.S., with a majority of those non-U.S. based employees located in Canada and Japan.

We know that in order to remain competitive in the retail apparel industry, we must attract, develop, and retain skilled employees in our design, merchandising, supply chain, marketing, information technology, and other functions, as well as in our stores and distribution centers. Competition for such personnel is intense. Our success is dependent to a significant degree on the continued contributions of our employees. We understand the importance of human capital and prioritize building talent; creating a culture of equality and belonging; ensuring pay equity; gathering and actioning on employee feedback; and supporting the health, wellness, and safety of our employees, customers, and communities.

**Building Talent.** We invest in our employees through accessible resources and structured training programs that offer opportunities for professional and personal development. Our Retail Academy for our headquarters employees combines classroom, e-learning, and experiential programming to onboard new hires, develop early talent, and provide functional and technical training. Our Rotational Management Program develops leaders across a range of functions. Full-time U.S.-based employees who have completed one year of employment receive a tuition reimbursement benefit. We also offer functional and technical training to our employees in our stores and distribution centers.

**Equality and Belonging.** Our Equality and Belonging Strategy leverages our people, brands, and voice to unlock opportunities and enable a culture of belonging for our teams, customers, and future generations. Within Gap Inc., we offer year-round programming, including heritage month celebrations, and opportunities for employees to participate in our Equality & Belonging Groups. We also continue to annually disclose our people data on our website ([www.gapinc.com](http://www.gapinc.com)).

**Pay Equity.** In 2014, we were the first Fortune 500 company to announce that we pay women and men equally for equal work, and since then we have conducted internal pay equity reviews using a third-party firm.

**Employee Feedback.** We value our employees' feedback and use opinion surveys as a critical component of our ongoing listening strategy. We use these insights to understand what is important to our employees, to determine where we should focus our efforts, and to inform ongoing programs and strategies, all to help us create a thriving, productive work environment. We have modernized our approach to soliciting employee feedback through the use of pulse surveys on topical issues to capture data so we can understand and respond faster to employees' needs. We also collect feedback about our employees' work experience during performance reviews.

**Health, Wellness and Safety.** The health and safety of our employees, customers and communities is a top priority. For our employees, we provide an array of financial incentives and health, well-being and leave benefits to help them make the most of their professional and personal lives. Our store and distribution center employees are trained on safe work practices and learn procedural knowledge through on-the-job training programs that are aligned to industry and Occupational Safety & Health standards. Our internal Safety and Claims teams analyze risks and collaborate with operational leaders to understand and adjust business practices to align with emerging trends, and our Internal Audit team gauges procedural compliance at distribution centers and stores.

**Human Capital Management Oversight.** The Board of Directors (the "Board") and its Compensation and Management Development Committee oversee human capital management issues. The Compensation and Management Development Committee has formal oversight over the Company's policies and strategies relating to its human capital management function, including policies, processes and strategies relating to employee recruitment, retention, appraisal, and development; talent management; workplace culture and employee engagement; workforce diversity, equity, and inclusion, and any risks or goals related thereto; and the Company's general approach to broad-based compensation, benefits, workplace, and employment practices, as outlined in its charter. The Compensation and Management Development Committee regularly receives reports on talent management, succession planning, and diversity, equity, and inclusion, and engages periodically on compensation program design for all employees at all levels.

For additional information on risks related to our human capital management, see the section entitled "Risk Factors—Risks Related to Our Business Operations—Our failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations" in Item 1A, Risk Factors, of this Form 10-K.

## **Government Regulation**

As a company with global operations, we are subject to the laws of the United States and the multiple foreign jurisdictions in which we operate and the rules, reporting obligations, and regulations of various governing bodies, which may differ among jurisdictions. Compliance with these laws, rules, reporting obligations, and regulations, which can change, could result in significant costs but has not had, and is not expected to have, a material effect on our capital expenditures, results of operations, or competitive position as compared to prior periods.

**Available Information**

We make available on our website ([www.gapinc.com](http://www.gapinc.com)) under “Investors, Financial Information, SEC Filings” our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish them to the SEC.

Our Board of Directors Committee Charters (Audit and Finance, Compensation and Management Development, and Governance and Sustainability Committees) and Corporate Governance Guidelines are also available on our website under “Investors, Governance.” Our Code of Business Conduct is available on our website under “Investors, Corporate Compliance.” Any waivers to the Code of Business Conduct will be publicly disclosed.

**Environmental, Social, Governance ("ESG")**

Information about our ESG efforts is available on our website ([www.gapinc.com](http://www.gapinc.com)) under "Values, Sustainability" which provides information on our public commitments, policies, social and environmental programs, sustainability strategy, and ESG data. Also available are downloads of our reporting standards and frameworks - Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Global Reporting Index (GRI) - and our Annual ESG reports.

For additional information on risks related to our ESG efforts, see the section entitled “Risks Related to Sustainability and Climate Change” in Item 1A, Risk Factors, of this Form 10-K.

The information contained in, or referred to, on our website is not deemed to be incorporated into this Annual Report unless otherwise expressly noted.

## Information about our Executive Officers

The following are our executive officers:

### **Name, Age, Position, and Principal Occupation:**

**Horacio Barbeito**, 53, President and Chief Executive Officer, Old Navy effective August 2022; President and CEO, Walmart Canada from November 2019 to July 2022; President and CEO, Walmart Argentina and Chile from February 2015 to November 2019; and President and CEO, Walmart Argentina from February 2012 to February 2015.

**Chris Blakeslee**, 46, President and Chief Executive Officer, Athleta effective August 2023; President, BELLA+CANVAS and Alo Yoga from January 2020 to July 2023; and Executive Vice President, Color Image Apparel from October 2017 to December 2019.

**Mark Breitbart**, 56, President and Chief Executive Officer, Gap brand effective September 2020; President and Chief Executive Officer, Specialty Brands from March 2020 to September 2020; President and Chief Executive Officer, Banana Republic from May 2017 to March 2020; Chief Executive Officer, The Gymboree Corporation from January 2013 to April 2017; President, Gap North America from 2012 to January 2013; Executive Vice President, Gap North America Merchandising from 2011 to 2012; and Executive Vice President, GapKids and babyGap from 2010 to 2011.

**Eric Chan**, 47, Executive Vice President, Chief Business and Strategy Officer effective January 2024; Chief Financial Officer, LA Clippers from August 2018 to December 2023; Chief Operating Officer, Bouqs Company from February 2017 to August 2018; and Chief Financial Officer, Loot Crate from October 2015 to February 2017.

**Richard Dickson**, 55, President and Chief Executive Officer, Gap Inc. effective August 2023; President and Chief Operating Officer, Mattel, Inc. from 2015 to 2023; Chief Brands Officer, Mattel, Inc. from 2014 to 2015; and President and Chief Executive Officer, Branded Businesses of The Jones Group (now Premier Brands Group Holdings), which owned a portfolio of premier apparel, footwear, and accessories brands, from 2010 to 2014.

**Sally Gilligan**, 51, Executive Vice President, Chief Supply Chain and Transformation Officer effective January 2024; Chief Supply Chain, Strategy and Transformation Officer from March 2023 to January 2024; Chief Growth Transformation Officer from April 2021 to March 2023; Chief Information Officer & Head of Strategy from April 2018 to March 2021; and Senior Vice President, Product Operations and Supply Chain from 2015 to April 2018.

**Julie Gruber**, 58, Executive Vice President, Chief Legal and Compliance Officer, and Corporate Secretary effective May 2021; Executive Vice President, Chief Legal, Compliance and Sustainability Officer, and Corporate Secretary from March 2020 to May 2021; and Executive Vice President, Global General Counsel, Corporate Secretary, and Chief Compliance Officer from February 2016 to March 2020. Ms. Gruber previously held various senior roles within the Company's Legal department.

**Katrina O'Connell**, 54, Executive Vice President, Chief Financial Officer effective March 2020; Chief Financial Officer and Senior Vice President of Strategy & Innovation, Old Navy from January 2017 to March 2020; and Chief Financial Officer and Senior Vice President of Strategy, Banana Republic from March 2015 to January 2017. Ms. O'Connell has previously held various roles at the Company focused on both financial budgeting and forecasting for the Company's portfolio of brands, as well as roles in Supply Chain, IT, Treasury and Investor Relations.

**Gurmeet Singh**, 54, Chief Digital and Technology Officer effective July 2022; Chief Technology and Chief Information Officer, Big Lots Inc. from July 2021 to July 2022; Group Chief Digital Officer, AI Futtaim Group from February 2020 to July 2021; Chief Digital, Information and Marketing Officer, 7-Eleven from January 2019 to September 2019, and Chief Digital Officer and Chief Information Officer, 7-Eleven from November 2017 to January 2019.

**Sandra Stangl**, 56, President and Chief Executive Officer, Banana Republic effective December 2020; Co-Founder and Chief Merchant, MINE (Pearl Design Co.) from February 2019 to November 2020; Co-President, Chief Merchandising and Business Development Officer, Restoration Hardware, Inc. from December 2017 to August 2018; Co-President, New Business Development, Restoration Hardware, Inc. from May 2017 to December 2017; and President, Pottery Barn Kids and Pottery Barn Teen, Williams-Sonoma, Inc. from 2013 to January 2017.

**Amy Thompson**, 48, Executive Vice President, Chief People Officer effective January 2024; Chief People Officer, Mattel, Inc. from 2017 to 2023; and Chief People Officer, TOMS Shoes from 2012 to 2017. Ms. Thompson previously held several executive and leadership roles at Starbucks Coffee Company from 2006 to 2012.

## **Item 1A. Risk Factors.**

Our past performance may not be a reliable indicator of future performance because actual future results and trends may differ materially depending on a variety of factors, including but not limited to the risks and uncertainties discussed below and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Form 10-K and “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of this Form 10-K. In addition, historical trends should not be used to anticipate results or trends in future periods. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operations. In such case, the market price of our common stock could decline.

### **Risks Related to Macroeconomic Conditions**

***Global economic conditions have and could continue to adversely affect our business, financial condition and results of operations.***

Our business is affected by global economic conditions and the related impact on consumer spending worldwide. Global economic conditions have and could continue to impact our business and other businesses around the world. Some of the factors that may influence consumer spending patterns include higher unemployment levels, pandemics (such as the COVID-19 pandemic, or the resurgence of the pandemic or the emergence of new strains or variants), extreme weather conditions and natural disasters, higher consumer debt levels, inflationary pressures, recession or fear of recession, global geopolitical instability (including the ongoing Russia-Ukraine and Israel-Hamas conflicts), reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, and general uncertainty regarding the overall future economic environment. Historically, consumer purchases of discretionary items, including our merchandise, generally decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty.

Deteriorating economic conditions or geopolitical instability in any of the regions in which we and our franchisees sell our products could reduce consumer confidence and adversely impact consumer spending patterns, and thereby could adversely affect our sales and results of operations, and result in changes to the assumptions and estimates used when preparing our Consolidated Financial Statements. Examples include, but are not limited to, assumptions and estimates used for inventory valuation, income taxes and valuation allowances, sales return and bad debt allowances, deferred revenue, and the impairment of long-lived assets. In challenging and uncertain economic environments, we cannot predict whether or when such circumstances may improve or worsen, or what impact, if any, such circumstances could have on our business, financial condition and results of operations, or on the price of our common stock.

### **Risks Related to Competition, Brand Relevance and Brand Execution**

***Our business is highly competitive.***

The global apparel retail industry is highly competitive. We and our franchisees compete with local, national, and global department stores, mass-market retailers, specialty and discount store chains, independent retail stores, and online businesses that market similar lines of merchandise. We face a variety of competitive challenges in an increasingly complex and fast-paced environment, including:

- anticipating and quickly responding to changing apparel trends and customer demands;
- attracting customer traffic both in stores and online;
- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to customers in diverse market segments and geographic locations;

- anticipating and responding to changing customer shopping preferences and practices, including the increasing shift to digital brand engagement, social media communication, and online shopping;
- developing innovative, high-quality products in sizes, colors, and styles that appeal to customers of varying demographics and tastes;
- purchasing and stocking merchandise to match seasonal weather patterns, and our ability to react to shifts in weather that impact consumer demand;
- sourcing and allocating merchandise efficiently; and
- improving the effectiveness and efficiency of our processes in order to deliver cost savings to fund growth.

If we or our franchisees are not able to respond effectively to competitive pressures, changes in retail markets or customer expectations in the United States or internationally, our results of operations would be adversely affected.

***We must successfully gauge apparel trends and changing consumer preferences to succeed.***

Our success is largely dependent upon our ability to gauge the tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. However, lead times for many of our design and purchasing decisions may make it more difficult for us to respond rapidly to new or changing apparel trends or consumer acceptance of our products. Transportation shortages, factory closures, labor shortages, port congestion and other supply chain disruptions have in the past and may in the future lead to prolonged delays in receiving inventory. The global apparel retail business fluctuates according to changes in consumer preferences, dictated in part by apparel trends and season. To the extent we misjudge the market for our merchandise or the products suitable for local markets, or fail to execute trends and deliver products to the market as timely as our competitors, our sales will be adversely affected, and the markdowns required to move the resulting excess inventory will adversely affect our margins and results of operations.

***We must maintain our reputation and brand image.***

Our brands have wide recognition, and the success of our business depends in large part on our ability to maintain, enhance and protect our brand image and reputation and our customers' connection to our brands. We must also adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we react appropriately to negative posts or comments about us or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. Customer sentiment could also be shaped by our partnerships with artists, athletes and other public figures, as well as our sustainability policies and related sourcing and operations decisions. Failure to maintain, enhance and protect our brand image could adversely affect our business and results of operations.

**Risks Related to Our Business Operations**

***If we are unable to manage our inventory effectively, our results of operations could be adversely affected.***

Fluctuations in the global apparel retail markets impact the levels of inventory maintained by apparel retailers. The nature of the global apparel retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we build up our inventory levels. Merchandise usually must be ordered well in advance of the applicable selling season and frequently before apparel trends are confirmed by customer purchases. Transportation shortages, factory closures, labor shortages, port congestion and other supply chain disruptions may lead to prolonged delays in receiving inventory. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. We have not always predicted our customers' preferences and acceptance levels of our trend items with accuracy. If sales do not meet expectations, including due to the impact of current macroeconomic conditions on consumer demand, too much inventory may cause excessive markdowns and, therefore, lower-than-planned gross margins. We could also be

required to take significant impairment charges on delayed or unproductive inventory, which we experienced in 2022. Conversely, if we underestimate or are unable to satisfy consumer demand for our products, we may experience inventory shortages, which could result in lower than anticipated sales, delayed shipments to customers and negative impacts on consumer relationships and brand loyalty. Any of these risks could adversely affect our results of operations.

We have strategic initiatives designed to optimize our inventory levels and increase the efficiency and responsiveness of our supply chain, including vendor fabric platforming, product testing, and in-season response to demand. We are also developing additional capabilities to analyze customer behavior and demand, which we believe will allow us to better localize assortment and improve store-level allocations to further tailor our assortments to customer needs and increase sell-through. These capabilities involve changes to our inventory management systems and processes. If we are unable to implement these initiatives and integrate these additional capabilities successfully, we may not realize the return on our investments that we anticipate, and our results of operations could be adversely affected.

***Failure to protect our inventory from loss and theft may adversely affect our results of operations.***

Risk of loss or theft of assets, including inventory shortage, is inherent in the retail business. Loss may be caused by error or misconduct of employees, customers, vendors or other third parties including through organized retail crime and professional theft, which may be further impacted by macroeconomic factors, including the enforcement environment. Our inability to effectively prevent or minimize the loss or theft of assets, or to effectively reduce, or to accurately predict and accrue for the impact of those losses, could adversely affect our results of operations.

***Our failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations.***

The loss of one or more of our key personnel or the inability to effectively identify a suitable successor to a key role could adversely affect our business. We made significant changes to our executive leadership team in recent years, including hiring a new President and Chief Executive Officer in 2023. The failure to successfully transition and assimilate key employees, including our new CEO, the effectiveness of our leaders, and any further transitions could adversely affect our results of operations.

Our business and future success depends in part on our ability to attract and retain key personnel in our design, merchandising, sourcing, marketing, and other functions. In addition, executing strategic initiatives may require us to hire and develop employees with appropriate and specialized experience. We must also attract, develop, and retain a sufficient number of qualified field and distribution center personnel. Competition for talent is intense and the turnover rate in the retail industry is generally high. Furthermore, we have experienced a shortage of labor for field and distribution center positions, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel for these and other positions in future periods. Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates and competitive wage pressures, minimum wage legislation, and overtime and paid leave regulations.

In addition, there has been an increase in workers exercising their right to form or join a union, both generally and in the retail industry, and the U.S. National Labor Relations Board (NLRB) has issued decisions making it easier for employees to organize. Although none of our U.S. and Canadian employees are currently covered by collective bargaining agreements, we have experienced union organizing activity from time to time, and there can be no assurance that our employees will not elect to be represented by labor unions in the future. If a significant portion of our work force were to become unionized, our culture and operating model could change and our labor costs could increase. Our responses to any union organizing efforts could also impact how our Company and brands are perceived by customers and employees.

Traditional geographic competition for talent has changed as a result of the shift to remote work. If our employment proposition is not perceived as favorable compared to other companies, including due to our requirements or expectations about when or how often certain employees work on-site or remotely, it could negatively impact our ability to attract and retain our employees.

If we are unable to retain, attract, and motivate talented employees with the appropriate skill sets, or if changes to our organizational structure or business model adversely affect morale or retention, we may not achieve our objectives and our business could be adversely affected.

***Our business is subject to risks associated with global sourcing and manufacturing.***

Independent third parties manufacture all of our products for us. As a result, we are directly impacted by increases in the cost of those products.

If we experience significant increases in demand or need to replace an existing vendor, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us to meet our requirements. In addition, for any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods and products, as well as our quality control, environmental, labor, health, and safety standards. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruptions, or increased costs in the manufacture of our products could impact our ability to source product and result in lower than anticipated sales.

A large portion of our global sourcing comes from a few specific countries. For example, in fiscal 2023, approximately 29 percent and 18 percent of our merchandise, by dollar value, was purchased from factories in Vietnam and Indonesia, respectively. Delays in production and added costs in these countries have in the past and may in the future adversely affect our results of operations.

Because independent vendors manufacture virtually all of our products outside of our principal sales markets, third parties must transport our products over large geographic distances. Increases in transportation costs or delays in the shipment or delivery of our products due to the availability of transportation, work stoppages, port strikes, port and infrastructure congestion, public health crises, social unrest, changes in local economic conditions, political upheavals, or other factors, and costs and delays associated with transitioning between vendors, could adversely affect our results of operations. Attacks on cargo ships in the Red Sea, catalyzed by the Israel-Hamas conflict, have disrupted Red Sea shipping lanes and may continue to disrupt global trade flows and impact shipping capacity. Operating or manufacturing delays, transportation delays, or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as air freight, which have in the past and may in the future adversely affect our gross margins. In addition, the cost of fuel is a significant component of transportation costs, so increases in the price of petroleum products (including due to inflationary pressures, geopolitical instability, or regulation of energy inputs and greenhouse gas emissions) could adversely affect our gross margins.

If our vendors, or any raw material suppliers on which our vendors rely, suffer prolonged manufacturing or transportation disruptions due to pandemics and public health crises, extreme weather conditions and natural disasters, geopolitical instability, or other unforeseen events, our ability to source product could be adversely impacted which would adversely affect our sales and results of operations.

***Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business.***

We purchase merchandise from third-party vendors in many different countries, and we require those vendors to adhere to a Code of Vendor Conduct, which includes anti-corruption, environmental, labor, health, and safety standards. From time to time, our vendors and their suppliers may not be in compliance with these standards or applicable local laws. Significant or continuing noncompliance with such standards and laws by one or more vendors, suppliers or other third parties could subject us to liability, and could adversely affect our reputation, business and results of operations.

***Trade matters may disrupt our supply chain.***

Our operations are subject to complex trade and customs laws, regulations and tax requirements. The countries in which our products are manufactured or imported, or may be manufactured or imported in the future, may from time to time impose duties, tariffs, or other restrictions on our imports or adversely change existing restrictions. For example, the United States has imposed tariffs and bans on goods imported from China (such as the Uyghur Forced Labor Prevention Act). The current political landscape, including with respect to United States-China relations, has introduced greater uncertainty with respect to future tax and trade policy. We are unable to determine the impact that changes in tax and trade policy could have on our global sourcing operations. Our sourcing operations could also be adversely affected by geopolitical and financial instability in our sourcing countries, as well as U.S. or foreign labor strikes, work stoppages, or boycotts, resulting in the disruption of trade from our sourcing countries, significant fluctuations in the value of the U.S. dollar against foreign currencies, restrictions on the transfer of funds, or other trade disruptions. Changes in tax and trade policy, such as the imposition of new duties or tariffs on imported products, or disruptions to our sourcing operations in our sourcing countries, could increase the cost or reduce the supply of apparel available to us and adversely affect our business and results of operations.

***The global market for real estate is competitive.***

Our ability to effectively obtain real estate to open new stores, distribution centers, and corporate offices nationally and internationally depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing store leases. In addition, we may seek to downsize, consolidate, reposition, relocate, or close some of our real estate locations, which in most cases requires a modification or termination of an existing store lease. Beginning in fiscal 2020 through the end of fiscal 2023, we closed, net of openings, 344 Gap and Banana Republic stores in North America. Failure to secure adequate new locations, successfully modify or exit existing locations, or effectively manage the profitability of our existing fleet of stores, could adversely affect our results of operations.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of real estate properties within the United States and internationally. This could impact the quality of our decisions to enter into leases, exercise lease options or renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, and could adversely affect our financial condition or results of operations.

**Risks Related to Strategic Transactions and Investments**

***We have and may continue to engage in or seek to engage in strategic transactions, such as acquisitions, partnerships, divestitures and other dispositions, that are subject to various risks and uncertainties and which could disrupt or adversely affect our business.***

We have and may continue to engage in or seek to engage in strategic transactions, such as acquisitions, partnerships, divestitures or other dispositions. In recent years, we transferred our European, Mexico and China businesses to a partnership model, and are awaiting regulatory approvals to transfer our Taiwan business. We also divested our Janie and Jack and Intermix brands and acquired two technology companies.

We may not be able to complete strategic transactions on anticipated terms or time frames or at all, and such transactions may not generate some or all of the expected strategic, financial, operational or other benefits if and when completed on such anticipated time frames or at all. In addition, these transactions may be complex in nature, and unanticipated developments or changes, including changes in law, the macroeconomic environment, market conditions, the retail industry or political conditions may affect our ability to complete such transactions. In addition, the process of completing these transactions may be time-consuming and involve considerable costs and expenses, which may be significantly higher than what we anticipate and may not yield a benefit if the transactions are not completed successfully. Executing these transactions may require significant time and attention from our senior management and employees, which could disrupt our ongoing business and adversely

affect our results of operations. We may also experience increased difficulties in attracting, retaining and motivating employees and/or attracting and retaining customers during the pendency or following the completion of any of these transactions, which could harm our business.

***Changes in our business strategy or restructuring our operations may not generate the intended benefits or projected cost savings we anticipate.***

We have and may continue to adjust our business strategies or restructure our operations to meet changes in our business environment. In 2022, we began taking steps to drive long-term improvements across our business, which included reducing open and existing corporate roles, renegotiating our advertising agency contracts, reducing technology operating costs, and rationalizing digital investments. In March 2023, we shared plans to further simplify and optimize our operating model and structure, including actions such as increasing spans of control and decreasing management layers to improve quality and speed of decision making, as well as creating a consistent organizational structure across our brands. In connection with those actions, in April 2023, we announced a restructuring plan that included a reduction of the Company's workforce primarily in headquarters locations. As of the first half of fiscal 2023, the reduction of the Company's workforce under the restructuring plan was substantially completed.

Our ability to achieve the intended benefits and projected cost savings from these actions are subject to many estimates and assumptions. For example, savings associated with these actions could be lower than anticipated. These actions are also subject to execution risk and may not generate the intended benefits and projected cost savings to the extent or on the timeline as expected, and our new organizational structure and strategies could be less successful than our previous organizational structure and strategies.

***Our efforts to expand internationally may not be successful.***

Our current business strategies include pursuing selective international expansion in a number of countries around the world through a number of channels. This includes our franchisees opening additional stores internationally. We have limited experience operating or franchising in some of these locations. In many of these locations, we face major established competitors. In addition, in many of these locations, the real estate, employment and labor, transportation and logistics, and other operating requirements differ dramatically from those in the places where we have more experience. Consumer tastes and trends may differ in these locations and, as a result, the sales of our products may not be successful or result in the margins we anticipate. If our international expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our results of operations could be adversely affected.

***Our franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands.***

We have entered into franchise agreements to operate stores and websites in many countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. We have also entered into licensing agreements to sell products using our brand names. The effect of these arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in international markets, the demand for new product categories and our ability to successfully identify appropriate third parties to act as franchisees, licensees, distributors, or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as franchisee and licensee financial stability and the ability of these third parties to meet their projections regarding store locations, store openings, and sales. Additionally, certain of our franchisees have in the past and may in the future be unable to make payments to landlords, distributors and suppliers, as well as payments to service any debt they may have outstanding, including to us. We have also provided loan guarantees to various lenders on behalf of certain franchisees, and have guaranteed or are contingently liable for certain franchisees' leases. These arrangements could have an adverse effect on our liquidity and results of operations.

Other risks that may affect these third parties include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and geopolitical instability. The value of our brands could be impaired to the extent that these third parties do not operate their stores or websites or sell our branded products in a manner consistent with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, or any other harmful acts or omissions by a franchisee or licensee, could also adversely affect our results of operations and our reputation.

***Our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate.***

One of our strategic priorities is to further develop an omni-channel shopping experience for our customers through the integration of our store and digital shopping channels. Our omni-channel initiatives include cross-channel logistics optimization and exploring additional ways to develop an omni-channel shopping experience, including further digital integration and customer personalization. These initiatives involve significant investments in information technology ("IT") systems, data science and artificial intelligence initiatives, and significant operational changes. Our competitors are also investing in omni-channel initiatives, some of which may be more successful than our initiatives. If the implementation of our customer, digital, and omni-channel initiatives is not successful, or we do not realize the return on our investments in these initiatives that we anticipate, our results of operations would be adversely affected.

**Risks Related to Data Privacy and Cybersecurity**

***We are subject to data and security risks, which could adversely affect our operations and consumer confidence in our security measures or result in liability.***

As part of our normal operations, we receive and maintain confidential, proprietary, and personally identifiable information, including credit card information, and information about our customers, our employees, job applicants, and other third parties. The secure operation of our networks and systems, and those of our business partners, suppliers and third-party service providers, including those on which this type of information is stored, processed and maintained is critical to our business operations. These networks and systems are subject to an increasing threat of continually evolving data and security risks, which we must manage.

Security breaches and vulnerabilities impacting our systems and those of our business partners and third-party service providers could cause harm to our systems or compromise data stored on our networks or those of our business partners and third-party service providers, and could expose us to remedial, legal and other costs which could be material. The retail industry, in particular, has been the target of recent cyberattacks. Our efforts to take appropriate measures to safeguard our information security and privacy environment from security breaches and vulnerabilities, and to train our employees to identify security threats as part of our security efforts, vary in maturity across our business. The constantly changing nature of the cyber threats landscape means that we are not able to anticipate or prevent all types of cyberattacks, and our logging processes may not be sufficient to fully investigate a cyberattack. Additionally, as cybercriminals become more sophisticated, the cost of proactive defensive measures continues to increase. Like our peers, we have been targeted by cyberattacks, which in some cases have been successful.

Actual or anticipated cyberattacks and vulnerabilities may disrupt or impair our operations, and may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in technological capabilities, new technological discoveries, or other developments may result in the technology used by us to protect transactions and other data being more easily breached or compromised. Measures we implement to protect against cyberattacks and address vulnerabilities may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use. Data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information.

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The global regulatory environment surrounding data privacy and cybersecurity is increasingly demanding, and we are required to comply with new and constantly evolving laws, such as various state-level privacy laws in the United States and international laws such as the General Data Protection Regulation in the European Union and United Kingdom, which give consumers the right to control how their personal information is collected, used, shared and retained. Our failure to comply with these and other data privacy laws or to secure personal or confidential information could result in significant legal and financial exposure, and a loss of consumer confidence in our security measures, which could adversely affect our results of operations and our reputation.

***Failures of, or updates or changes to, our IT systems may disrupt operations.***

We maintain a complex technology platform consisting of both legacy and modern systems, and we also increasingly rely on third-party service providers for public cloud infrastructure that powers our e-commerce platform and other systems. Our owned and operated systems require continual maintenance, upgrades and changes, some of which are significant. Upgrades may involve replacing existing systems with successor systems, making changes to existing systems, or cost-effectively acquiring new systems with new functionality. We are aware of the inherent risks associated with maintaining and replacing these systems, including accurately capturing data and addressing system disruptions. We may not successfully maintain or launch these systems as planned or implement them without disruptions to our operations. IT system disruptions or failures, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could disrupt our operations and adversely affect our results of operations. As we continue to move to their platforms, our reliance on third-party systems means that any downtime or security issues they experience poses a greater risk of a single point of failure. Any failure by our third-party service providers could disrupt our operations and adversely affect our results of operations.

**Financial Risks**

***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 results of operations and financial condition.***

A third party, Barclays Bank Delaware ("Barclays"), currently issues and services our portfolios of private label credit card and co-branded credit card programs for our Gap, Old Navy, Banana Republic and Athleta brands. Our agreement with Barclays provides for certain payments to be made by Barclays to us, including a share of revenues from the performance of the credit card portfolios. The income and cash flow that we receive from Barclays is dependent upon a number of factors, including the level of sales on private label and co-branded accounts, the level of balances carried on the accounts, payment rates on the accounts, finance charge rates and other fees on the accounts, the level of credit losses for the accounts, Barclay's ability to extend credit to our customers, as well as the cost of customer rewards programs. All of these factors can vary based on changes in federal and state credit card, banking, and consumer protection laws. For example, the U.S. Consumer Financial Protection Bureau ("CFPB") recently capped credit card fees for late payments. The factors affecting the income and cash flow that we receive from our credit card arrangement can also vary based on a variety of economic, legal, social, and other factors that we cannot control. If the income and cash flow that we receive from our credit card arrangement decreases significantly, our results of operations and financial condition could be adversely affected.

***Our business is exposed to the risks of foreign currency exchange rate fluctuations and our hedging strategies may not be effective in mitigating those risks.***

We are exposed to foreign currency exchange rate risk with respect to our sales, operating expenses, profits, assets, and liabilities generated or incurred in foreign currencies as well as inventory purchases in U.S. dollars for our foreign subsidiaries. Fluctuations in foreign currency exchange rates could impact consumer spending or adversely affect the profitability of our foreign operations or those of our franchisees and licensees. Global economic and geopolitical uncertainty, such as the ongoing conflicts between Russia and Ukraine and Israel and Hamas, have in the past and may in the future result in volatility in foreign exchange rates. Financial instruments that we use to hedge certain foreign currency risks may not succeed in fully offsetting the negative impact of foreign currency rate movements and generally only delay the impact of adverse foreign currency rate movements on our business and results of operations.

***We experience fluctuations in our comparable sales and margins, which could adversely affect the market price of our common stock, our credit ratings and our liquidity.***

Our success depends in part on our ability to grow sales and improve margins. A variety of factors affect comparable sales and margins, including but not limited to apparel trends, competition, current economic conditions (including due to macroeconomic pressures and geopolitical instability), the timing of new merchandise releases and promotional events, changes in our merchandise mix, the success of our marketing programs (including our loyalty program), supply chain disruptions and transitory costs, foreign currency fluctuations, industry traffic trends, and weather conditions. These factors may cause our comparable sales results and margins to differ materially from prior periods and from financial market expectations. Our comparable sales, including the associated comparable online sales, have fluctuated significantly in the past on an annual and quarterly basis. Over the past five fiscal years, our reported annual comparable sales have ranged from a high of 6 percent in fiscal 2021 to a low of negative 7 percent in fiscal 2022. As a result of the extensive temporary store closures during the first quarter of fiscal 2020 due to the COVID-19 pandemic, comparable sales are not a meaningful metric for fiscal 2020 and are excluded from this range. Over the past five fiscal years, our reported gross margins have ranged from a high of 39.8 percent in fiscal 2021 to a low of 34.1 percent in fiscal 2020. In addition, over the past five fiscal years, our reported operating margins have ranged from a high of 4.9 percent in fiscal 2021 to a low of negative 6.2 percent in fiscal 2020.

Our ability to deliver strong comparable sales results and margins depends in large part on accurately forecasting demand and apparel trends, selecting effective marketing techniques, providing an appropriate mix of merchandise for our broad and diverse customer base, managing inventory effectively, using effective pricing strategies, and optimizing store performance. Fluctuations in our comparable sales and margins or failure to meet financial market expectations in one or more future periods could reduce the market price of our common stock, cause our credit ratings to decline, and negatively impact our liquidity.

***Our level of indebtedness may adversely affect our ability to operate and expand our business.***

We have a secured asset-based revolving credit agreement (the "ABL Facility") which has a borrowing capacity of \$2.2 billion. We have also issued \$1.5 billion aggregate principal amount of Senior Notes due 2029 and 2031 (the "Senior Notes"), which remain outstanding. As a result, we are subject to risks relating to our indebtedness.

As of February 3, 2024, the aggregate principal amount of our total outstanding indebtedness was \$1.5 billion under the Senior Notes. As of February 3, 2024, we had \$2.2 billion in principal amount of undrawn commitments available for additional borrowings under the ABL Facility, subject to borrowing base availability.

Our level of indebtedness could impact our business in the following ways:

- make it more difficult for us to satisfy our debt obligations, including with respect to the Senior Notes and ABL Facility;
- increase our vulnerability to general adverse economic and external conditions;
- impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, acquisitions or general corporate or other purposes;
- require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates for borrowings under the ABL Facility, which bear interest at a variable rate;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less indebtedness; and

- limit our ability to adjust to changing market conditions.

Any of these risks could impact our ability to operate and expand our business, which could adversely affect our business, financial condition and results of operations. Furthermore, we may in the future incur additional indebtedness, which could intensify these risks and make it more difficult for us to satisfy our obligations under our indebtedness.

***We may not be able to generate sufficient cash to service all of our indebtedness and fund our working capital and capital expenditures, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.***

We may be required to dedicate a substantial portion of cash flows from operations to the payment of principal and interest under our indebtedness. For example, in 2023 we repaid our \$350 million outstanding borrowing under the ABL Facility. We generated net cash from operating activities of \$1,532 million in fiscal 2023 and ended fiscal 2023 with \$1,873 million of cash and cash equivalents on our balance sheet.

Our ability to make scheduled payments on our indebtedness depends upon our future operating performance and on our ability to generate cash flows in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our debt service obligations and other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity financing or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures (including due to restrictions in our indebtedness agreements), if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations.

If we cannot make scheduled payments on our indebtedness, we will be in default and, as a result, our lenders could declare all outstanding principal and interest to be due and payable, could terminate their commitments to loan money to us and could foreclose against any assets securing our indebtedness under the ABL Facility, and we could be forced into bankruptcy or liquidation.

***Covenants in the ABL Facility may restrict our business and could limit our ability to implement our business plan.***

The ABL Facility includes covenants restricting, among other things, our ability to do the following under certain circumstances:

- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make investments in certain subsidiaries;
- pay dividends, make distributions or redeem or repurchase capital stock; and
- consolidate or merge with or into, or sell substantially all of our assets to another entity.

Compliance with these and the other covenants in the ABL Facility may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in strategic transactions. We cannot assure you that we will be able to comply with our financial or other covenants under the ABL Facility or that any covenant violations would be waived in the future. Any violation that is not waived could result in an event of default and, as a result, our lenders under the ABL Facility could declare all outstanding principal and interest to be due and payable, could suspend commitments to make any advances or could require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could adversely affect our business, financial condition and results of operations.

***Changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our business and financial condition.***

We currently have corporate credit ratings of BB with a negative outlook from Standard & Poor's and Ba3 with a negative outlook from Moody's. Any reduction in our credit ratings could result in reduced access to the credit and capital markets, more restrictive covenants in future financing documents and higher interest costs, and potentially increased lease or hedging costs. In addition, market conditions such as increased volatility or disruption in the credit markets could adversely affect our ability to obtain financing or refinance existing debt on terms that would be acceptable to us.

### **Risks Related to Sustainability and Climate Change**

***Our business is subject to evolving regulations and expectations with respect to environmental, social and governance ("ESG") matters that could expose us to numerous risks.***

Increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. These developments have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting ESG-related requirements and expectations. For example, developing and acting on ESG-related initiatives, including design, sourcing and operations decisions, and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC's recently approved climate-related reporting requirements and sustainability reporting requirements in the European Union. We may also communicate certain ESG-related initiatives and goals in our SEC filings or in other public disclosures. These ESG-related initiatives and goals could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of our disclosures. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG-related goals on a timely basis, or at all, our reputation, business, financial condition and results of operations could be adversely affected.

***Climate change may have an adverse impact on our business.***

There are inherent climate-related risks wherever business is conducted. Our properties and operations, and those of our franchisees, vendors and other business partners, may be vulnerable to the adverse effects of climate change, which may include an increase in the frequency and severity of weather conditions and other natural cycles such as wildfires and droughts and shifts in climate patterns. The physical changes prompted by climate change could result in increased regulation or changes in consumer preferences and spending patterns. Such events have the potential to disrupt our operations and those of our franchisees, vendors and other business partners, cause store and factory closures, and impact our customers, employees and workers in our supply chain, all of which may adversely affect our business.

### **General Risks**

***Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events.***

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, wildfires, and other extreme weather conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; negative global climate patterns, especially in water stressed regions; or other catastrophic events or disasters occurring in or impacting the areas in which our stores, distribution centers, corporate offices or our vendors' manufacturing facilities are located, whether occurring in the United States or internationally, could disrupt our, our franchisees' and our vendors' operations. Our disaster

recovery and business continuity planning may not be sufficient in all instances to mitigate the impact of such catastrophic events.

In particular, these types of events could impact our supply chain from or to the impacted region and could impact our ability or the ability of our franchisees or other third parties to operate our stores or websites. These types of events could also negatively impact consumer spending in the impacted regions or globally, depending upon the severity. Disasters occurring at our vendors' manufacturing facilities could impact our reputation and our customers' perception of our brands. To the extent any of these events occur, our business and results of operations could be adversely affected.

Several military conflicts are taking place around the world which may adversely affect our business. The ongoing conflicts between Russia and Ukraine and Israel and Hamas have caused and may continue to cause instability and disruption in global markets. The potential impact of these conflicts and any resulting bans, sanctions and boycotts on our business is uncertain at the current time due to the fluid nature of these conflicts as they are unfolding in real-time. The potential impacts could include supply chain and logistics disruptions, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy and heightened cybersecurity threats. We do not and cannot know if these conflicts could escalate and result in broader economic and security concerns which could adversely affect our business, financial condition or results of operations.

***Failure to comply with applicable laws and regulations, and changes in the regulatory or administrative landscape, could adversely affect our business, financial condition and results of operations.***

Laws and regulations at the local, state, federal, and international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, we cannot predict with assurance the impact that may result from changes in the regulatory or administrative landscape. Such laws and regulations are complex and often subject to differing interpretations, which can lead to unintentional or unknown instances of non-compliance.

Our failure, or the failure of our employees, franchisees, licensees, vendors, or other business partners, to comply with applicable laws and regulations, and any changes in laws or regulations, the imposition of additional laws or regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, anti-corruption, trade, product safety, transportation and logistics, health care, tax, cybersecurity, privacy, operations, or environmental issues, among others, could adversely affect our business, financial condition and results of operations.

***We are subject to various proceedings, lawsuits, disputes, and claims from time to time, which could adversely affect our business, financial condition and results of operations.***

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, securities, 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 may be covered in part by insurance. We cannot predict with assurance the outcome of Actions brought against us. Additionally, defending against Actions may involve significant expense and diversion of management's attention and resources. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. An unfavorable outcome could adversely affect our business, financial condition and results of operations.

## **Item 1B. Unresolved Staff Comments.**

None.

## **Item 1C. Cybersecurity.**

### **Risk Management and Strategy**

Safeguarding our information systems as well as the information that we receive and store about our customers, employees, vendors and others is a priority for Gap Inc. We maintain a cybersecurity program with technical and organizational safeguards that is designed to identify, assess, manage, mitigate and respond to cybersecurity threats, including threats associated with the use of third-party systems. The program leverages our overall enterprise risk management (“ERM”) processes. Cybersecurity risk management processes are also embedded within our operating procedures, internal controls and information systems.

Annually, employees receive cybersecurity training, and we provide additional targeted cybersecurity awareness and education activities throughout the year. In partnership with external consultants, we periodically conduct “tabletop” exercises with management and members of our Information Security, Information Technology and Privacy teams during which we simulate real-life cybersecurity incident scenarios to assess our preparedness, test our incident response plans and highlight potential areas for improvement. Audits of our cybersecurity risk management processes are conducted periodically in order to test the effectiveness of controls designed to prevent and respond to cyberattacks at different levels within Gap Inc. In addition, we maintain cybersecurity risk insurance.

Our Information Security and Information Technology teams manage and monitor our cybersecurity environment. These teams track cybersecurity incidents across Gap Inc., our vendors and third-party service providers to remediate and resolve incidents. Incidents are escalated as appropriate based on a risk assessment framework, including as needed to senior management. Gap Inc.’s Privacy team is involved to the extent data privacy concerns are implicated. We maintain incident response plans to coordinate activities taken to respond to and remediate cybersecurity incidents. We consult with outside counsel as appropriate, including on materiality analysis and disclosure matters, and senior management makes final materiality determination and disclosure decisions.

Our cybersecurity risk management processes are based on industry-recognized standards. We partner with leading cybersecurity companies to leverage third-party technology and expertise, and we engage with these partners to support monitoring and maintaining the performance and effectiveness of controls implemented in our environment.

To date, our business strategy, results of operations and financial condition have not been materially affected by risks from cybersecurity threats, including as a result of previously identified cybersecurity incidents, but we cannot provide assurance that they will not be materially affected in the future by such risks or any future material incidents. For more information on our cybersecurity-related risks, see “Risks Related to Data Privacy and Cybersecurity” in Item 1A, Risk Factors, of this Form 10-K.

### **Governance**

Gap Inc.’s Chief Information Security Officer (“CISO”) oversees the cybersecurity program. The CISO reports to the Chief Digital & Technology Officer (“CDTO”) and is responsible for assessing and maintaining the Company’s cybersecurity risk management processes. The CISO informs senior management regarding the prevention, detection, mitigation and remediation of cybersecurity incidents. The CISO, CDTO, and members of the Information Security, Information Technology and Privacy teams have broad experience and expertise in selecting, deploying and operating cybersecurity technologies, initiatives and processes around the world. Information about our executive officers’ work experience, including our CDTO, is included in “Information about our Executive Officers” in Item 1, Business, of this Form 10-K.

Our Board understands the importance of maintaining a robust and effective cybersecurity program. The Audit and Finance Committee of the Board oversees the Company’s cybersecurity program as well as risk exposures and steps taken by management to monitor and mitigate cybersecurity risks. The CISO and/or CDTO provide a quarterly update on the cybersecurity program, on an alternating basis to the Audit and Finance Committee or the full Board.

Our Internal Audit department facilitates an annual ERM assessment that is designed to gather information regarding key enterprise risks, emerging risks, critical risk events, and key third-party dependencies that could impact our objectives and strategies. The Internal Audit department partners with our Information Security, Information Technology and Privacy teams to gather information about risks related to cybersecurity threats. The ERM assessment is presented to the Board and provides the foundation for the annual Internal Audit plan, management's monitoring and risk mitigation efforts, and ongoing Board-level oversight. On a quarterly basis, Gap Inc.'s Chief Audit Executive updates the Audit and Finance Committee on the Internal Audit plan and any updates to the Company's enterprise risk profile, including identified cybersecurity risks.

## **Item 2. Properties.**

As of February 3, 2024, we had 2,562 Company-operated stores in the United States, Canada, Japan, and Taiwan, which totaled approximately 30.6 million square feet. Almost all of these stores are leased, typically with one or more renewal options after the initial term. Terms vary by type and location of store.

We own approximately 0.8 million square feet of corporate office space located in: San Francisco, Pleasanton, and Rocklin, California. We lease approximately 0.5 million square feet of corporate office space located in: San Francisco, California; New York, New York; Albuquerque, New Mexico; and Hyderabad, India. We also lease regional offices in North America and in various international locations. We own approximately 9.6 million square feet of distribution space located in: Fresno, California; Fishkill, New York; Groveport, Ohio; Gallatin, Tennessee; Brampton, Ontario, Canada; and Longview, Texas. We also have a distribution center in construction in London, Ontario, Canada with estimated occupancy in fiscal 2025. We lease approximately 0.5 million square feet of distribution space located in: Phoenix, Arizona; and Erlanger and Hebron, Kentucky. Third-party logistics companies provide logistics services to us through distribution warehouses in: Chiba, Japan; Hong Kong, China; and New Taipei City, Taiwan. We also use a number of distribution facilities located globally that are leased and operated by third-party logistics providers related to our franchise business.

## **Item 3. Legal Proceedings.**

We do not believe that the outcome of any current Action would have a material effect on our Consolidated Financial Statements.

## **Item 4. Mine Safety Disclosures.**

Not applicable.

## Part II

### **Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

The principal market on which our stock is traded is the New York Stock Exchange under the symbol "GPS". Our website is [www.gapinc.com](http://www.gapinc.com). The number of holders of record of our stock as of March 13, 2024 was 5,394.

The Company has paid dividends on a quarterly basis and expects to continue to do so, subject to approval by the Board. Additional dividend information can be found in Liquidity and Capital Resources in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

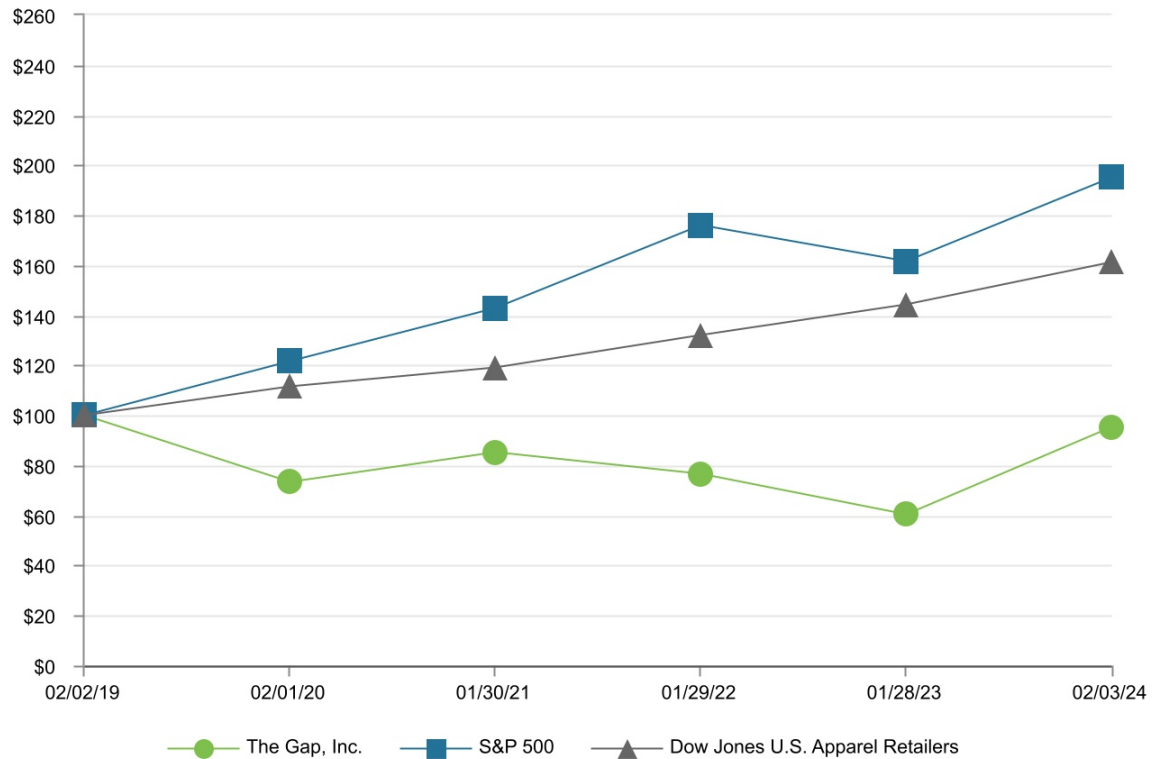
In February 2019, the Board approved a \$1.0 billion share repurchase authorization (the "February 2019 repurchase program"), which has no expiration date. There were no shares repurchased, other than shares withheld to settle employee statutory tax withholding related to the vesting of stock units, during the 14 weeks ended February 3, 2024. The February 2019 repurchase program had \$476 million remaining as of February 3, 2024.

### Stock Performance Graph

The graph below compares our cumulative total stockholder return on our common stock for the five-year period ended February 3, 2024, with the cumulative total returns of (i) the S&P 500 Index and (ii) the Dow Jones U.S. Apparel Retailers Index. The total stockholder return for our common stock assumes reinvestment of any dividends paid.

## TOTAL RETURN TO STOCKHOLDERS

(Assumes \$100 investment on 2/2/2019)



### Total Return Analysis

	2/2/2019	2/1/2020	1/30/2021	1/29/2022	1/28/2023	2/3/2024
The Gap, Inc.	\$ 100.00	\$ 73.30	\$ 85.25	\$ 76.56	\$ 60.21	\$ 95.36
S&P 500	\$ 100.00	\$ 121.68	\$ 142.67	\$ 175.90	\$ 161.45	\$ 195.06
Dow Jones U.S. Apparel Retailers	\$ 100.00	\$ 111.46	\$ 119.16	\$ 131.90	\$ 144.08	\$ 161.22

Source: Research Data Group, Inc.

### Item 6. [Reserved]

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### Our Business

We are a collection of lifestyle brands offering apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. As of February 3, 2024, we had Company-operated stores in the United States, Canada, Japan, and Taiwan. Our products are available to customers online through Company-owned websites and through third-party arrangements. We also have franchise agreements to operate Old Navy, Gap, Banana Republic, 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 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

Financial results for fiscal 2023 are as follows:

- Net sales for fiscal 2023 decreased 5 percent to \$14.9 billion compared with \$15.6 billion for fiscal 2022.
- Store and franchise sales for fiscal 2023 decreased 3 percent compared with fiscal 2022 and online sales for fiscal 2023 decreased 7 percent compared with fiscal 2022.
- Gross profit for fiscal 2023 was \$5.8 billion compared with \$5.4 billion for fiscal 2022. Gross margin for fiscal 2023 was 38.8 percent compared with 34.3 percent for fiscal 2022.
- Operating income for fiscal 2023 was \$560 million compared with operating loss of \$(69) million for fiscal 2022.
- Effective tax rate for fiscal 2023 was 9.7 percent compared with negative 45.3 percent for fiscal 2022.
- Net income for fiscal 2023 was \$502 million compared with net loss of \$(202) million for fiscal 2022.
- Diluted earnings per share was \$1.34 for fiscal 2023 compared with diluted loss per share of \$(0.55) for fiscal 2022.
- Merchandise inventory as of the fourth quarter of fiscal 2023 decreased 16 percent compared with the fourth quarter of fiscal 2022.

Fiscal 2023 consisted of 53 weeks versus 52 weeks in fiscal 2022. Net sales and operating results, as well as other metrics derived from the Consolidated Statement of Operations, include the impact of the additional week; however, the comparable sales calculation excludes the 53rd week.

Effective August 22, 2023, Richard Dickson became the Company's President and Chief Executive Officer. Bob L. Martin, who had been serving as the Company's Chief Executive Officer on an interim basis, remained as the Executive Board Chair until October 28, 2023, when he transitioned to a non-employee Board Chair role.

On April 25, 2023, the Company's management committed to a restructuring plan (the "Plan") as part of the Company's previously announced efforts to simplify and optimize its operating model and structure. The Plan included a reduction in workforce of approximately 1,800 employees, primarily in headquarters locations. The actions associated with the reduction of the Company's workforce under the Plan were substantially completed in the first half of fiscal 2023. In connection with the Plan, the Company incurred \$93 million in pre-tax restructuring costs during fiscal 2023, which included employee-related costs of \$64 million and consulting and other associated costs of \$29 million. These restructuring costs were primarily recorded within operating expenses on the Consolidated Statement of Operations.

The Company has also completed its initiative of rationalizing the Gap and Banana Republic store fleet by closing, net of openings, 344 Gap and Banana Republic stores in North America from the beginning of fiscal 2020 to the end of fiscal 2023. The majority of the selected stores had leases that expired between these fiscal years, which allowed us to exit stores with a minimal net impact to our Consolidated Statements of Operations.

On November 7, 2022, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner, subject to regulatory approvals and closing conditions. On January 31, 2023, the Gap China transaction closed with Baozun. The impact upon divestiture was not material to our results of operations for fiscal 2023. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

During the first quarter of fiscal 2023, the Company also sold a building for \$76 million and recorded a pre-tax gain on sale of \$47 million within operating expenses on the Consolidated Statement of Operations.

We are focused on the following strategic priorities in the near term:

- maintaining and building upon the financial and operational rigor, through an optimized cost structure and disciplined inventory management;
- reinvigorating our brands to drive relevance and an engaging omni-channel experience;
- strengthening our platform and evolving with a digital first mindset;
- energizing our culture by attracting and retaining strong talent; and
- continuing to integrate social and environmental sustainability into business practices to support long-term growth.

We identify our operating segments according to how our business activities are managed and evaluated. As of February 3, 2024, our operating segments included Old Navy Global, Gap Global, Banana Republic Global, and Athleta Global. 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.

## Results of Operations

A discussion regarding our results of operations for fiscal year 2023 compared with fiscal year 2022 is presented below. A discussion regarding our results of operations for fiscal year 2022 compared with fiscal year 2021 can be found under Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on the Form 10-K for the year ended January 28, 2023, filed with the SEC on March 14, 2023.

### Net Sales

See Note 3 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for net sales disaggregation.

### Comparable Sales ("Comp Sales")

Comp Sales include the results of Company-operated stores and sales through our online channel. The calculation of Comp Sales excludes the results of the franchise and licensing business. Comp Sales included the results of certain foreign operations until their respective transitions to third-party franchise partners. See Note 17 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further details.

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.

The percentage change in Comp Sales by global brand and for The Gap, Inc., as compared with the preceding year, is as follows:

	Fiscal Year	
	2023	2022
Old Navy Global	(1)%	(12)%
Gap Global	1 %	(4)%
Banana Republic Global	(7)%	9 %
Athleta Global	(12)%	(5)%
The Gap, Inc.	(2)%	(7)%

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

	January 28, 2023	Fiscal 2023		February 3, 2024	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,238	25	20	1,243	19.8
Gap North America	493	1	22	472	5.0
Gap Asia (1)	232	2	11	134	1.2
Banana Republic North America	419	2	21	400	3.3
Banana Republic Asia	46	4	7	43	0.2
Athleta North America	257	25	12	270	1.1
Company-operated stores total	2,685	59	93	2,562	30.6
Franchise (1)	667	293	96	998	N/A
Total	3,352	352	189	3,560	30.6
Increase (decrease) over prior year				6.2 %	(3.8)%

	January 29, 2022	Fiscal 2022		January 28, 2023	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America (2)	1,252	30	20	1,238	19.8
Gap North America	520	10	37	493	5.2
Gap Asia	329	5	102	232	2.0
Gap Europe (3)	11	—	—	—	—
Banana Republic North America	446	2	29	419	3.5
Banana Republic Asia	50	3	7	46	0.2
Athleta North America	227	40	10	257	1.1
Company-operated stores total	2,835	90	205	2,685	31.8
Franchise (2)(3)	564	138	70	667	N/A
Total	3,399	228	275	3,352	31.8
Decrease over prior year				(1.4)%	(4.5)%

- (1) The 89 Gap China stores that were transitioned to Baozun during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Asia excludes Gap China stores and the ending balance for Franchise includes Gap China locations transitioned during the period.
- (2) The 24 Old Navy Mexico stores that were transitioned to Grupo Axo during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Old Navy North America excludes Old Navy Mexico stores and the ending balance for Franchise includes Old Navy Mexico stores.
- (3) The 11 Gap Italy stores that were transitioned to OVS S.p.A. ("OVS") during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Europe excludes Gap Italy stores and the ending balance for Franchise includes Gap Italy stores.

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

### Net Sales Discussion

Our net sales for fiscal 2023 decreased \$727 million, or 5 percent, compared with fiscal 2022, driven primarily by a decrease in Comp Sales, the transition of our Gap China business to a partnership model, and other strategic store closures. Fiscal 2023 also includes incremental sales attributable to the 53rd week. Additionally, there was an unfavorable impact of foreign exchange of \$74 million. The foreign exchange impact is the translation impact if net sales for fiscal 2022 were translated at exchange rates applicable during fiscal 2023.

### Cost of Goods Sold and Occupancy Expenses

(\$ in millions)	Fiscal Year	
	2023	2022
Cost of goods sold and occupancy expenses	\$ 9,114	\$ 10,257
Gross profit	\$ 5,775	\$ 5,359
Cost of goods sold and occupancy expenses as a percentage of net sales	61.2 %	65.7 %
Gross margin	38.8 %	34.3 %

Cost of goods sold and occupancy expenses decreased 4.5 percentage points as a percentage of net sales in fiscal 2023 compared with fiscal 2022.

- Cost of goods sold decreased 4.9 percentage points as a percentage of net sales in fiscal 2023 compared with fiscal 2022, primarily driven by a decrease in air freight expenses and improved promotional activity. Additionally, there was a decrease in inventory impairment charges compared with fiscal 2022. The impact of commodity costs was relatively flat for fiscal 2023 compared with fiscal 2022.
- Occupancy expenses increased 0.4 percentage points as a percentage of net sales in fiscal 2023 compared with fiscal 2022, primarily driven by a decrease in Comp Sales without a corresponding decrease in fixed occupancy expenses.

## Operating Expenses and Operating Margin

(\$ in millions)	Fiscal Year	
	2023	2022
Operating expenses	\$ 5,215	\$ 5,428
Operating expenses as a percentage of net sales	35.0 %	34.8 %
Operating margin	3.8 %	(0.4)%

Operating expenses decreased \$213 million, but increased 0.2 percentage points as a percentage of net sales during fiscal 2023 compared with fiscal 2022, due to a decrease in net sales as well as the following:

- a decrease in advertising expenses;
- a decrease in payroll expenses related to our operating model and structure changes;
- a decrease due to the transition of our China business to a partnership model;
- a decrease in technology-related investments;
- a gain on sale of building of \$47 million that occurred during fiscal 2023; and
- a loss on divestiture activity of \$35 million that occurred during fiscal 2022 related to the transition of the Old Navy Mexico business; partially offset by
- an increase in performance-based compensation; and
- restructuring expenses of \$89 million incurred during fiscal 2023 as a result of actions taken to simplify and optimize our operating model and structure.

## Interest Expense

(\$ in millions)	Fiscal Year	
	2023	2022
Interest expense	\$ 90	\$ 88

Interest expense primarily includes interest on outstanding borrowings and obligations mainly related to our Senior Notes.

## Interest Income

(\$ in millions)	Fiscal Year	
	2023	2022
Interest income	\$ (86)	\$ (18)

Interest income increased \$68 million during fiscal 2023 compared with fiscal 2022 primarily due to higher cash balances and higher interest rates, as well as tax-related interest income.

## Income Taxes

(\$ in millions)	Fiscal Year	
	2023	2022
Income tax expense	\$ 54	\$ 63
Effective tax rate	9.7 %	(45.3)%

The change in the effective tax rate for fiscal 2023 compared with fiscal 2022 was primarily due to changes in the amount and jurisdictional mix of pre-tax earnings, partially offset by prior year divestiture activity, the current year benefit from the impact of changes in valuation allowances, and current year benefit from a U.S. transfer pricing settlement related to our sourcing activities.

See Note 5 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further details.

## Liquidity and Capital Resources

We consider the following to be measures of our liquidity and capital resources:

(\$ in millions)	February 3, 2024	January 28, 2023
Cash and cash equivalents	\$ 1,873	\$ 1,215
Debt		
3.625 percent Senior Notes due 2029	750	750
3.875 percent Senior Notes due 2031	750	750
Working capital	1,299	1,361
Current ratio	1.42:1	1.42:1

As of February 3, 2024, the majority of our cash and cash equivalents were held in the United States and are generally accessible without any limitations.

We are also able to supplement near-term liquidity, if necessary, with our senior secured asset-based revolving credit agreement (the "ABL Facility") or other available market instruments. During fiscal 2023, the Company repaid an aggregate of \$350 million to reduce the outstanding borrowing under the ABL Facility to zero. There were no borrowings under the ABL Facility as of February 3, 2024. See Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for disclosures on the ABL Facility.

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, shipping costs, and payment of taxes. As our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period, we fund inventory expenditures during normal and peak periods through cash flows from operating activities and available cash. The seasonality of our operations, in addition to the impact of global economic conditions such as the uncertainty surrounding global inflationary pressures, acts of terrorism or war, global credit and banking markets, and new legislation, may lead to significant fluctuations in certain asset and liability accounts as well as cash inflows and outflows between fiscal year-end and subsequent interim periods.

Our voluntary supply chain finance ("SCF") program provides certain suppliers with the opportunity to sell their receivables due from us to participating financial institutions at the sole discretion of both the suppliers and the financial institutions. We are not a party to the agreements between our suppliers and the financial institutions and our payment terms are not impacted by whether a supplier participates in the SCF program. See Note 18 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K, for disclosures on the Company's SCF program.

We are party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of February 3, 2024, while others are considered future obligations. Our contractual obligations primarily consist of operating leases, purchase obligations and commitments, long-term debt and related interest payments, and income taxes. See Notes 7 and 12 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for information related to our debt and operating leases, respectively.

Purchase obligations and commitments consist of open purchase orders to purchase inventory as well as commitments for products and services used in the normal course of business. As of February 3, 2024, our purchase obligations and commitments were approximately \$4 billion. We expect that the majority of these purchase obligations and commitments will be settled within one year.

Our contractual obligations related to income taxes are primarily related to unrecognized tax benefits. See Note 5 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for information related to income taxes.

We believe our existing balances of cash and cash equivalents, along with our cash flows from operations, and instruments mentioned above, provide sufficient funds for our business operations as well as capital expenditures, dividends, and other liquidity requirements associated with our business operations over the next 12 months and beyond.

### **Cash Flows from Operating Activities**

Net cash provided by operating activities increased \$925 million during fiscal 2023 compared with fiscal 2022, primarily due to the following:

#### *Net income (loss)*

- Net income compared with net loss in the prior year;

#### *Changes in operating assets and liabilities*

- an increase of \$582 million related to accounts payable primarily due to the timing of payments for inventory during fiscal 2023 compared with fiscal 2022; and
- an increase of \$255 million related to accrued expenses and other current liabilities primarily due to an increase in performance-based compensation during fiscal 2023 compared with fiscal 2022; partially offset by
- a decrease of \$342 million related to income taxes payable, net of receivables and other tax-related items, primarily due to receipt of tax refunds during fiscal 2022 related to fiscal 2020 net operating loss carryback claims; and
- a decrease of \$171 million related to merchandise inventory primarily due to a continued reduction of inventory during fiscal 2023 that was less than the reduction of inventory during fiscal 2022.

### **Cash Flows from Investing Activities**

Net cash used for investing activities increased \$107 million during fiscal 2023 compared with fiscal 2022, primarily due to the following:

- \$76 million in net proceeds from the sale of a building during fiscal 2023 compared with \$458 million in net proceeds from the sale of buildings during fiscal 2022; partially offset by
- \$265 million less purchases of property and equipment during fiscal 2023 compared with fiscal 2022, largely due to rationalizing our technology investments and a decrease in new store and supply chain spend.

In fiscal 2023, cash used for purchases of property and equipment was \$420 million primarily related to information technology, store investments, and supply chain to support our omni and digital strategies.

### **Cash Flows from Financing Activities**

Net cash used for financing activities was \$567 million during fiscal 2023 compared with \$6 million of net cash provided by financing activities during fiscal 2022, primarily due to the following:

- \$350 million from the ABL Facility that was borrowed during fiscal 2022 and repaid during fiscal 2023; partially offset by
- \$123 million in repurchases of common stock during fiscal 2022 compared with no repurchases during fiscal 2023.

### **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. We require regular capital expenditures including technology improvements as well as building and maintaining our stores and distribution centers. 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 net cash provided by operating activities, a GAAP financial measure.

(\$ in millions)	Fiscal Year	
	2023	2022
Net cash provided by operating activities	\$ 1,532	\$ 607
Less: Purchases of property and equipment	(420)	(685)
Free cash flow	\$ 1,112	\$ (78)

### Debt and Credit Facilities

Certain financial information about the Company's debt and credit facilities is set forth under the headings "Debt and Credit Facilities" in Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

### 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.

We paid an annual dividend of \$0.60 per share in fiscal 2023 and fiscal 2022. In February 2024, the Board authorized a dividend of \$0.15 per share for the first quarter of fiscal 2024.

### Share Repurchases

Certain financial information about the Company's share repurchases is set forth under the heading "Share Repurchases" in Note 10 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

### Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements.

Our significant accounting policies can be found under the heading "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K. The policies and estimates discussed below include the financial statement elements that are either judgmental or involve the selection or application of alternative accounting policies and are material to our financial statements.

### Inventory Valuation

We value inventory at the lower of cost or net realizable value ("LCNRV"), with cost determined using the weighted-average cost method. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors), and we primarily use promotions and markdowns to clear merchandise. We record an adjustment to inventory when future estimated selling price is less than cost. Our LCNRV adjustment calculation requires management to make assumptions to estimate the selling price and amount of slow-moving merchandise and broken assortments subject to markdowns, which is dependent upon factors such as historical trends with similar merchandise, inventory aging, forecasted consumer demand, and the promotional environment.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our LCNRV. However, if estimates regarding consumer demand are inaccurate, or if economic conditions including global inflationary pressures change beyond what is currently estimated by management, our operating results could be affected.

## **Impairment of Long-Lived Assets**

Long-lived assets, which primarily consist of property and equipment and operating lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Events that result in an impairment review include a significant decrease in the operating performance of the long-lived asset or the decision to close a store, corporate facility, or distribution center.

Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group over the estimated remaining useful life. 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. For our Company-operated stores, the individual store generally represents the lowest level of independent identifiable cash flows and the asset group is comprised of both property and equipment and operating lease assets.

For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value. The estimated fair value of the asset or asset group is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. For operating lease assets, the Company determines the estimated fair value of the assets by comparing the discounted contractual rent payments to estimated market rental rates using available valuation techniques.

Our estimate of future cash flows requires management to make assumptions and to apply judgment, including forecasting future sales and gross profits and estimating useful lives of the assets. These estimates can be affected by factors such as future sales results, real estate market conditions, store closure plans, economic conditions, business interruptions, interest rates and government regulations that can be difficult to predict. If actual results and conditions are not consistent with the estimates and assumptions used in our calculations, we may be exposed to additional impairments of long-lived assets.

See Note 8 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information and disclosures about impairment of long-lived assets.

## **Income Taxes**

We are a multinational company operating in multiple domestic and foreign locations with different tax laws and regulations. The Company's management is required to interpret and apply these tax laws and regulations in determining the amount of its income tax liability for financial statement purposes. We record valuation allowances against our deferred tax assets when it is more likely than not that some portion or all of such deferred tax assets will not be realized. In determining the need for valuation allowances, management is required to make assumptions and to apply judgment, including tax planning strategies, forecasting future income, taxable income, and the geographic mix of income or losses in the jurisdictions in which we operate. Our effective tax rate in a given financial statement period may also be materially impacted by changes in the geographic mix and level of income or losses, changes in the expected or actual outcome of audits, and changes in the deferred tax valuation allowances or new tax legislation.

On a recurring basis, we assess the need for valuation allowances related to our deferred income tax assets, which includes consideration of both positive and negative evidence to determine, based on the weight of the available evidence, whether it is more likely than not that some or all of our deferred tax assets will not be realized. In our assessment, we consider recent financial operating results, the scheduled expiration of our net operating losses, potential sources of taxable income, the reversal of existing taxable differences, taxable income in prior carryback years (if permitted under tax law), and tax planning strategies.

It is possible that there will be changes in our business structure, our performance, our industry or otherwise that cause results to differ materially in future periods. If the changes result in significant and sustained reductions in our pre-tax income or utilization of existing tax carryforwards in future periods, additional valuation allowances may be required with corresponding adverse impacts on results of operations. Such adverse impacts may be material.

At any point in time, many tax years are subject to or in the process of being audited by various U.S. and foreign tax jurisdictions. These audits include reviews of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. When an uncertain tax position is identified, we recognize a benefit only if we believe it is more likely than not that the tax position based on its technical merits will be sustained upon examination by the relevant tax authorities. We recognize a benefit for tax positions using the highest cumulative tax benefit that is more likely than not to be realized. We establish a liability for tax positions that do not meet this threshold. The evaluation of uncertain tax positions requires management to apply specialized skill and knowledge related to tax laws and regulations and to make assumptions that are subject to factors such as possible assessments by tax authorities, changes in facts and circumstances, issuance of new regulations, and resolutions of tax audits. To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected.

See Note 5 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information on income taxes.

### **Revenue Recognition**

The Company's revenues primarily include merchandise sales at stores, online, and through franchise and licensing agreements. We also receive revenue sharing from our credit card agreement for private label and co-branded credit cards, and breakage revenue related to our gift cards, merchandise return cards, and outstanding loyalty points, which are realized based upon historical redemption patterns. For online sales, the Company has elected to treat shipping and handling as fulfillment activities and not a separate performance obligation. Accordingly, we recognize revenue for our single performance obligation related to online sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities.

We record sales return allowances and a right of returns asset on a gross basis for expected future merchandise returns, based on historical return patterns, merchandise mix, and recent trends. The actual amount of customer returns, which are inherently uncertain, may differ from our estimates. Sales return allowances are recorded within accrued expenses and other current liabilities and the right of returns asset is recorded within other current assets on our Consolidated Balance Sheets.

We also defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement.

See Note 3 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for related revenue disclosures.

### **Recent Accounting Pronouncements**

See "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for recent accounting pronouncements, including the expected dates of adoption and estimated effects on our Consolidated Financial Statements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

### **Derivative Financial Instruments**

Certain financial information about the Company's derivative financial instruments is set forth under the heading "Derivative Financial Instruments" in Note 9 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

We have performed a sensitivity analysis as of February 3, 2024 based on a model that measures the impact of a hypothetical 10 percent adverse change in foreign currency exchange rates to U.S. dollars (with all other variables held constant) on our underlying estimated major foreign currency exposures, net of derivative financial instruments. The foreign currency exchange rates used in the model were based on the spot rates in effect as of February 3, 2024. The sensitivity analysis indicated that a hypothetical 10 percent adverse movement in foreign currency exchange rates would have an unfavorable impact on the underlying cash flow, net of our foreign exchange derivative financial instruments, of \$18 million as of February 3, 2024.

#### **Debt**

Certain financial information about the Company's debt is set forth under the heading "Debt and Credit Facilities" in Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Our Senior Notes have fixed interest rates and are exposed to interest rate risk that is limited to changes in fair value. Changes in interest rates do not impact our cash flows.

On March 27, 2023, Moody's downgraded our corporate credit rating from Ba2 to Ba3 with a negative outlook and downgraded the rating of our Senior Notes from Ba3 to B1 with a negative outlook. These reductions and any future reduction in our credit ratings could result in an increase to our interest expense on future borrowings.

**Item 8. Financial Statements and Supplementary Data.**

**THE GAP, INC.  
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## Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of The Gap, Inc.

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Gap, Inc. and subsidiaries (the "Company") as of February 3, 2024 and January 28, 2023, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022 and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of February 3, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 3, 2024 and January 28, 2023, and the results of its operations and its cash flows for each of the fiscal years ended February 3, 2024, January 28, 2023 and January 29, 2022, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 3, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

### Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### ***Sales Return Allowances and Right of Returns Asset — Refer to Note 1 in the financial statements***

#### *Critical Audit Matter Description*

As of February 3, 2024, the Company recorded sales return allowances of \$62 million within accrued expenses and other current liabilities and a right of returns asset of \$28 million within other current assets. The Company establishes sales return allowances and a right of returns asset on a gross basis for expected future merchandise returns, based on historical return patterns, merchandise mix, and recent trends.

We identified sales return allowances and the right of returns asset as a critical audit matter due to the uncertainty and judgment in estimating the amount of outstanding customer returns as of the balance sheet date. A high degree of auditor judgment was required when performing audit procedures to evaluate the reasonableness of management's estimate.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to sales return allowances and the right of returns asset included the following, among others:

- We tested the effectiveness of controls over the process for establishing sales return allowances and the right of returns asset.
- We evaluated the Company's methodology and assumptions used to develop sales return allowances and the right of returns asset by:
  - Testing the completeness and accuracy of underlying data used in the sales return allowance estimate
  - Evaluating whether the inputs used in the estimate were relevant and consistent with evidence obtained externally and in other areas of the audit

- Testing the mathematical accuracy of the sales return allowance estimate
- Assessing the Company's ability to accurately estimate merchandise returns by comparing prior period estimates to actual merchandise returns
- We developed an independent estimate of sales return allowances and the right of returns asset and compared it to the recorded amount.

/s/ Deloitte & Touche LLP

San Francisco, California  
March 19, 2024

We have served as the Company's auditor since at least 1976, in connection with its initial public offering; however, an earlier year could not be reliably determined.

**THE GAP, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(\$ and shares in millions except par value)	February 3, 2024	January 28, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,873	\$ 1,215
Merchandise inventory	1,995	2,389
Other current assets	527	1,013
Total current assets	<u>4,395</u>	<u>4,617</u>
Property and equipment, net of accumulated depreciation	2,566	2,688
Operating lease assets	3,115	3,173
Other long-term assets	968	908
Total assets	<u>\$ 11,044</u>	<u>\$ 11,386</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 1,349	\$ 1,320
Accrued expenses and other current liabilities	1,108	1,219
Current portion of operating lease liabilities	600	667
Income taxes payable	39	50
Total current liabilities	<u>3,096</u>	<u>3,256</u>
Long-term liabilities:		
Revolving credit facility	—	350
Long-term debt	1,488	1,486
Long-term operating lease liabilities	3,353	3,517
Other long-term liabilities	512	544
Total long-term liabilities	<u>5,353</u>	<u>5,897</u>
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Common stock \$0.05 par value		
Authorized 2,300 shares for all periods presented; Issued and Outstanding 372 and 366 shares	19	18
Additional paid-in capital	113	27
Retained earnings	2,420	2,140
Accumulated other comprehensive income	43	48
Total stockholders' equity	<u>2,595</u>	<u>2,233</u>
Total liabilities and stockholders' equity	<u>\$ 11,044</u>	<u>\$ 11,386</u>

See Accompanying Notes to Consolidated Financial Statements

**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2023	2022	2021
Net sales	\$ 14,889	\$ 15,616	\$ 16,670
Cost of goods sold and occupancy expenses	9,114	10,257	10,033
Gross profit	5,775	5,359	6,637
Operating expenses	5,215	5,428	5,827
Operating income (loss)	560	(69)	810
Loss on extinguishment of debt	—	—	325
Interest expense	90	88	167
Interest income	(86)	(18)	(5)
Income (loss) before income taxes	556	(139)	323
Income tax expense	54	63	67
Net income (loss)	\$ 502	\$ (202)	\$ 256
Weighted-average number of shares—basic	370	367	376
Weighted-average number of shares—diluted	376	367	383
Earnings (loss) per share—basic	\$ 1.36	\$ (0.55)	\$ 0.68
Earnings (loss) per share—diluted	\$ 1.34	\$ (0.55)	\$ 0.67

See Accompanying Notes to Consolidated Financial Statements

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

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Net income (loss)	\$ 502	\$ (202)	\$ 256
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(4)	14	9
Change in fair value of derivative financial instruments, net of tax expense of \$2, \$—, and \$—	16	27	8
Reclassification adjustment for losses (gains) on derivative financial instruments, net of (tax expense) tax benefit of \$(1), \$(2), and \$3	(17)	(31)	12
Other comprehensive income (loss), net of tax	(5)	10	29
Comprehensive income (loss)	\$ 497	\$ (192)	\$ 285

See Accompanying Notes to Consolidated Financial Statements

**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(\$ and shares in millions except per share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
<b>Balance as of January 30, 2021</b>	<b>374</b>	<b>\$ 19</b>	<b>\$ 85</b>	<b>\$ 2,501</b>	<b>\$ 9</b>	<b>\$ 2,614</b>
Net income				256		256
Other comprehensive income, net of tax						
Foreign currency translation					9	9
Change in fair value of derivative instruments					8	8
Amounts reclassified from accumulated other comprehensive income					12	12
Repurchases and retirement of common stock	(9)	—	(201)			(201)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	54			54
Issuance of common stock and withholding tax payments related to vesting of stock units	3	—	(36)			(36)
Share-based compensation, net of forfeitures			141			141
Common stock dividends declared and paid (\$0.36 per share)				(135)		(135)
<b>Balance as of January 29, 2022</b>	<b>371</b>	<b>19</b>	<b>43</b>	<b>2,622</b>	<b>38</b>	<b>2,722</b>
Net loss				(202)		(202)
Other comprehensive income, net of tax						
Foreign currency translation					14	14
Change in fair value of derivative instruments					27	27
Amounts reclassified from accumulated other comprehensive income					(31)	(31)
Repurchases and retirement of common stock	(11)	(1)	(62)	(60)		(123)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	27			27
Issuance of common stock and withholding tax payments related to vesting of stock units	3	—	(20)			(20)
Share-based compensation, net of forfeitures			39			39
Common stock dividends declared and paid (\$0.60 per share)				(220)		(220)
<b>Balance as of January 28, 2023</b>	<b>366</b>	<b>18</b>	<b>27</b>	<b>2,140</b>	<b>48</b>	<b>2,233</b>
Net income				502		502
Other comprehensive loss, net of tax						
Foreign currency translation					(4)	(4)
Change in fair value of derivative instruments					16	16
Amounts reclassified from accumulated other comprehensive income					(17)	(17)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	27			27
Issuance of common stock and withholding tax payments related to vesting of stock units	3	1	(21)			(20)
Share-based compensation, net of forfeitures			80			80
Common stock dividends declared and paid (\$0.60 per share)				(222)		(222)
<b>Balance as of February 3, 2024</b>	<b>372</b>	<b>\$ 19</b>	<b>\$ 113</b>	<b>\$ 2,420</b>	<b>\$ 43</b>	<b>\$ 2,595</b>

See Accompanying Notes to Consolidated Financial Statements

**THE GAP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in millions)	Fiscal Year		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 502	\$ (202)	\$ 256
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>			
Depreciation and amortization	522	540	504
Share-based compensation	80	37	139
Impairment of operating lease assets	4	33	8
Impairment of store assets	3	18	1
Loss on extinguishment of debt	—	—	325
Amortization of debt issuance costs	4	6	14
Non-cash and other items	28	(16)	31
Loss on divestiture activity	—	35	59
Gain on sale of building	(47)	(83)	—
Deferred income taxes	(64)	42	(61)
<b>Changes in operating assets and liabilities:</b>			
Merchandise inventory	383	554	(593)
Other current assets and other long-term assets	179	161	(42)
Accounts payable	42	(540)	186
Accrued expenses and other current liabilities	12	(243)	172
Income taxes payable, net of receivables and other tax-related items	75	417	(85)
Other long-term liabilities	(15)	(45)	(3)
Operating lease assets and liabilities, net	(176)	(107)	(102)
<b>Net cash provided by operating activities</b>	<b>1,532</b>	<b>607</b>	<b>809</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(420)	(685)	(694)
Net proceeds from sale of buildings	76	458	—
Purchases of short-term investments	—	—	(753)
Proceeds from sales and maturities of short-term investments	—	—	1,162
Payments for acquisition activity, net of cash acquired	—	—	(135)
Net proceeds from divestiture activity, net of cash paid	9	—	(21)
Other	1	—	(5)
<b>Net cash used for investing activities</b>	<b>(334)</b>	<b>(227)</b>	<b>(446)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from revolving credit facility	—	350	—
Repayments of revolving credit facility	(350)	—	—
Proceeds from issuance of long-term debt	—	—	1,500
Payments to extinguish debt	—	—	(2,546)
Payments for debt issuance costs	—	(6)	(16)
Proceeds from issuances under share-based compensation plans	27	27	54
Withholding tax payments related to vesting of stock units	(20)	(20)	(36)
Repurchases of common stock	—	(123)	(201)
Cash dividends paid	(222)	(220)	(226)
Other	(2)	(2)	—
<b>Net cash provided by (used for) financing activities</b>	<b>(567)</b>	<b>6</b>	<b>(1,471)</b>
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(3)	(15)	(6)
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>628</b>	<b>371</b>	<b>(1,114)</b>
Cash, cash equivalents, and restricted cash at beginning of period	1,273	902	2,016
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 1,901</b>	<b>\$ 1,273</b>	<b>\$ 902</b>
<b>Non-cash investing activities:</b>			
Purchases of property and equipment not yet paid at end of period	\$ 43	\$ 55	\$ 124
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest during the period	\$ 74	\$ 76	\$ 180
Cash paid for income taxes during the period, net of refunds	\$ 49	\$ (388)	\$ 215
Cash paid for operating lease liabilities	\$ 932	\$ 942	\$ 1,061

See Accompanying Notes to Consolidated Financial Statements

## **Notes to Consolidated Financial Statements**

**For the Fiscal Years Ended February 3, 2024, January 28, 2023, and January 29, 2022**

### **Note 1. Organization and Summary of Significant Accounting Policies**

#### **Organization**

The Gap, Inc., a Delaware corporation, is a collection of lifestyle brands offering apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. As of February 3, 2024, we had Company-operated stores in the United States, Canada, Japan, and Taiwan. Our products are available to customers online through Company-owned websites and through third-party arrangements. We also have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta throughout Asia, Europe, Latin America, the Middle East, and Africa.

In fiscal 2023, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

#### **Principles of Consolidation**

The Consolidated Financial Statements include the accounts of The Gap, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

#### **Fiscal Year and Presentation**

Our fiscal year is a 52-week or 53-week period ending on the Saturday closest to January 31. The fiscal year ended February 3, 2024 (fiscal 2023) consisted of 53 weeks. The fiscal years ended January 28, 2023 (fiscal 2022) and January 29, 2022 (fiscal 2021) consisted of 52 weeks.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Additionally, these estimates and assumptions may change as a result of the impact of global economic conditions such as the uncertainty regarding global inflationary pressures, acts of terrorism or war, global credit and banking markets, and new legislation. We will continue to consider the impact of the global economic conditions on the assumptions and estimates used when preparing these Consolidated Financial Statements. Examples include, but are not limited to, assumptions and estimates used for inventory valuation, income taxes and valuation allowances, sales return and bad debt allowances, deferred revenue, and the impairment of long-lived assets. If the global economic conditions change beyond what is currently estimated by management, such future changes may have an adverse impact on the Company's results of operations and financial position.

#### **Cash and Cash Equivalents**

Cash includes funds deposited in banks and amounts in transit from banks for customer credit card and debit card transactions that process in less than seven days.

All highly liquid investments with original maturities of three months or less at the time of purchase are classified as cash equivalents. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our cash equivalents are placed in time deposits. Income related to these securities is recorded within interest income on the Consolidated Statements of Operations.

## Restricted Cash

Any cash that is legally restricted from use is classified as restricted cash. If the purpose of restricted cash is related to acquiring a long-term asset, liquidating a long-term liability, or is otherwise unavailable for a period longer than one year from the balance sheet date, the restricted cash is included within other long-term assets on our Consolidated Balance Sheets. Otherwise, restricted cash is included within other current assets on our Consolidated Balance Sheets.

As of February 3, 2024, January 28, 2023, and January 29, 2022, restricted cash primarily includes consideration that serves as collateral for our insurance obligations and certain other obligations occurring in the normal course of business. As of January 28, 2023, restricted cash also included a collateral amount under the SCF program of \$30 million. See Note 18 of Notes to Consolidated Financial Statements for related disclosures.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on our Consolidated Balance Sheets to the total shown on our Consolidated Statements of Cash Flows:

(\$ in millions)	February 3, 2024	January 28, 2023	January 29, 2022
Cash and cash equivalents	\$ 1,873	\$ 1,215	\$ 877
Restricted cash included in other current assets	—	32	—
Restricted cash included in other long-term assets	28	26	25
Total cash, cash equivalents, and restricted cash shown on the Consolidated Statement of Cash Flows	<u>\$ 1,901</u>	<u>\$ 1,273</u>	<u>\$ 902</u>

## Merchandise Inventory

We value inventory at the LCNRV, with cost determined using the weighted-average cost method. We record an adjustment to inventory when future estimated selling price is less than cost. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. In addition, we estimate and accrue shortage for the period between the last physical count and the balance sheet date.

## Property and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

<u>Category</u>	<u>Term</u>
Leasehold improvements	Shorter of remaining lease term or economic life, up to 15 years
Furniture and equipment	Up to 10 years
Software	Up to 7 years
Buildings and building improvements	Up to 39 years

When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded within operating expenses on the Consolidated Statements of Operations. Costs of maintenance and repairs are expensed as incurred. Costs incurred to implement cloud computing arrangements hosted by third-party vendors are capitalized when incurred during the application development phase and amortized on a straight-line basis over the contractual term, plus any reasonably certain renewal periods, of the cloud computing arrangement. Capitalized amounts related to such arrangements are recorded within other current assets and other long-term assets on our Consolidated Balance Sheets and were not material for fiscal 2023, 2022, or 2021.

## **Leases**

We determine if a long-term contractual obligation is a lease at inception. The majority of our operating leases relate to Company stores. We also lease some of our corporate facilities and distribution centers. These operating leases expire at various dates through fiscal 2047. Most store leases have a five-year base period and include options that allow us to extend the lease term beyond the initial base period, subject to terms agreed upon at lease inception. Some leases also include early termination options, which can be exercised under specific conditions. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We record our lease liabilities at the present value of the lease payments not yet paid, discounted at the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term. As the Company's leases do not provide an implicit interest rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

We recognize operating lease cost over the estimated term of the lease, which includes options to extend lease terms that are reasonably certain of being exercised, starting when possession of the property is taken from the landlord, which normally includes a construction period prior to the store opening. When a lease contains a predetermined fixed escalation of the fixed rent, we recognize the related operating lease cost on a straight-line basis over the lease term. In addition, certain of our lease agreements include variable lease payments, such as payments based on a percentage of sales that are in excess of a predetermined level and/or increases based on a change in the consumer price index or fair market value. These variable lease payments are excluded from minimum lease payments and are included in the determination of net lease cost when it is probable that the expense has been incurred and the amount can be reasonably estimated. If an operating lease asset is impaired, the remaining operating lease asset will be amortized on a straight-line basis over the remaining lease term.

See Note 12 of Notes to Consolidated Financial Statements for related disclosures.

## **Revenue Recognition**

The Company's revenues primarily include merchandise sales at stores, online, and through franchise and licensing agreements. We also receive revenue sharing from our credit card agreement for private label and co-branded credit cards, and breakage revenue related to our gift cards, merchandise return cards, and outstanding loyalty points, which are realized based upon historical redemption patterns. For online sales, the Company has elected to treat shipping and handling as fulfillment activities and not a separate performance obligation. Accordingly, we recognize revenue for our single performance obligation related to online sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities.

We record sales return allowances and a right of returns asset on a gross basis for expected future merchandise returns, based on historical return patterns, merchandise mix, and recent trends. Sales return allowances are recorded within accrued expenses and other current liabilities and the right of returns asset is recorded within other current assets on our Consolidated Balance Sheets.

We have credit card agreements with third parties to provide our customers with private label credit cards and co-branded credit cards (collectively, the "Credit Card programs"). Each private label credit card bears the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used at any of our U.S. store locations and online. The current co-branded credit card is a MasterCard credit card bearing the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used everywhere MasterCard credit cards are accepted. The Credit Card programs are a part of Gap Inc.'s loyalty program where members enjoy incentives in the form of rewards which can be redeemed across all of our brands.

During fiscal 2022, the Company launched a new long-term credit card program with Barclays that replaced our prior credit card program with Synchrony Financial. Barclays, a third-party financial institution, is the sole owner of the accounts and underwrites the credit issued under the Credit Card programs. Our agreement with Barclays provides for certain payments to be made to us, including a share of revenue from the performance of the credit card portfolios and reimbursements of loyalty program discounts. We have identified separate performance obligations related to our credit card agreement that includes both providing a license and an obligation to redeem loyalty points issued under the loyalty rewards program. Our obligation to provide a license is satisfied when the subsequent sale or usage occurs and our obligation to redeem loyalty points is deferred until those loyalty points are redeemed. Income related to our credit card agreement is classified within net sales on our Consolidated Statements of Operations. In conjunction with entering into our agreement with Barclays, the Company also entered into a corresponding agreement with MasterCard for co-branded cards that replaced our prior agreement with Visa.

We have franchise agreements to operate Old Navy, Gap, Banana Republic, 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. We have identified separate performance obligations related to our franchise agreements that include both providing our franchise partners with a license and an obligation to supply franchise partners with our merchandise. Our obligation to provide a license is satisfied when the subsequent sale or usage occurs and our obligation to supply franchise partners with our merchandise is satisfied when control of the merchandise transfers. We also have licensing agreements with licensees to sell products using our brand names.

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement.

See Note 3 of Notes to Consolidated Financial Statements for related revenue disclosures.

### **Classification of Expenses**

Cost of goods sold and occupancy expenses include the following:

- the cost of merchandise;
- inventory shortage and valuation adjustments;
- freight charges;
- online shipping and packaging costs;
- cost associated with our sourcing operations, including payroll, benefits, and other administrative expenses;
- lease and other occupancy related cost, depreciation, and amortization related to our store operations, distribution centers, information technology, and certain corporate functions; and
- gains and losses associated with foreign currency derivative 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.

Operating expenses include the following:

- payroll, benefits, and other administrative expenses for our store operations, field management, and distribution centers;
- payroll, benefits, and other administrative expenses for our corporate functions, including product design and development;
- advertising expenses;
- information technology expenses and maintenance costs;
- lease and other occupancy related cost, depreciation, and amortization for our corporate facilities;
- research and development expenses;

- gains and losses associated with foreign currency derivative contracts not designated as hedging instruments;
- third-party credit card processing fees; and
- other expenses (income).

Payroll, benefits, and other administrative expenses for our distribution centers recorded within operating expenses were \$320 million, \$386 million, and \$379 million in fiscal 2023, 2022, and 2021, respectively. Research and development costs described in Accounting Standards Codification ("ASC") No. 730 are expensed as incurred. These costs primarily consist of payroll and related benefits attributable to time spent on research and development activities for new innovative products and technological improvements for existing products and process innovation. Research and development expenses recorded within operating expenses under ASC 730 were \$37 million, \$46 million, and \$41 million in fiscal 2023, 2022, and 2021, respectively.

The classification of expenses varies across the apparel retail industry. Accordingly, our cost of goods sold and occupancy expenses and operating expenses may not be comparable to those of other companies.

### **Impairment of Long-Lived 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. Events that result in an impairment review include a significant decrease in the operating performance of the long-lived asset, the decision to close a store, corporate facility, or distribution center or adverse changes in business climate. Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group over the estimated remaining life. 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 generally at the store level. The asset group for retail stores is comprised of both property and equipment and operating lease assets. For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value, which is recorded within operating expenses on the Consolidated Statements of Operations. The estimated fair value of the asset or asset group is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. For operating lease assets, the Company determines the estimated fair value of the assets by discounting the estimated market rental rates using available valuation techniques.

See Note 8 of Notes to Consolidated Financial Statements for related disclosures.

### **Impairment of Goodwill and Intangible Assets**

We review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually in the fourth quarter of the fiscal year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events that result in an impairment review include significant changes in the business climate, declines in our operating results, or an expectation that the carrying amount may not be recoverable. We assess potential impairment by considering present economic conditions as well as future expectations. If goodwill is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the reporting unit.

A trade name is considered impaired if the carrying amount exceeds its estimated fair value. If a trade name is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the trade name. The fair value of a trade name is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales, and selecting appropriate discount rates and royalty rates.

Goodwill and other indefinite-lived intangible assets, including the trade names, are recorded within other long-term assets on the Consolidated Balance Sheets.

See Note 6 of Notes to Consolidated Financial Statements for related disclosures.

## Advertising

Costs associated with the production of advertising, such as writing, copy, printing, and other costs, are expensed as incurred. Costs associated with communicating advertising that has been produced, such as television, magazine costs, and digital and social media, are expensed when the advertising event takes place or is made available. Advertising expense was \$882 million, \$1,039 million, and \$1,115 million in fiscal 2023, 2022, and 2021, respectively, and is recorded within operating expenses on the Consolidated Statements of Operations.

## Share-Based Compensation

Share-based compensation expense for stock options and other stock awards is determined based on the grant-date fair value. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options, which requires the input of subjective assumptions regarding the expected term, expected volatility, dividend yield, and risk-free interest rate. There were no stock options issued to employees during fiscal 2023. For units granted, whereby shares of common stock are issued for units as they vest ("Stock Units"), the fair value is determined either based on the Company's stock price on the date of grant less future expected dividends during the vesting period or a Monte Carlo method for certain Stock Units granted with a market condition. For stock options and Stock Units, we recognize share-based compensation cost over the vesting period. We account for forfeitures as they occur. Share-based compensation expense is recorded primarily within operating expenses on the Consolidated Statements of Operations.

See Note 11 of Notes to Consolidated Financial Statements for related disclosures.

## Foreign Currency

Our international subsidiaries primarily use local currencies as their functional currency and translate their assets and liabilities at the current rate of exchange in effect at the balance sheet date. Revenue and expenses from their operations are translated using rates that approximate those in effect during the period in which the transactions occur. The resulting gains and losses from translation are recorded on the Consolidated Statements of Comprehensive Income (Loss) and in accumulated other comprehensive income ("OCI") on the Consolidated Statements of Stockholders' Equity. Transaction gains and losses resulting from intercompany balances of a long-term investment nature are also classified as accumulated OCI. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are recorded within operating expenses on the Consolidated Statements of Operations.

The aggregate transaction gains and losses recorded within operating expenses on the Consolidated Statements of Operations are as follows:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Foreign currency transaction loss	\$ (9)	\$ (59)	\$ (18)
Realized and unrealized gain from certain derivative financial instruments	11	57	18
Net foreign exchange gain (loss)	\$ 2	\$ (2)	\$ —

## Income Taxes

Deferred income taxes are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts on the Consolidated Financial Statements. Valuation allowances are established against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Our income tax expense includes changes in our estimated liability for exposures associated with our various tax filing positions. At any point in time, many tax years are subject to or in the process of being audited by various taxing authorities. To the extent our estimates of settlements change or the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made.

The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties related to unrecognized tax benefits in operating expenses on the Consolidated Statements of Operations.

The Company has made an accounting policy election to treat taxes due on the global intangible low-taxed income ("GILTI") of foreign subsidiaries as a current period expense.

### **Earnings per Share**

Basic earnings per share is computed as net income (loss) divided by basic weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed as net income divided by diluted weighted-average number of common shares outstanding for the period including common stock equivalents. During periods of net loss, the dilutive impact of outstanding options and awards is excluded from dilutive shares. Common stock equivalents consist of shares subject to share-based awards with exercise prices less than the average market price of our common stock for the period, to the extent their inclusion would be dilutive. Stock options and other stock awards that contain performance conditions are not included in the calculation of common stock equivalents until such performance conditions have been achieved.

See Note 14 of Notes to Consolidated Financial Statements for related disclosures.

## **Recent Accounting Pronouncements**

Except as noted below, 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 Consolidated Financial Statements and disclosures, based on current information.

## **Accounting Pronouncement Recently Adopted**

### ***ASU No. 2022-04, Disclosure of Supplier Finance Program Obligations***

In September 2022, the Financial Accounting Standards Board ("FASB") issued accounting standards update ("ASU") No. 2022-04, Disclosure of Supplier Finance Program Obligations. The ASU is intended to enhance the transparency of the use of supplier finance programs by requiring additional disclosures about the program's nature and potential magnitude, including a rollforward of the obligations and activity during the period. The ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2022, except for the amendment on rollforward information, which is effective prospectively for fiscal years beginning after December 15, 2023. The ASU does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. We adopted this ASU on January 29, 2023. See Note 18 of Notes to Consolidated Financial Statements for information regarding our supply chain finance program.

## **Accounting Pronouncements Not Yet Adopted**

### ***ASU No. 2023-07, Improvements to Reportable Segment Disclosures***

In November 2023, the FASB issued ASU No. 2023-07, Improvements to Reportable Segment Disclosures. The ASU is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The ASU is effective retrospectively for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. We are currently assessing the impact that this ASU will have on our Consolidated Financial Statements and related disclosures.

### ***ASU No. 2023-09, Improvements to Income Tax Disclosures***

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures. The ASU is intended to improve the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the rate reconciliation, as well as income taxes paid disaggregated by jurisdiction. The ASU is effective for annual periods beginning after December 15, 2024 and should be applied on a prospective basis, but retrospective application is permitted. We are currently assessing the impact that this ASU will have on our Consolidated Financial Statements and related disclosures.

### ***Global Anti-Base Erosion Model Rules ("Pillar Two")***

The Organization for Economic Co-operation and Development ("OECD") has introduced a new global minimum corporate tax of 15%, commonly referred to as Pillar Two. While the U.S. has not yet adopted the Pillar Two rules, various other governments around the world are enacting legislation which is effective beginning in fiscal 2024. These rules are not expected to materially impact the Company's Consolidated Financial Statements, considering the Company does not have material operations in jurisdictions with tax rates substantially lower than the Pillar Two minimum. The Company will continue to monitor U.S. and global legislative action related to Pillar Two for potential impacts.

## Note 2. Additional Financial Statement Information

### Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Cash (1)	\$ 1,872	\$ 1,200
Time deposits	1	15
Cash and cash equivalents	<u>\$ 1,873</u>	<u>\$ 1,215</u>

(1) Cash includes \$76 million and \$60 million of amounts in transit from banks for customer credit card and debit card transactions as of February 3, 2024 and January 28, 2023, respectively.

### Other Current Assets

Other current assets consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Accounts receivable	\$ 289	\$ 340
Prepaid income taxes and income taxes receivable	36	150
Prepaid minimum rent and occupancy expenses	31	106
Right of returns asset	28	46
Derivative financial instruments	7	11
Assets held for sale (1)	—	172
Other	136	188
Other current assets	<u>\$ 527</u>	<u>\$ 1,013</u>

(1) The Company reclassifies certain assets and liabilities as held for sale that are expected to be sold within the next twelve months. As of January 28, 2023, the aggregate carrying amount of assets held for sale consisted of \$142 million related to agreements to transition our Gap Greater China operations to Baozun and \$30 million related to an agreement for the sale of a building. See Note 17 of Notes to Consolidated Financial Statements for related disclosures of the transition of our Gap Greater China operations to Baozun.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Furniture and equipment	\$ 2,805	\$ 2,833
Leasehold improvements	2,197	2,270
Land, buildings, and building improvements	1,140	1,103
Software	1,121	1,142
Construction-in-progress	177	177
Property and equipment, at cost	<u>7,440</u>	<u>7,525</u>
Less: Accumulated depreciation	<u>(4,874)</u>	<u>(4,837)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 2,566</u>	<u>\$ 2,688</u>

Depreciation expense for property and equipment was \$513 million, \$531 million, and \$502 million for fiscal 2023, 2022, and 2021, respectively.

Interest of \$5 million, \$7 million, and \$7 million related to assets under construction was capitalized in fiscal 2023, 2022, and 2021, respectively.

See Note 8 of Notes to Consolidated Financial Statements for information regarding impairment charges.

### Other Long-Term Assets

Other long-term assets consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Long-term income tax-related assets	\$ 561	\$ 480
Goodwill	207	207
Trade names	54	54
Intangible assets subject to amortization, net of accumulated amortization	18	27
Other	128	140
Other long-term assets	<u>\$ 968</u>	<u>\$ 908</u>

See Note 6 of Notes to Consolidated Financial Statements for additional disclosures on goodwill and other intangible assets.

### Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Accrued compensation and benefits	394	243
Deferred revenue	337	354
Sales return allowances	62	84
Accrued advertising	40	44
Accrued interest	21	22
Derivative financial instruments	8	20
Liabilities held for sale (1)	—	126
Other	246	326
Accrued expenses and other current liabilities	<u>\$ 1,108</u>	<u>\$ 1,219</u>

(1) The Company reclassifies certain assets and liabilities as held for sale that are expected to be sold within the next twelve months. See Note 17 of Notes to Consolidated Financial Statements for related disclosures.

### Other Long-Term Liabilities

Other long-term liabilities consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
Long-term income tax-related liabilities	\$ 319	\$ 327
Long-term asset retirement obligations (1)	28	38
Long-term deferred rent and tenant allowances	23	27
Other	142	152
Other long-term liabilities	<u>\$ 512</u>	<u>\$ 544</u>

(1) The net activity related to asset retirement obligations includes adjustments to the asset retirement obligation balance and fluctuations in foreign currency exchange rates.

### Note 3. Revenue

#### Disaggregation of Net Sales

We disaggregate our net sales by channel 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; the distribution center or store from which the products were shipped; or the region of the franchise or licensing partner.

Net sales disaggregated by channel for fiscal 2023, 2022, and 2021 are as follows:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Store and franchise sales	\$ 9,346	\$ 9,651	\$ 10,239
Online sales (1)	5,543	5,965	6,431
Total net sales	\$ 14,889	\$ 15,616	\$ 16,670

(1) Online sales primarily include sales originating from our online channel including those that are picked up or shipped from stores and net sales from revenue-generating strategic initiatives.

Net sales disaggregated by brand and region are as follows:

(\$ in millions)						
Fiscal 2023 (1)	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (3)	Total
U.S. (2)	\$ 7,460	\$ 2,470	\$ 1,681	\$ 1,310	\$ 46	\$ 12,967
Canada	674	332	170	45	—	1,221
Other regions	69	539	88	5	—	701
Total	\$ 8,203	\$ 3,341	\$ 1,939	\$ 1,360	\$ 46	\$ 14,889

(\$ in millions)						
Fiscal 2022	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (3)	Total
U.S. (2)	\$ 7,471	\$ 2,461	\$ 1,829	\$ 1,428	\$ 12	\$ 13,201
Canada	679	332	192	33	—	1,236
Other regions	84	981	95	19	—	1,179
Total	\$ 8,234	\$ 3,774	\$ 2,116	\$ 1,480	\$ 12	\$ 15,616

(\$ in millions)						
Fiscal 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (4)	Total
U.S. (2)	\$ 8,272	\$ 2,608	\$ 1,703	\$ 1,432	\$ 102	\$ 14,117
Canada	713	349	178	12	—	1,252
Other regions	97	1,106	95	3	—	1,301
Total	\$ 9,082	\$ 4,063	\$ 1,976	\$ 1,447	\$ 102	\$ 16,670

(1) Fiscal 2023 includes incremental sales attributable to the 53rd week.

(2) U.S. includes the United States and Puerto Rico.

(3) Primarily consists of net sales from revenue-generating strategic initiatives.

(4) Primarily consists of net sales for the Intermix and Janie and Jack brands, as well as other revenue-generating strategic initiatives. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021.

#### Deferred Revenue

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement. For fiscal 2023, the opening balance of deferred revenue for these obligations was \$354 million, of which \$253 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$337 million as of February 3, 2024.

For fiscal 2022, the opening balance of deferred revenue for these obligations was \$345 million, of which \$241 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$354 million as of January 28, 2023.

In April 2021, the Company entered into agreements with Barclays and Mastercard relating to a new long-term credit card program. In May 2022, the Company launched the new long-term credit card program with Barclays and Mastercard and accordingly, our prior credit card program with Synchrony Financial was discontinued. The Company received an upfront payment of \$60 million related to the new agreements prior to the program launch, which is being recognized as revenue over the term of the agreements.

#### Note 4. Restructuring

On April 25, 2023, the Company's management committed to the Plan as part of the Company's previously announced efforts to simplify and optimize its operating model and structure. The Plan included a reduction in workforce of approximately 1,800 employees, primarily in headquarters locations. The actions associated with the reduction of the Company's workforce under the Plan were substantially completed in the first half of fiscal 2023.

In connection with the Plan, the Company incurred \$93 million in pre-tax restructuring costs during fiscal 2023. The costs incurred in connection with the Plan are as follows:

(\$ in millions)	Fiscal 2023		
	Cost of goods sold and occupancy expenses	Operating expenses	Total Costs
Employee-related costs	\$ 4	\$ 60	\$ 64
Consulting and other associated costs	—	29	29
Total restructuring costs	\$ 4	\$ 89	\$ 93

The following table summarizes restructuring costs that will be settled with cash payments and the related liability balances as of February 3, 2024, which are included in accrued expenses and other current liabilities on the Consolidated Balance Sheet:

(\$ in millions)	Employee-Related Costs	Consulting and Other Associated Costs	Total
Balance at January 28, 2023	\$ —	\$ —	\$ —
53 Weeks Ended February 3, 2024			
Provision	65	29	94
Adjustments	(1)	—	(1)
Cash payments	(59)	(29)	(88)
Balance at February 3, 2024	\$ 5	\$ —	\$ 5

The remaining liability balances are expected to settle with cash payments during fiscal 2024.

## Note 5. Income Taxes

For financial reporting purposes, components of income (loss) before income taxes are as follows:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
United States	\$ 463	\$ (280)	\$ 217
Foreign	93	141	106
Income (loss) before income taxes	\$ 556	\$ (139)	\$ 323

The tax expense for income taxes consists of the following:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Current:			
Federal	\$ 63	\$ (35)	\$ 46
State	12	6	38
Foreign	43	50	44
Total current	118	21	128
Deferred:			
Federal	(40)	24	(50)
State	(6)	15	(23)
Foreign	(18)	3	12
Total deferred	(64)	42	(61)
Total tax expense	\$ 54	\$ 63	\$ 67

The difference between the effective tax rate and the U.S. federal statutory tax rate is as follows:

	Fiscal Year		
	2023	2022	2021
Federal statutory tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	2.5	(13.7)	5.3
Tax impact of foreign operations	(0.7)	(28.1)	(2.5)
Impact of the CARES Act of 2020	—	—	(5.6)
Valuation allowances (1)	(11.0)	(3.6)	7.4
Impact of divestiture activity	(1.6)	(21.6)	(6.4)
Other	(0.5)	0.7	1.5
Effective tax rate	9.7 %	(45.3)%	20.7 %

(1) Beginning in fiscal 2022, we have made a change for all periods presented to separately disclose valuation allowances as its own line item. Previously, the impact of valuation allowances was grouped within various line items in fiscal 2021.

During fiscal 2023, we recorded a \$65 million benefit for changes in U.S. and foreign valuation allowances and a \$32 million benefit related to a U.S. transfer pricing settlement related to our sourcing activities.

During fiscal 2022, we recorded a \$37 million expense related to foreign divestiture activity.

During fiscal 2021, we recorded a \$18 million benefit related to finalization of the net operating loss carryback provisions prescribed in the CARES Act. We also recorded a \$21 million benefit related to recognition of certain tax benefits associated with divestiture activity.

Deferred tax assets (liabilities) consist of the following:

(\$ in millions)	February 3, 2024	January 28, 2023
<b>Gross deferred tax assets:</b>		
Operating lease liabilities	\$ 1,021	\$ 1,126
Accrued payroll and related benefits	86	44
Accruals	176	180
Inventory capitalization and other adjustments	75	93
Deferred income	53	51
Federal, state, and foreign net operating losses	197	290
Other	22	95
<b>Total gross deferred tax assets</b>	<b>1,630</b>	<b>1,879</b>
Valuation allowances	(233)	(369)
<b>Total deferred tax assets, net of valuation allowances</b>	<b>1,397</b>	<b>1,510</b>
<b>Deferred tax liabilities:</b>		
Depreciation and amortization	(154)	(246)
Operating lease assets	(802)	(881)
Other	(11)	(12)
<b>Total deferred tax liabilities</b>	<b>(967)</b>	<b>(1,139)</b>
<b>Net deferred tax assets</b>	<b>\$ 430</b>	<b>\$ 371</b>

As of February 3, 2024, we had approximately \$961 million of state and \$594 million of foreign loss carryovers in multiple taxing jurisdictions that could be utilized to reduce tax liabilities of future years. We also had approximately \$16 million of foreign tax credit carryovers as of February 3, 2024.

Approximately \$770 million of state losses expire between fiscal 2024 and fiscal 2043, and \$191 million of the state losses do not expire. Approximately \$261 million of the foreign losses expire between fiscal 2024 and fiscal 2043, and \$333 million of the foreign losses do not expire. The foreign tax credits begin to expire in fiscal 2024.

Valuation allowances are recorded if, based on the assessment of available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Management must analyze all available positive and negative evidence regarding realization of the deferred tax assets and make an assessment of the likelihood of sufficient future taxable income. We have provided valuation allowances of \$233 million on certain federal, state, and foreign deferred tax assets that were not deemed realizable based upon estimates of future taxable income.

The activity related to our unrecognized tax benefits is as follows:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Balance at beginning of fiscal year	\$ 344	\$ 359	\$ 340
Increases related to current year tax positions	12	11	26
Prior year tax positions:			
Increases	21	1	7
Decreases	(30)	(24)	(9)
Lapse of Statute of Limitations	(1)	—	(1)
Cash settlements	(3)	(2)	(2)
Foreign currency translation	—	(1)	(2)
Balance at end of fiscal year	\$ 343	\$ 344	\$ 359

Of the total unrecognized tax benefits as of February 3, 2024, January 28, 2023, and January 29, 2022, approximately \$325 million, \$326 million, and \$339 million, respectively, represents the amount that, if recognized, would favorably affect the effective income tax rate in future periods.

During fiscal 2023, 2022, and 2021, net interest expense of \$4 million, \$12 million, and \$6 million, respectively, has been recognized on the Consolidated Statements of Operations relating to income tax liabilities.

As of February 3, 2024 and January 28, 2023, the Company had total accrued interest related to income tax liabilities of \$49 million and \$43 million, respectively. There were no accrued penalties related to income tax liabilities as of February 3, 2024 or January 28, 2023.

The Company conducts business globally, and as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, Canada, France, the United Kingdom, China, Hong Kong, Japan, and India. We are no longer subject to U.S. federal income tax examinations for fiscal years before 2009, and with few exceptions, we also are no longer subject to U.S. state, local, or non-U.S. income tax examinations for fiscal years before 2010.

The Company engages in continual discussions with taxing authorities regarding tax matters in the various U.S. and foreign jurisdictions in the normal course of business. As of February 3, 2024, it is reasonably possible that we will recognize a decrease in gross unrecognized tax benefits within the next 12 months of up to \$1 million, primarily due to the closing of settlements and audits. If we do recognize such a decrease, the net impact on the Consolidated Statements of Operations would not be material.

## Note 6. Goodwill and Other Intangible Assets

The following goodwill and other intangible assets are included in other long-term assets on the Consolidated Balance Sheets:

(\$ in millions)	February 3, 2024	January 28, 2023
Goodwill	\$ 207	\$ 207
Trade names	\$ 54	\$ 54
Intangible assets subject to amortization	\$ 54	\$ 54
Less: Accumulated amortization	(36)	(27)
Intangible assets subject to amortization, net	\$ 18	\$ 27

The amortization expense for intangible assets subject to amortization primarily recorded in cost of goods sold and occupancy expenses on the Consolidated Statements of Operations was \$9 million, \$9 million, and \$2 million for fiscal 2023, 2022, and 2021, respectively.

We did not recognize any impairment charges for goodwill or other intangible assets in fiscal 2023, 2022, or 2021.

## Note 7. Debt and Credit Facilities

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

(\$ in millions)	February 3, 2024	January 28, 2023
2029 Notes	\$ 750	\$ 750
2031 Notes	750	750
Less: Unamortized debt issuance costs	(12)	(14)
Total long-term debt	\$ 1,488	\$ 1,486

On September 27, 2021, we completed the issuance of \$1.5 billion aggregate principal amount of the 3.625 percent senior notes due 2029 ("2029 Notes") and 3.875 percent senior notes due 2031 ("2031 Notes") (the 2029 Notes and the 2031 Notes, collectively, the "Senior Notes") at par in a private placement to qualified institutional buyers. We recorded \$16 million of debt issuance costs related to the issuance of the Senior Notes within long-term debt on the Consolidated Balance Sheet, which is being amortized through interest expense over the life of the instrument.

In conjunction with debt restructuring in fiscal 2021, we incurred a loss on extinguishment of debt of \$325 million, which was recorded on the Consolidated Statement of Operations and primarily consisted of tender premiums of \$253 million, make-whole premiums of \$40 million, and unamortized debt issuance costs of \$28 million.

The scheduled maturity of the Senior Notes is as follows:

(\$ in millions)	Principal	Interest Rate	Interest Payments
October 1, 2029 (1)	\$ 750	3.625%	Semi-Annual
October 1, 2031 (2)	750	3.875%	Semi-Annual
Total issuance	<u>\$ 1,500</u>		

(1) Includes an option to redeem the 2029 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2024. On or after October 1, 2024, includes an option to redeem the 2029 Notes, in whole or in part at any time, at stated redemption prices.

(2) Includes an option to redeem the 2031 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2026. On or after October 1, 2026, includes an option to redeem the 2031 Notes, in whole or in part at any time, at stated redemption prices.

As of February 3, 2024, the aggregate estimated fair value of the Senior Notes was \$1.26 billion and was based on the quoted market prices for each of the Senior Notes (level 1 inputs) as of the last business day of the fiscal year. The aggregate principal amount of the Senior Notes is recorded in long-term debt on the Consolidated Balance Sheet, net of the unamortized debt issuance costs.

On May 7, 2020, we entered into the ABL Facility, which was previously scheduled to expire in May 2023. On July 13, 2022, we entered into an amendment and restatement of the ABL Facility. Among other changes, the amendment and restatement extended the maturity of the ABL Facility to July 2027, increased the borrowing capacity from \$1.8675 billion to \$2.2 billion, modified the reference rate from the London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR"), and reduced the applicable interest rate margin. Following the amendment and restatement, the ABL Facility generally bears interest at a per annum rate based on SOFR (subject to a zero floor) plus a margin, depending on borrowing base availability. We recorded \$6 million of debt issuance costs related to the amendment and restatement of the ABL Facility, which is being amortized through interest expense over the term of the agreement. The ABL Facility is available for working capital, capital expenditures, and other general corporate purposes.

As of January 28, 2023, the Company's outstanding borrowing under the ABL Facility was \$350 million and was recorded in long-term liabilities on the Consolidated Balance Sheet. During fiscal 2023, the Company repaid an aggregate of \$350 million to reduce the outstanding borrowing under the ABL Facility to zero. There were no borrowings under the ABL Facility as of February 3, 2024.

We also have the ability to issue letters of credit on our ABL Facility. As of February 3, 2024, we had \$48 million in standby letters of credit issued under the ABL Facility.

The Senior Notes contain covenants that may limit the Company's ability to, among other things: (i) grant or incur liens and (ii) enter into sale and lease-back transactions. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by each of our existing wholly owned domestic subsidiaries that is a borrower or guarantor under our existing ABL Facility. These guarantees also extend to each of our future wholly owned domestic subsidiaries that is a borrower or guarantor under any credit facility of the Company, any guarantor, a guarantor of capital markets debt of the Company, or any guarantor in an aggregate principal amount in excess of a certain amount.

The ABL Facility is secured by specified U.S. and Canadian assets, including a first lien on inventory, certain receivables, and related assets. The ABL Facility contains customary covenants restricting the Company's activities, as well as those of its subsidiaries, including limitations on the ability to sell assets, engage in mergers or other fundamental changes, enter into capital leases or certain leases not in the ordinary course of business, enter into transactions involving related parties or derivatives, incur or prepay indebtedness, grant liens or negative pledges on its assets, make loans or other investments, pay dividends or repurchase stock or other securities, guarantee third-party obligations, engage in sale and lease-back transactions and make changes in its corporate structure. There are exceptions to these covenants, and some are only applicable when unused availability falls below specified thresholds. In addition, the ABL Facility includes, as a financial covenant, a springing fixed charge coverage ratio which arises when availability falls below a specified threshold.

## Note 8. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis. 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 fiscal 2023 or 2022.

### Financial Assets and Liabilities

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

(\$ in millions)	Fair Value Measurements at Reporting Date Using			
	February 3, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 1	\$ —	\$ 1	\$ —
Derivative financial instruments	7	—	7	—
Deferred compensation plan assets	31	31	—	—
Other assets	4	—	—	4
<b>Total</b>	<b>\$ 43</b>	<b>\$ 31</b>	<b>\$ 8</b>	<b>\$ 4</b>
<b>Liabilities:</b>				
Derivative financial instruments	\$ 8	\$ —	\$ 8	\$ —

(\$ in millions)	Fair Value Measurements at Reporting Date Using			
	January 28, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>				
Cash equivalents	\$ 15	\$ —	\$ 15	\$ —
Derivative financial instruments	11	—	11	—
Deferred compensation plan assets	34	34	—	—
Other assets	4	—	—	4
<b>Total</b>	<b>\$ 64</b>	<b>\$ 34</b>	<b>\$ 26</b>	<b>\$ 4</b>
<b>Liabilities:</b>				
Derivative financial instruments	\$ 20	\$ —	\$ 20	\$ —

We have highly liquid fixed and variable income investments classified as cash equivalents. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our cash equivalents are placed in time deposits.

Derivative financial instruments primarily include foreign exchange forward contracts. See Note 9 of Notes to 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 within other long-term assets on the Consolidated Balance Sheets.

See Note 13 of Notes to Consolidated Financial Statements for information regarding employee benefit plans.

## Nonfinancial Assets

Long-lived assets, which for us primarily consist of store assets and operating lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The estimated fair value of the long-lived assets is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the risk. For operating lease assets, the Company determines the estimated fair value of the assets by comparing discounted contractual rent payments to estimated market rental rates using available valuation techniques. These fair value measurements qualify as level 3 measurements in the fair value hierarchy.

See Note 1 of Notes to Consolidated Financial Statements for further information regarding the impairment of long-lived assets.

We recorded the following long-lived asset impairment charges in operating expenses on the Consolidated Statements of Operations:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Operating lease assets (1)	\$ 4	\$ 33	\$ 8
Store assets (2)	3	18	1
Total impairment charges of long-lived assets	\$ 7	\$ 51	\$ 9

- (1) The impairment charge reduced the then carrying amount of the applicable operating lease assets of \$51 million, \$248 million, and \$24 million to their fair value of \$47 million, \$215 million, and \$16 million during fiscal 2023, 2022, and 2021, respectively.
- (2) The impairment charge reduced the then carrying amount of the applicable store assets of \$4 million, \$21 million, and \$1 million to their fair value of \$1 million, \$3 million, and zero during fiscal 2023, 2022, and 2021, respectively.

## Note 9. 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 the Canadian dollar, Japanese yen, British pound, New Taiwan dollar, and Euro. Cash flows from derivative financial instruments are classified as cash flows from operating activities on the Consolidated Statements of Cash Flows.

Derivative financial instruments are recorded at fair value on the Consolidated Balance Sheets as other current assets, other long-term assets, accrued expenses and other current liabilities, or other long-term liabilities.

### Cash Flow Hedges

We designate foreign exchange 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 as cash flow hedges. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs 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 (loss) and is recognized into net income (loss) during the period in which the underlying transaction impacts the 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 Consolidated Statements of Operations in the same period and generally offset each other.

### Outstanding Notional Amounts

As of February 3, 2024 and January 28, 2023, we had foreign exchange forward contracts outstanding in the following notional amounts:

(\$ in millions)	February 3, 2024	January 28, 2023
Derivatives designated as cash flow hedges	\$ 381	\$ 441
Derivatives not designated as hedging instruments	568	645
Total	<u>\$ 949</u>	<u>\$ 1,086</u>

### Quantitative Disclosures about Derivative Financial Instruments

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

(\$ in millions)	February 3, 2024	January 28, 2023
Derivatives designated as cash flow hedges:		
Other current assets	\$ 6	\$ 9
Accrued expenses and other current liabilities	2	5
Derivatives not designated as hedging instruments:		
Other current assets	1	2
Accrued expenses and other current liabilities	6	15
Total derivatives in an asset position	<u>\$ 7</u>	<u>\$ 11</u>
Total derivatives in a liability position	<u>\$ 8</u>	<u>\$ 20</u>

All of the unrealized gains and losses from designated cash flow hedges as of February 3, 2024 will be recognized in income within the next 12 months at the then-current values, which may differ from the fair values as of February 3, 2024 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 Consolidated Balance Sheets and as such the fair values shown above represent gross amounts. The amounts subject to enforceable master netting arrangements are not material for all periods presented.

See Note 8 of Notes to 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)					
	Fiscal Year 2023		Fiscal Year 2022		Fiscal Year 2021	
	Cost of goods sold and occupancy expenses	Operating expenses	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 on the Consolidated Statements of Operations in which the effects of derivatives are recorded	\$ 9,114	\$ 5,215	\$ 10,257	\$ 5,428	\$ 10,033	\$ 5,827
(Gain) loss recognized in net income (loss):						
Derivatives designated as cash flow hedges	\$ (18)	\$ —	\$ (33)	\$ —	\$ 15	\$ —
Derivatives not designated as hedging instruments	—	(11)	—	(57)	—	(18)
Total (gain) loss recognized in net income (loss)	\$ (18)	\$ (11)	\$ (33)	\$ (57)	\$ 15	\$ (18)

## Note 10. Common Stock

### Common and Preferred Stock

The Company is authorized to issue 2.3 billion shares of common stock. We are also authorized to issue 60 million shares of Class B common stock, which is convertible into shares of common stock on a share-for-share basis. Transfer of the Class B shares is restricted. In addition, the holders of the Class B common stock have six votes per share on most matters and are entitled to a lower cash dividend. No Class B shares have been issued as of February 3, 2024.

The Company is authorized to issue 30 million shares of one or more series of preferred stock, which has a par value of \$0.05 per share, and to establish at the time of issuance the issue price, dividend rate, redemption price, liquidation value, conversion features, and such other terms and conditions of each series (including voting rights) as the Board deems appropriate, without further action on the part of the stockholders. No preferred shares have been issued as of February 3, 2024.

### Share Repurchases

Share repurchase activity is as follows:

(\$ and shares in millions except average per share cost)	Fiscal Year		
	2023	2022	2021
Number of shares repurchased (1)	—	11	9
Total cost	\$ —	\$ 123	\$ 201
Average per share cost including commissions	\$ —	\$ 11.59	\$ 23.47

(1) Excludes shares withheld to settle employee statutory tax withholding related to the vesting of stock units.

In February 2019, the Board approved a \$1.0 billion share repurchase authorization. The February 2019 repurchase program had \$476 million remaining as of February 3, 2024. All common stock repurchased is immediately retired.

## Note 11. Share-Based Compensation

Share-based compensation expense is as follows:

(\$ in millions)	Fiscal Year		
	2023	2022	2021
Stock Units	\$ 74	\$ 26	\$ 122
Stock options	3	7	13
Employee stock purchase plan	3	4	4
Share-based compensation expense	80	37	139
Less: Income tax benefit	(14)	(14)	(23)
Share-based compensation expense, net of tax	\$ 66	\$ 23	\$ 116

No material share-based compensation expense was capitalized in fiscal 2023, 2022, or 2021.

There were no material modifications made to our outstanding stock options and Stock Units in fiscal 2023, 2022, or 2021.

### General Description of Stock Option and Stock Unit Plans

The 2016 Long-Term Incentive Plan (the "2016 Plan") was last amended and restated in May 2023. Under the 2016 Plan, nonqualified stock options and Stock Units are granted to officers, directors, eligible employees, and consultants at exercise prices or initial values equal to the fair market value of the Company's common stock at the date of grant or as determined by the Compensation and Management Development Committee of the Board.

As of February 3, 2024, there were 311,586,781 shares that have been authorized for issuance under the 2016 Plan.

### Stock Units

Under the 2016 Plan, Stock Units are granted to employees and members of the Board. Vesting generally occurs over a period of three to four years of continued service by the employee in equal annual installments for the majority of the Stock Units granted. Vesting is immediate in the case of members of the Board.

In some cases, Stock Unit vesting is also subject to the attainment of pre-determined performance metrics and/or the satisfaction of market conditions ("Performance Shares"). At the end of each reporting period, we evaluate the probability that the Performance Shares will vest. We record share-based compensation expense on an accelerated basis over a period of three to four years once granted, based on the grant-date fair value and the probability that the pre-determined performance metrics will be achieved. We use the Monte Carlo method to calculate the grant date fair value of Performance Shares containing a market condition.

A summary of Stock Unit activity under the 2016 Plan for fiscal 2023 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value Per Share
Balance as of January 28, 2023	15,001,991	\$ 16.27
Granted	12,165,882	\$ 9.35
Granted, with vesting subject to performance and market conditions	3,205,732	\$ 9.61
Vested	(5,444,342)	\$ 15.07
Forfeited	(6,106,788)	\$ 14.10
Balance as of February 3, 2024	18,822,475	\$ 11.72

A summary of additional information about Stock Units is as follows:

(\$ in millions except per share amounts)	Fiscal Year		
	2023	2022	2021
Weighted-average fair value per share of Stock Units granted	\$ 9.41	\$ 11.92	\$ 31.28
Fair value of Stock Units vested	\$ 82	\$ 83	\$ 62

The aggregate intrinsic value of unvested Stock Units as of February 3, 2024 was \$373 million.

As of February 3, 2024, there was \$117 million (before any related tax benefit) of unrecognized share-based compensation expense related to unvested Stock Units, which is expected to be recognized over a weighted-average period of 2.0 years. Total unrecognized share-based compensation expense may be adjusted for future forfeitures as they occur.

### Stock Options

We have stock options outstanding under the 2016 Plan. Stock options generally expire the earlier of 10 years from the grant date, three months after employee termination, or one year after the date of an employee's retirement or death. Vesting generally occurs over a period of four years of continued service by the employee, with 25 percent vesting on each of the four anniversary dates.

There were no stock options issued to employees during fiscal 2023. The fair value of stock options issued to employees during fiscal 2022 and 2021 was estimated on the date of grant using the following assumptions:

	Fiscal Year	
	2022	2021
Expected term (in years)	4.6	4.5
Expected volatility	51.7 %	56.9 %
Dividend yield	4.0 %	1.8 %
Risk-free interest rate	2.5 %	0.6 %

A summary of stock option activity under the 2016 Plan for fiscal 2023 is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Balance as of January 28, 2023	7,825,433	\$ 20.75
Granted	—	\$ —
Exercised	(900,155)	\$ 9.49
Forfeited/Expired	(2,039,560)	\$ 23.69
Balance as of February 3, 2024	4,885,718	\$ 21.59

A summary of additional information about stock options is as follows:

(\$ in millions except per share amounts)	Fiscal Year		
	2023	2022	2021
Weighted-average fair value per share of stock options granted	\$ —	\$ 4.66	\$ 12.35
Aggregate intrinsic value of stock options exercised	\$ 7	\$ 2	\$ 20
Fair value of stock options vested	\$ 6	\$ 13	\$ 13

Information about stock options outstanding and exercisable as of February 3, 2024 is as follows:

	Intrinsic Value as of February 3, 2024 (in millions)	Number of Shares as of February 3, 2024	Weighted- Average Remaining Contractual Life (in years)	Weighted- Average Exercise Price Per Share
Options Outstanding	\$ 18	4,885,718	4.9	\$ 21.59
Options Exercisable	\$ 10	3,805,421	4.3	\$ 23.71

### Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan (“ESPP”), eligible U.S. and Canadian employees are able to purchase our common stock at 85 percent of the closing price on the New York Stock Exchange on the last day of the three-month purchase periods. Accordingly, compensation expense is recognized for an amount equal to the 15 percent discount. Employees pay for their stock purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 15 percent. There were 1,945,332, 2,337,159, and 1,117,669 shares issued under the ESPP in fiscal 2023, 2022 and 2021, respectively. As of February 3, 2024, there were 10,636,532 shares reserved for future issuances under the ESPP.

### Note 12. Leases

Net lease cost recognized on our Consolidated Statements of Operations is summarized as follows:

(\$ in millions)	Fiscal Year	
	2023	2022
Operating lease cost	\$ 823	\$ 825
Variable lease cost	443	447
Sublease income	—	(1)
Net lease cost	\$ 1,266	\$ 1,271

As of February 3, 2024, the maturities of lease liabilities based on the total minimum lease commitment amount including options to extend lease terms that are reasonably certain of being exercised are as follows:

(\$ in millions)	
Fiscal Year	
2024	\$ 819
2025	770
2026	677
2027	550
2028	470
Thereafter	1,762
Total minimum lease payments	<u>5,048</u>
Less: Interest	<u>(1,095)</u>
Present value of operating lease liabilities	<u>3,953</u>
Less: Current portion of operating lease liabilities	<u>(600)</u>
Long-term operating lease liabilities	<u>\$ 3,353</u>

During fiscal 2023, non-cash operating lease asset activity, net of remeasurements and modifications, was \$544 million. During fiscal 2022, non-cash operating lease asset activity, net of remeasurements and modifications, was \$124 million and includes permanent store closures and the derecognition of leases related to the transition of certain foreign operations to franchise partners. As of February 3, 2024 and January 28, 2023, the minimum lease commitment amount for operating leases signed but not yet commenced, primarily for retail stores, was \$62 million and \$116 million, respectively.

As of February 3, 2024 and January 28, 2023, the weighted-average remaining operating lease term was 7.7 years and 8.0 years, respectively, and the weighted-average discount rate was 6.4 percent and 5.6 percent, respectively, for operating leases recognized on our Consolidated Financial Statements.

As of February 3, 2024 and January 28, 2023, the Company's finance leases were not material to our Consolidated Financial Statements.

See Note 1 of Notes to Consolidated Financial Statements for additional disclosures related to leases.

### Note 13. Employee Benefit Plans

We have two qualified defined contribution retirement plans, the GapShare 401(k) Plan and the GapShare Puerto Rico Plan (the "GapShare Plans"), which are available to employees who meet the eligibility requirements. The GapShare Plans permit eligible employees to make contributions up to the maximum limits allowable under the applicable Internal Revenue Codes. Under the GapShare Plans, we match, in cash, all or a portion of employees' contributions under a predetermined formula. Our contributions vest immediately. Our matching contributions to the GapShare Plans were \$49 million, \$49 million, and \$46 million in fiscal 2023, 2022, and 2021, respectively.

We maintain the Gap, Inc. Deferred Compensation Plan, 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 within other long-term assets on the Consolidated Balance Sheets. As of February 3, 2024 and January 28, 2023, the assets related to the DCP were \$31 million and \$34 million, respectively. As of February 3, 2024 and January 28, 2023, the corresponding liabilities related to the DCP were \$31 million and \$37 million, respectively, and were recorded within other long-term liabilities on the Consolidated Balance Sheets. We match all or a portion of employees' contributions under a predetermined formula. Plan investments are elected by the participants, and investment returns are not guaranteed by the Company. Our matching contributions to the DCP in fiscal 2023, 2022, and 2021 were not material.

## Note 14. Earnings (Loss) per Share

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

(shares in millions)	Fiscal Year		
	2023	2022	2021
Weighted-average number of shares—basic	370	367	376
Common stock equivalents (1)	6	—	7
Weighted-average number of shares—diluted	376	367	383

(1) For fiscal 2022, the dilutive impact of outstanding options and awards was excluded from dilutive shares as a result of the Company's net loss for the period.

The anti-dilutive shares related to stock options and Stock Units excluded from the computation of weighted-average number of shares—diluted were 6 million, 11 million, and 7 million for fiscal 2023, 2022, and 2021, respectively, as their inclusion would have an anti-dilutive effect on earnings (loss) per share.

## Note 15. 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 Consolidated Financial Statements taken as a whole.

As a multinational company, we are subject to various 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 February 3, 2024, Actions filed against us included commercial, intellectual property, customer, employment, securities, 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 February 3, 2024 and January 28, 2023, 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 as of February 3, 2024 and January 28, 2023 was not material for any individual Action or in total. Subsequent to February 3, 2024 and through the filing date of March 19, 2024, no information has become available that indicates a change is required that would be material to our Consolidated Financial Statements taken as a whole.

We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact income 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 Consolidated Financial Statements taken as a whole.

## Note 16. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of February 3, 2024, our operating segments included: Old Navy Global, Gap Global, Banana Republic Global, and Athleta Global. Each operating segment has a brand president who is responsible for various geographies and channels. Each of our brands serves customer demand through our store and franchise channel and our online channel, 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 February 3, 2024. 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.

Long-lived assets, excluding long-term deferred tax assets, by geographic location are as follows:

(\$ in millions)	February 3, 2024	January 28, 2023
U.S. (1)	\$ 5,614	\$ 5,726
Other regions	605	672
Total long-lived assets	\$ 6,219	\$ 6,398

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

See Note 3 of Notes to Consolidated Financial Statements for disaggregation of revenue by channel and by brand and region.

## Note 17. Divestitures

On April 8, 2021 and May 21, 2021, we completed the divestitures of the Janie and Jack and Intermix brands, respectively. As a result of these transactions, the Company recognized a pre-tax loss of \$59 million within operating expenses on the Consolidated Statement of Operations for fiscal 2021.

On October 1, 2021, we completed the transition of our Gap France operations to a third party, Hermione People & Brands, to operate Gap France stores as a franchise partner. The impact upon divestiture was not material to our results of operations for fiscal 2021.

On February 1, 2022, we completed the transition of our Gap Italy operations to a third party, OVS, to operate Gap Italy stores as a franchise partner. On August 10, 2022, we completed the transition of our United Kingdom and Ireland online operations to a franchise partner through a joint venture with Next Plc. The impacts upon divestiture were not material to our results of operations for fiscal 2022.

We sold our distribution center in Rugby, England for \$125 million on September 30, 2022. As a result of this transaction, the Company recognized a pre-tax gain on sale of \$83 million within operating expenses on the Consolidated Statement of Operations during fiscal 2022.

We completed the transition of our Old Navy Mexico operations to a third party, Grupo Axo, to operate Old Navy Mexico stores as a franchise partner, on August 1, 2022. As a result of this transaction, the Company recognized a pre-tax loss of \$35 million within operating expenses on the Consolidated Statement of Operations during fiscal 2022.

On November 7, 2022, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner, subject to regulatory approvals and closing conditions. As of January 28, 2023, the Company reclassified \$142 million of assets and \$126 million of liabilities for Gap China as held for sale within other current assets and accrued expenses and other current liabilities, respectively, on the Consolidated Balance Sheet. The aggregate carrying amount of assets classified as held for sale primarily consists of \$55 million of net operating lease assets, \$35 million of inventory, \$26 million of fixed assets, and \$20 million of other current assets. The aggregate carrying amount of liabilities classified as held for sale primarily consists of \$70 million of operating lease liabilities, \$33 million of accounts payable, and \$19 million of accrued expenses and other current liabilities. We measured the disposal group at its estimated fair value less costs to sell. On January 31, 2023, the Gap China transaction closed with Baozun. The impact upon divestiture was not material to our results of operations for fiscal 2023. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

### **Note 18. Supply Chain Finance Program**

Our voluntary SCF program provides certain suppliers with the opportunity to sell their receivables due from us to participating financial institutions at the sole discretion of both the suppliers and the financial institutions. We are not a party to the agreements between our suppliers and the financial institutions and our payment terms are not impacted by whether a supplier participates in the SCF program.

We may agree to side letters with participating financial institutions related to the SCF program that require us to transfer a certain amount of cash to be used as collateral for our payment obligations in a specified period. These collateral amounts, if applicable, are classified as restricted cash on our Consolidated Balance Sheets. There were no collateral amounts under the SCF program as of February 3, 2024. The collateral amount under the SCF program was \$30 million as of January 28, 2023. Additionally, our lenders under the ABL Facility who also participate in the SCF program have their related financings secured pursuant to the terms of the ABL Facility.

The Company's outstanding obligations under the SCF program were \$373 million and \$316 million as of February 3, 2024 and January 28, 2023, respectively, and were included in accounts payable on the Consolidated Balance Sheets.

## **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. 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 Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an assessment of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (released in 2013). Based on the assessment, management concluded that as of February 3, 2024, our internal control over financial reporting is effective. The Company's internal control over financial reporting as of February 3, 2024 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Form 10-K.

### **Changes in Internal Control over Financial Reporting**

There was no change in the Company's internal control over financial reporting that occurred during the fourth quarter of fiscal 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. The Company reviews its internal control over financial reporting following major organizational restructuring. The impact of the Plan on the Company's internal control over financial reporting has been assessed and monitored throughout fiscal 2023. See Note 4 of Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Form 10-K for disclosures on the Plan.

## **Item 9B. Other Information.**

During the 14 weeks ended February 3, 2024, none of our directors or Section 16 officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408(a) of Regulation S-K, except as follows:

On December 8, 2023, Horacio (Haio) Barbeito, President and CEO of Old Navy, adopted a trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) to sell up to 164,417 shares of Gap Inc. common stock. This figure includes an estimate of the number of shares to be acquired in the future under our ESPP; however, the actual number of shares acquired through the ESPP may vary. Unless otherwise terminated pursuant to its terms, the plan will terminate on December 6, 2024, or when all shares under the plan are sold.

On December 4, 2023, Mark Breitbard, President and CEO of Gap brand, adopted a trading plan intended to satisfy the affirmative defense of Rule 10b5-1(c) to sell up to 171,160 shares of Gap Inc. common stock. Unless otherwise terminated pursuant to its terms, the plan will terminate on December 4, 2024, or when all shares under the plan are sold.

## **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## Part III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item is incorporated herein by reference to the sections entitled "Proposal No. 1—Election of Directors—Nominees for Election as Directors," "Proposal No. 1—Election of Directors—Director Selection and Qualification," "Corporate Governance—Board Committees—Audit and Finance Committee," "Corporate Governance—Insider Trading Policy and Restrictions on Hedging and Pledging" and "Beneficial Ownership of Shares—Delinquent Section 16(a) Reports" in the 2024 Proxy Statement. See also "Information about our Executive Officers" in Part I, Item 1 of this Form 10-K.

The Company has adopted a code of ethics, our Code of Business Conduct, which applies to all employees including our principal executive officer, principal financial officer, controller, and persons performing similar functions. Our Code of Business Conduct is available on our website, [www.gapinc.com](http://www.gapinc.com), under "Investors, Corporate Compliance." Any amendments and waivers to the Code will also be available on the website.

### **Item 11. Executive Compensation.**

The information required by this item is incorporated herein by reference to the sections entitled "Compensation of Directors," "Corporate Governance—Board Committees—Compensation and Management Development Committee—Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report" and "Executive Compensation" in the 2024 Proxy Statement.

### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item is incorporated herein by reference to the sections entitled "Equity Compensation Plan Information" and "Beneficial Ownership of Shares—Beneficial Ownership Table" in the 2024 Proxy Statement.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is incorporated herein by reference to the sections entitled "Proposal No. 1—Election of Directors—Director Independence," "Corporate Governance—Policies and Procedures with Respect to Related Party Transactions" and "Corporate Governance—Certain Relationships and Related Transactions" in the 2024 Proxy Statement.

### **Item 14. Principal Accounting Fees and Services.**

Information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) is incorporated herein by reference to the section entitled "Proposal No. 2—Ratification of Selection of Independent Accountant—Principal Accounting Firm Fees" in the 2024 Proxy Statement.

## Part IV

### Item 15. Exhibits, Financial Statement Schedules.

1. Financial Statements: See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K.
2. Financial Statement Schedules: Schedules are included in the Consolidated Financial Statements or notes of this Form 10-K or are not required.
3. Exhibits: The exhibits listed in the below Exhibit Index are filed or incorporated by reference as part of this Form 10-K.

#### Exhibit Index

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	
<a href="#">3.2</a>	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	10-K	1-7562	3.2	April 4, 2000	
<a href="#">3.3</a>	Amended and Restated Bylaws (effective August 15, 2022).	10-Q	1-7562	3.3	August 26, 2022	
<a href="#">4.1</a>	Indenture, dated as of September 27, 2021, by and among the Registrant, the Guarantors party thereto and U.S. Bank National Association as trustee, registrar and paying agent.	8-K	1-7562	4.1	September 28, 2021	
<a href="#">4.2</a>	Form of 3.625% Senior Note due 2029, included as Exhibit A-1 to the Indenture.	8-K	1-7562	4.2	September 28, 2021	
<a href="#">4.3</a>	Form of 3.875% Senior Note due 2031, included as Exhibit A-2 to the Indenture.	8-K	1-7562	4.3	September 28, 2021	
<a href="#">4.4</a>	Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.					X
<a href="#">10.1</a>	Fourth Amended and Restated Revolving Credit Agreement dated as of July 13, 2022.	10-Q	1-7562	10.1	November 22, 2022	
<a href="#">10.2</a>	Credit Card Program Agreement, dated as of April 8, 2021, by and among the Registrant, Old Navy, LLC, Banana Republic, LLC, Athleta LLC and Barclays Bank Delaware.	10-Q	1-7562	10.4	May 28, 2021	
<a href="#">10.3†</a>	Executive Management Incentive Compensation Award Plan.	DEF 14A	1-7562	App. A	April 7, 2015	
<a href="#">10.4†</a>	The Gap, Inc. Executive Deferred Compensation Plan (January 1, 1999 Restatement).	10-Q	1-7562	10.3	December 15, 1998	
<a href="#">10.5†</a>	Amendment to Executive Deferred Compensation Plan - Freezing of Plan Effective December 31, 2005.	8-K	1-7562	10.1	November 8, 2005	
<a href="#">10.6†</a>	Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Supplemental Deferred Compensation Plan.	10-K	1-7562	10.29	March 27, 2009	
<a href="#">10.7†</a>	Amendment to Executive Deferred Compensation Plan - Suspension of Pending Merger into Supplemental Deferred Compensation Plan.	10-K	1-7562	10.30	March 27, 2009	
<a href="#">10.8†</a>	Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Deferred Compensation Plan.	10-Q	1-7562	10.1	December 8, 2009	
<a href="#">10.9†</a>	Deferred Compensation Plan, amended and restated effective September 1, 2011.	10-Q	1-7562	10.1	December 7, 2011	

<a href="#">10.10†</a>	Deferred Compensation Plan, amended and restated effective November 17, 2015.	10-K	1-7562	10.24	March 21, 2016
<a href="#">10.11†</a>	Deferred Compensation Plan, amended and restated effective March 24, 2016.	10-Q	1-7562	10.2	June 3, 2016
<a href="#">10.12†</a>	Deferred Compensation Plan, amended and restated effective January 1, 2023.	10-K	1-7562	10.12	March 14, 2023
<a href="#">10.13†</a>	Supplemental Deferred Compensation Plan.	S-8	333-129986	4.1	November 29, 2005
<a href="#">10.14†</a>	First Amendment to Supplemental Deferred Compensation Plan.	10-K	1-7562	10.32	March 27, 2009
<a href="#">10.15†</a>	Second Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-K	1-7562	10.33	March 27, 2009
<a href="#">10.16†</a>	Third Amendment to Supplemental Deferred Compensation Plan - Suspension of Pending Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-K	1-7562	10.34	March 27, 2009
<a href="#">10.17†</a>	Fourth Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-Q	1-7562	10.2	December 8, 2009
<a href="#">10.18†</a>	2011 Long-Term Incentive Plan.	DEF 14A	1-7562	App. A	April 5, 2011
<a href="#">10.19†</a>	Amended and Restated 2011 Long-Term Incentive Plan (effective February 26, 2014).	8-K	1-7562	10.1	March 6, 2014
<a href="#">10.20†</a>	2016 Long-Term Incentive Plan.	DEF 14A	1-7562	App. A	April 5, 2016
<a href="#">10.21†</a>	Amended and Restated 2016 Long-Term Incentive Plan (effective February 22, 2017).	10-K	1-7562	10.30	March 20, 2018
<a href="#">10.22†</a>	Amended and Restated 2016 Long Term-Incentive Plan (effective May 21, 2019).	DEF 14A	1-7562	App. A	April 9, 2019
<a href="#">10.23†</a>	Amended and Restated 2016 Long-Term Incentive Plan (effective May 11, 2021).	DEF 14A	1-7562	App. B	March 30, 2021
<a href="#">10.24†</a>	Amended and Restated 2016 Long-Term Incentive Plan (effective May 9, 2023).	DEF 14A	1-7562	App. A	March 29, 2023
<a href="#">10.25†</a>	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-K	1-7562	10.72	March 26, 2013
<a href="#">10.26†</a>	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 6, 2014
<a href="#">10.27†</a>	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 6, 2015
<a href="#">10.28†</a>	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-K	1-7562	10.60	March 21, 2016
<a href="#">10.29†</a>	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 9, 2017
<a href="#">10.30†</a>	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 16, 2018
<a href="#">10.31†</a>	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 15, 2019
<a href="#">10.32†</a>	2020 Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 13, 2020
<a href="#">10.33†</a>	2021 Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 9, 2021
<a href="#">10.34†</a>	2022 Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 11, 2022

<a href="#">10.35†</a>	2023 Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 10, 2023
<a href="#">10.36†</a>	2020 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 13, 2020
<a href="#">10.37†</a>	2021 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 9, 2021
<a href="#">10.38†</a>	2022 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 11, 2022
<a href="#">10.39†</a>	2023 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 10, 2023
<a href="#">10.40†</a>	Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 15, 2019
<a href="#">10.41†</a>	2020 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 13, 2020
<a href="#">10.42†</a>	2021 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 9, 2021
<a href="#">10.43†</a>	2022 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 11, 2022
<a href="#">10.44†</a>	2023 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 10, 2023
<a href="#">10.45†</a>	Form of Restricted Stock Unit Award Agreement (Retention Version) under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 16, 2018
<a href="#">10.46†</a>	Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan.	10-Q	1-7562	10.10	June 8, 2011
<a href="#">10.47†</a>	Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 9, 2017
<a href="#">10.48†</a>	2020 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 13, 2020
<a href="#">10.49†</a>	Agreement with Mark Breitbard dated February 27, 2017 and confirmed on March 2, 2017.	10-Q	1-7562	10.1	August 25, 2017
<a href="#">10.50†</a>	Agreement for Post-Termination Benefits with Mark Breitbard dated June 2, 2017.	10-Q	1-7562	10.2	June 5, 2017
<a href="#">10.51†</a>	Letter Agreement dated March 5, 2020 by and between Mark Breitbard and the Registrant.	10-K	1-7562	10.57	March 17, 2020
<a href="#">10.52†</a>	Amendment, dated November 23, 2020, to the Letter Agreement dated March 5, 2020 by and between Mark Breitbard and the Registrant.	10-Q	1-7562	10.4	November 25, 2020
<a href="#">10.53†</a>	Letter Agreement dated March 6, 2020 by and between Katrina O'Connell and the Registrant.	10-K	1-7562	10.74	March 17, 2020
<a href="#">10.54†</a>	Amendment, dated November 20, 2020, to the Letter Agreement dated March 6, 2020 by and between Katrina O'Connell and the Registrant.	10-Q	1-7562	10.8	November 25, 2020
<a href="#">10.55†</a>	Letter Agreement dated August 1, 2022 by and between Bob L. Martin and the Registrant.	8-K/A	1-7562	10.1	August 3, 2022
<a href="#">10.56†</a>	Amendment, dated August 17, 2023, to Letter Agreement dated August 1, 2022 by and between Bob L. Martin and the Registrant.	10-Q	1-7562	10.1	November 21, 2023
<a href="#">10.57†</a>	Letter Agreement dated June 2, 2022 by and between Horacio Barbeito and the Registrant.	10-Q	1-7562	10.3	August 26, 2022
<a href="#">10.58†</a>	Letter Agreement dated July 21, 2023 by and between Richard Dickson and the Registrant.	8-K	1-7562	10.1	July 26, 2023
<a href="#">10.59†</a>	Summary of Relocation Benefits for Richard Dickson.	10-Q	1-7562	10.6	August 25, 2023

<a href="#">10.60†</a>	Letter Agreement dated July 18, 2023 by and between Chris Blakeslee and the Registrant.						X
<a href="#">10.61†</a>	Form of Restricted Stock Unit Award Agreement with Bob L. Martin under the 2016 Long-Term Incentive Plan.	10-Q	1-7562	10.9	June 9, 2020		
<a href="#">10.62†</a>	Form of Restricted Stock Unit Award Agreement with Bob L. Martin under the 2016 Long-Term Incentive Plan.	10-Q	1-7562	10.5	August 26, 2022		
<a href="#">10.63†</a>	Form of Inducement Restricted Stock Unit Agreement with Richard Dickson under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	July 26, 2023		
<a href="#">10.64†</a>	Form of Make-Whole Restricted Stock Unit Agreement with Richard Dickson under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	July 26, 2023		
<a href="#">10.65†</a>	Form of Make-Whole Performance Share Agreement with Richard Dickson under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	July 26, 2023		
<a href="#">10.66†</a>	Form of Make-Whole Restricted Stock Unit Agreement with Chris Blakeslee under the 2016 Long-Term Incentive Plan.						X
<a href="#">10.67†</a>	Form of Make-Whole Performance Share Agreement with Chris Blakeslee under the 2016 Long-Term Incentive Plan.						X
<a href="#">21</a>	Subsidiaries of Registrant.						X
<a href="#">23</a>	Consent of Independent Registered Public Accounting Firm.						X
<a href="#">31.1</a>	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
<a href="#">31.2</a>	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
<a href="#">32.1</a>	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
<a href="#">32.2</a>	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
<a href="#">97</a>	Gap Inc. Executive Compensation Recoupment Policy.						X
101	The following materials from The Gap, Inc.'s Annual Report on Form 10-K for the year ended February 3, 2024, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.						X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).						X

† Indicates management contract or compensatory plan or arrangement.

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

**Item 16. Form 10-K Summary**

None.



**DESCRIPTION OF REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

*The Gap, Inc. ("Gap", the "Company," "our" and "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock. The following summary of the terms of our common stock is based upon our Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"). This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the applicable provisions of our Certificate of Incorporation and our [Bylaws](#), which are filed as exhibits to our Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for more information.*

**DESCRIPTION OF COMMON STOCK**

**Authorized Capital Shares**

Our Certificate of Incorporation authorizes the issuance of 2,300,000,000 shares of common stock and 30,000,000 shares of preferred stock. All outstanding shares of our common stock are fully paid and nonassessable. As of March 19, 2024, no shares of preferred stock are issued or outstanding.

In addition, our Certificate of Incorporation authorizes the issuance of 60,000,000 shares of Class B common stock, which is convertible into shares of common stock on a share-for-share basis. Transfer of the shares of Class B common stock is restricted. In addition, the holders of the Class B common stock have six votes per share on most matters and are entitled to a lower cash dividend. As of March 19, 2024, no shares of Class B common stock are issued or outstanding, and we are not permitted to issue shares of Class B common stock as long as our common stock is listed on the New York Stock Exchange.

**Voting Rights**

Except as otherwise provided by law, holders of our common stock have voting rights on the basis of one vote per share on each matter submitted to a vote at a meeting of stockholders, subject to any class or series voting rights of holders of our preferred stock. Our stockholders may not cumulate votes in elections of directors. As a result, the holders of our common stock and (if issued) preferred stock entitled to exercise more than 50% of the voting rights in an election of directors can elect all of the directors to be elected if they choose to do so. In such event, the holders of the remaining common stock and preferred stock voting for the election of directors will not be able to elect any persons to the board of directors.

**Dividend Rights**

Holders of our common stock, subject to any prior rights or preferences of preferred stock outstanding, have equal rights to receive dividends if and when declared by our board of directors out of funds legally available therefor.

**Liquidation Rights**

In the event of our liquidation, dissolution or winding up and after payment of all prior claims, holders of our common stock would be entitled to receive any of our remaining assets, subject to any preferential rights of holders of outstanding shares of preferred stock.

**Other Rights and Preferences**

Holders of our common stock have no preemptive rights to subscribe for additional shares of common stock or any of our other securities, nor do holders of our common stock have any redemption or conversion rights.

**Listing**

Our common stock is listed on the New York Stock Exchange under the symbol "GPS."

**Transfer Agent**

The transfer agent and registrar for our common stock is Equiniti Trust Company.

### **Effect of Certain Provisions of Our Certificate of Incorporation and Bylaws and the Delaware Anti-Takeover Statute**

Certain of the provisions of our Certificate of Incorporation, Bylaws and the DGCL could discourage a proxy contest or the acquisition of control of a substantial block of our stock. These provisions could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of Gap, even though an attempt to obtain control of Gap might be beneficial to Gap and its stockholders.

### **Preferred Stock**

As noted above, the rights, preferences and privileges of holders of common stock may be affected by the rights, preferences and privileges granted to holders of preferred stock.

Pursuant to our Certificate of Incorporation, our Board of Directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series, and to fix the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any additional series of preferred stock upon the rights of holders of our common stock until the Board of Directors determines the specific rights of the holders of that series. However, the effects might include, among other things:

- Restricting dividends on the common stock;
- Diluting the voting power of the common stock;
- Impairing the liquidation rights of the common stock; or
- Delaying or preventing a change in control of Gap without further action by the stockholders.

### **Charter and Bylaw Provisions**

Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of our Board of Directors.

Our Bylaws include an exclusive forum provision. This provision provides that, unless Gap consents in writing to the selection of an alternative forum, the sole and exclusive forum for certain actions or proceedings involving us shall be the Court of Chancery of the State of Delaware. Such suits will include (1) any derivative action or proceeding brought on behalf of Gap, (2) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of Gap to company or its stockholders, (3) any action or proceeding asserting a claim against Gap arising pursuant to any provision of the DGCL, the Certificate of Incorporation or the Bylaws or (4) any action or proceeding asserting a claim against Gap governed by the internal affairs doctrine.

### **Certain Transactions**

Under Delaware law, the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Certain provisions of our Certificate of Incorporation related to business combinations may only be amended by an affirmative vote of the holders of 66-2/3% or more of the outstanding voting stock.

Our Certificate of Incorporation provides that business combinations with interested stockholders will require the supermajority vote of 66-2/3% of the voting power of all classes of Gap's voting stock, voting together as a single class (with each share of Class B common stock having two votes per share), to approve such transaction.

An "interested stockholder" is defined in our Certificate of Incorporation as a person (other than our subsidiaries) who or which:

- Is the beneficial owner of more than 5% of the voting power of (a) all outstanding shares of common stock, (b) all outstanding shares of Class B common stock or (c) all outstanding shares with voting rights;

- Is our affiliate and at any time within the two-year period before the date in question owned or was the beneficial owner of more than 5% of the voting power of (a) all outstanding shares of common stock, (b) all outstanding shares of Class B common stock or (c) all outstanding shares with voting rights; or
- Is an assignee of or has otherwise succeeded to (by means other than through a public offering) any shares of our stock with voting rights which were owned by an interested stockholder at any time in the preceding two years.

A "business combination" is defined in our Certificate of Incorporation to mean:

- A merger or consolidation of us or any of our subsidiaries with an interested stockholder;
- A merger or consolidation of us or any of our subsidiaries with another corporation which, after such merger or consolidation, would be an affiliate of an interested stockholder;
- A sale, lease, exchange, mortgage, pledge, transfer or other disposition of our property or the property of any of our subsidiaries representing 5% or more of our overall book value to an interested stockholder or an affiliate thereof, or the issuance or transfer by us to an interested stockholder or an affiliate thereof of our securities, or the securities of any of our subsidiaries, in exchange for cash, securities or other property having such fair market value; or
- Any recapitalization or reclassification of our securities, or any merger or consolidation, that has the effect of increasing the voting power of an interested stockholder.

A business combination will not need to receive the supermajority vote described above if it meets one of the following tests:

- The business combination is approved by a majority of the members of the Board of Directors who are not affiliated with the interested stockholder and who were Board members prior to the interested stockholder becoming an interested stockholder or who were recommended by a majority of such Board members; or
- The consideration to be paid by the interested stockholder in the business combination meets various tests designed to ensure that the form and amount of consideration to be paid by the interested stockholder is fair to the other stockholders.

#### **Delaware Anti-Takeover Statute**

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, lease, exchange, mortgage, transfer, pledge or other disposition of 10% or more of either the assets or outstanding stock of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines "interested stockholder" as an entity or person who, together with affiliates and associates, beneficially owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Two Folsom Street  
San Francisco, CA 94105

# Gap Inc.

July 18, 2023

Chris Blakeslee

Dear Chris,

It is our pleasure to offer you a position at Gap Inc. We're a company driven by passion, innovation and a focus on quality—the same characteristics we look for in our employees. You reflect these values and we feel confident you will find rewarding opportunities with us.

This letter sets forth our offer to you to join Gap Inc. as President and CEO, Athleta. In this position, you will report to the President & CEO, Gap Inc. This position is based in San Francisco.

**Salary.** Your annual salary will be \$950,000 payable every two weeks. You are scheduled to receive a compensation review in March 2025 based on your time in position.

**Initial Bonus.** You will receive a bonus of \$900,000 within the first thirty days of your employment. This will be processed as supplemental income and is subject to supplemental tax withholding. In the event you voluntarily terminate your employment or your employment is terminated For Cause (as defined below), you will be required to repay within ninety (90) days of your last day of employment 100% of the pre-tax amount of this bonus if the termination occurs before your first employment anniversary, and 50% of the pre-tax amount of this bonus if termination occurs between your first and second employment anniversary.

**Company Bonus.** Based on your position, you will participate in the Company Bonus Plan. The Company Bonus Plan is an incentive program that rewards achievement of Gap Inc. and/or Division financial objectives and operational objectives as well as individual performance. Provided you begin your employment prior to November 1, 2023, you are eligible to participate in the program for fiscal 2023 (February 2023 – January 2024). Under the current program, your annual target bonus will be 150% of your base salary. Depending on results and your individual performance, your actual bonus can range from 0 – 200% of target. Bonus payments will be prorated based on active time in position, divisional or country assignment and changes in base salary or incentive target that may occur during the fiscal year. Bonuses for fiscal 2023 are scheduled for payment in March 2024 and you must be employed by Gap Inc. on the payment date to receive an award. Gap Inc. has the right to modify the program at any time. Management discretion can be used to modify the final award amount. Bonus payments are subject to supplemental income tax withholding.

**Bonus Guarantee.** For fiscal year 2023 only, your Company Bonus, payable in March 2024 is guaranteed to be at least the target amount under the terms of the plan, provided you are employed by Gap Inc. on the payment date. The bonus payment will be prorated based on active time in position, divisional or country assignment and changes in base salary or incentive target that may occur during the fiscal year.

**Long-Term Incentive Awards.** Your offer includes long-term incentive award(s), which give you the opportunity to share in Gap Inc.'s success over time.

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**Make-Whole Restricted Stock Unit Awards.** Under the Gap Inc. 2016, Long-Term Incentive Plan (“Stock Plan”), effective on your first day of employment with Gap, Inc. (the “Date of Grant”), you will be granted Restricted Stock Units (“RSUs”) covering shares of Gap Inc. common stock (“Common Stock”) having a grant value of \$4,300,000, subject to the provisions of the Stock Plan and Exhibit A to this letter. The number of shares will be determined by dividing the grant dollar value by the 20-trading Day simple average of the closing price of one share prior to the Date of Grant with such number rounded down to the nearest share. Awards are in the form of units that are paid in Common Stock upon vesting. The award will become vested over 3 years (50% after one year, 30% after two years and 20% after three years) on each anniversary of the Date of Grant, provided you are employed by Gap Inc. on the vesting date. Awards are generally subject to income and employment tax withholding upon settlement. In the event that your employment is involuntarily terminated by the Company other than For Cause (defined below) or your employment terminates due to death or Disability, in any case, provided you sign a Release (defined below) within forty-five (45) calendar days after such termination and do not revoke such Release during any applicable revocation period, the RSUs described in this paragraph will fully vest and be settled no later than sixty (60) calendar days following such termination, as more fully described in the grant agreement set forth as Exhibit A to this letter. For purposes of this letter, “Release” shall mean a general release of claims in a form requested by the Company which will not contain any restrictive covenants beyond those described in this letter.

**Make-Whole Performance Restricted Stock Units.** In consideration for the forfeiture of certain unvested performance-based equity awards at your current employer, effective on the Date of Grant, you will be granted performance-based restricted stock units (“PRSUs”) for the fiscal 2023-2025 performance cycle covering a target number of shares of Common Stock with a grant value equal to \$2,200,000 and subject to the provisions of Gap Inc.’s Stock Plan and Exhibit B to this letter. The number of target shares will be determined by dividing the grant dollar value by the 20-trading Day simple average of the closing price of one share prior to the grant date with such number rounded down to the nearest share. The PRSUs described in this paragraph shall otherwise be subject to all of the terms and conditions of the Gap Inc. PRSUs covering the fiscal 2023 through 2025 performance period granted by the Compensation and Management Development Committee (“Committee”) on March 13, 2023 to the Company’s executive officers (the “2023-2025 PRSUs”). In the event that your employment is involuntarily terminated by the Company other than For Cause or your employment terminates due to death or Disability, in any case, provided you sign a Release within forty-five (45) calendar days after such termination and do not revoke such Release during any applicable revocation period, the PRSUs described in the paragraph will vest and be settled in shares of Common Stock on or after the date of certification of the PRSUs by the Committee to the extent they are earned based on the satisfaction of the applicable performance conditions (as certified by the Committee), with timing of settlement as more fully set forth in the grant agreement set forth as Exhibit B to this letter.

**Prorated Annual Restricted Stock Unit Awards.** Under the Stock Plan, effective on the Date of Grant, you will be granted RSUs covering shares of Common Stock having a grant value of \$750,000, subject to the provisions of the Stock Plan and Gap, Inc.’s standard form of stock grant agreement. The number of shares will be determined by dividing the grant dollar value by the 20-trading day simple average of the closing price of one share prior to the Date of Grant with such number rounded down to the nearest share. Awards are in the form of units that are paid in Common Stock upon vesting. The award will become vested over 4 years (25% per year) on each anniversary of the Date of Grant, provided you are employed by Gap Inc. on the vesting date. Awards are generally subject to income and employment tax withholding upon settlement.

**Prorated Annual Performance Restricted Stock Units.** Under the Stock Plan, effective on the Date of Grant, you will be granted PRSUs for the fiscal 2023-2025 performance cycle covering a target number of shares of Common Stock with a grant value of \$1,125,000. The number of target shares granted will be determined by dividing the grant dollar value by the 20-trading day simple average of the closing price of

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one share prior to the Date of Grant with such number rounded down to the nearest share. The PRSUs described in this paragraph shall otherwise be subject to all of the terms and conditions of the Gap Inc. PRSUs covering the fiscal 2023 through 2025 performance period granted by the Committee on March 13, 2023 to the Company's executive officers. Payout is subject to certification by the Committee and the provisions of the Stock Plan and standard form of performance stock grant agreement and earned shares vest 50% on the date the Committee certifies attainment and 50% one year from the certification date provided you are employed by Gap Inc. on the vesting dates.

For fiscal 2024, you will be eligible to participate in the Executive Officer Long-Term Incentive Program. The value and form of LTI are subject to change each year. Gap Inc. has the right to modify the program at any time. Committee discretion can be used to modify the final share amount. Shares are subject to applicable income tax withholding.

**Financial Counseling Program.** To help you achieve your financial goals, we currently offer a financial counseling program through The Ayco Company, L.P., a Goldman Sachs Company. Ayco's financial counselors have comprehensive information regarding Gap Inc.'s benefit and compensation plan design. You become eligible to participate in the Ayco financial counseling program immediately. A financial counselor from Ayco will contact you shortly after your Start Date to provide further details of this benefit, including tax implications.

**Benefits.** Gap Inc. offers a competitive benefits package that includes medical, dental, vision, life and disability insurance. Gap Inc. also offers an Employee Stock Purchase Plan, a 401(k) plan with a generous dollar for dollar company match up to four percent of your pay (limited as provided in the plan), and employee discounts toward merchandise you purchase in our stores as gifts, or for yourself and your eligible dependents. You will be eligible for Paid Time Off on an "as needed" basis for vacation, illness or personal business, subject to business needs; there is no PTO accrual. In addition, there are seven company-paid holidays. Please refer to the enclosed summary for more information about Gap Inc.'s benefit programs. Gap Inc. reserves the right to change its benefit programs at any time.

**Relocation.** Gap Inc. will provide you with relocation benefits in accordance with the Gap Inc. Domestic Relocation Policy. As part of the provision of this relocation package, it is expected that you will remain employed with the Company for a period of at least 2 years from your move date. A Relocation Counselor from Gap's Global Relocation Services provider will contact you shortly after your relocation has been initiated. In the meantime, should you have any question with regard to your relocation assistance or require further information please contact our Global Mobility team at [global\\_mobility@gap.com](mailto:global_mobility@gap.com)

**Relocation Payback.** In the event you voluntarily terminate your employment or your employment is terminated For Cause (as defined below), you will be required to reimburse within ninety (90) days of your last day of employment 100% of the pre-tax amount of the relocation services if the termination occurs before your first anniversary of date of move, and 50% of the pre-tax amount of the relocation services if termination occurs between your first and second anniversary of date of move. Relocation services include all relocation expenses paid as direct reimbursements to you or to a third-party company on your behalf. You understand and agree that if your employment with the Company is terminated, all relocation services will stop on the last day of your employment.

**Termination/Severance.** In the event that your employment is involuntarily terminated by the Company for reasons other than (i) For Cause (as defined below) or (ii) for the avoidance of doubt, death or disability, prior to June 30, 2024, the Company will provide you the following after your "separation from service" within the meaning of Internal Revenue Code ("IRC") Section 409A ("Separation from Service"), provided you sign a general release of claims in the form requested by the Company and it becomes effective within 45 calendar days after such Separation from Service (such 45<sup>th</sup> day, the "Release Deadline"):

(1) Your then current salary, at regular pay cycle intervals, for eighteen months commencing in the first regular pay cycle following the Release Deadline (the "severance period"). Payments will cease if you accept other employment or professional relationship with a competitor of the Company (defined as another company primarily engaged in the

apparel design or apparel retail business or any retailer with apparel sales in excess of \$500 million annually), or if you breach your remaining obligations to the Company (e.g., your duty to protect confidential information, agreement not to solicit Company employees). Except for any compensation received from external board memberships in place at the time of your Separation from Service, payments will be reduced by any compensation you receive (as received) during the severance period from other employment or professional relationship with a non-competitor. Each payment will be treated as a separate payment for purposes of IRC Section 409A, to the maximum extent possible.

(2) Through the end of the period in which you are receiving payments under paragraph (1) above or shorter period you are covered by COBRA, if you properly elect and maintain COBRA coverage, payment of a portion of your COBRA premium in a method as determined by the Company. This payment may be taxable income to you and subject to tax withholding. Notwithstanding the foregoing, the Company's payment of the monthly COBRA premium shall cease immediately if the Company determines in its discretion that paying such monthly COBRA premium would result in the Company being in violation of, or incurring any fine, penalty, or excise tax under, applicable law (including, without limitation, any penalty imposed for violation of the nondiscrimination requirements under the Patient Protection and Affordable Care Act or guidance issued thereunder, or any similar law or regulation).

(3) Through the end of the period in which you are receiving payments under paragraph (1) above, reimbursement for your costs to maintain the same or comparable financial counseling program the Company provides to senior executives in effect at the time of your Separation from Service. The amount of expenses eligible for reimbursement during a calendar year shall not affect the expenses eligible for reimbursement in any other calendar year. Reimbursement shall be made on or before the last day of the calendar year following the calendar year in which the reimbursement is incurred but not later than the end of the second calendar year following the calendar year of your Separation from Service.

(4) Prorated Annual Bonus for the fiscal year in which the termination occurs, on the condition that you have worked at least 3 months of the fiscal year in which you are terminated, based on actual financial results and 100% standard for any non-financial component. Such bonus will be paid in March of the year following termination at the time Annual Bonuses for the year of termination are paid, but in no event later than the 15th day of the third month following the later of the end of the Company's taxable year or the end of the calendar year in which such termination occurs. In the event termination occurs after the end of a fiscal year but before the date of bonus payments, such bonus for the preceding fiscal year will be paid pursuant to the terms of this section and the terms of the bonus plan.

(5) Accelerated vesting (but not settlement) of restricted stock units ("RSUs") and performance shares that remain subject only to time vesting conditions (excluding any performance shares that remain subject to performance-based vesting conditions) scheduled to vest prior to April 1 following the end of the fiscal year of termination. Shares of the Company stock in settlement of any vested RSUs and/or performance shares under this section will be delivered on the applicable regularly scheduled vesting dates subject to the terms and conditions of the applicable award agreement including, without limitation, the IRC Section 409A six-month delay language thereunder to the extent necessary to avoid taxation under IRC Section 409A.

The payments in (1), (3), (4) and (5) above are, and the payment described in (2) above may be, taxable income to you and are subject to tax withholding. If the aggregate amount that would be payable to you under paragraphs (1), (2), (3) and (4) above through the date which is six months after your Separation from Service (excluding amounts exempt from IRC Section 409A under the short-term deferral rule thereunder or Treas. Reg. Section 1.409A-1(b)(9)(v)) exceeds the limit under Treas. Reg. Section 1.409A-1(b)(9)(iii)(A) and you are a "specified employee" under Treas. Reg. Section 1.409A-1(i) on the date of your Separation from Service, then the excess will be paid to you no earlier than the date which is six months after the date of such separation (or such earlier time permitted under IRC Section 409A(a)(2)(B)(i)). This delay will only be imposed to the extent required to avoid the tax for which you would otherwise be liable under IRC Section 409A(a)(1)(B). Any delayed payment instead will be made on the first business day following the expiration of the six-month period, as applicable (or such earlier

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time permitted under IRC Section 409A(a)(2)(B)(i)). Payments that are not delayed will be paid in accordance with their terms determined without regard to such delay.

The term “For Cause” shall mean a good faith determination by the Company that your employment be terminated for any of the following reasons: (1) indictment, conviction or admission of any crimes involving theft, fraud or moral turpitude; (2) engaging in gross neglect of duties, including willfully failing or refusing to implement or follow direction of the Company; or (3) breaching Gap Inc.’s policies and procedures, including but not limited to the Code of Business Conduct; where applicable, the Company shall provide reasonable notice of any breach and opportunity to remediate.

At any time, if you voluntarily resign your employment from Gap Inc. or your employment is terminated For Cause, you will receive no compensation, payment or benefits after your last day of employment. If your employment terminates for any reason, you will not be entitled to any payments, benefits or compensation other than as provided in this letter.

After June 30, 2024, you will be eligible for severance, if any, as approved by the Committee under the same terms as similarly situated executive officers.

**Start Date and Orientation.** Your first day with Gap Inc. will be August 7, 2023. During your first week, you will attend Happy You’re Here, our onboarding experience. This will be held virtually and will introduce you to our culture, history and what makes us unique. If you have any questions about your onboarding experience, please email [happy\\_youre\\_here@gap.com](mailto:happy_youre_here@gap.com).

You will also receive a separate email from **i9 Advantage** instructing you to complete Section 1 of your I-9 prior to your start date. You will be asked to identify an individual that has agreed to act as an agent on behalf of Gap Inc. to complete Section 2 of the Form I-9 as required to confirm your employment eligibility within the United States. Your Recruiter will gather the necessary information from you and will reach out with further instruction. Please review the list carefully. If you have questions about documentation, contact Employee Services at 1-866-411-2772 x20600.

**No Conflicts with this Offer/Representations.** You represent and warrant that you do not have any agreements, obligations, relationships or commitments to any other person or entity that conflicts with accepting this offer or performing your obligations of this position. You further represent that the credentials and information you provided to Gap Inc. (or its agents) related to your qualifications and ability to perform this position are true and correct.

**Proprietary Information or Trade Secrets of Others.** You agree that prior to your first day of employment with Gap Inc. you will return all property and confidential information, including trade secrets, belonging to all prior employers. You further agree that you will not disclose to us, or use, or persuade any Gap Inc. employee to use, any proprietary information or trade secrets of another person or entity.

**Abide by Gap Inc. Policies/Protection of Gap Inc. Information.** You agree to abide by all Gap Inc. policies including, but not limited to, policies contained in the Code of Business Conduct. You also acknowledge that during your employment with Gap Inc., you may acquire Gap Inc.’s confidential information, which is trade secret or other proprietary non-public information (in any form), such as unannounced product information or designs, business or strategic plans, financial information and organizational charts, and other materials. Confidential Information also includes, but is not limited to, sensitive, personal information and data about co-workers, customers, consultants or other individuals, including names, addresses, e-mail addresses, telephone numbers, government identification numbers (including social security numbers), employee ID numbers, customer file information, credit card and bank account information. By signing below, you promise to responsibly use and protect Confidential Information from inappropriate access and disclosure. Nothing in this letter, however, precludes you from communicating with, reporting to or participating in any investigation or proceeding conducted by any federal or state agency, or governmental body, sharing information you gained from sources other than in the



course of your work or discussing your personal contact information or other information about wages, compensation or other employment terms.

**Insider Trading Policies.** Based on the level of your position, you will be subject to Gap Inc.'s Securities Law Compliance Manual, which among other things places restrictions on your ability to buy and sell Gap Inc. stock and requires you to pre-clear trades. You will receive additional information, including a copy of the Securities Law Compliance Manual, shortly after your first day of employment. If you wish to obtain additional information, or have questions about the compliance manual, you may contact Gap Inc. Global Equity Administration at [global\\_equity\\_administration@gap.com](mailto:global_equity_administration@gap.com).

**Non-disparagement.** You agree now, and after your employment with the Gap Inc. terminates not to, directly or indirectly, disparage Gap Inc. in any way or to make negative, derogatory or untrue statements about Gap Inc., its business activities, or any of its directors, managers, officers, employees, affiliates, agents or representatives to any person or entity.

**Employment Status.** You understand that your employment is "at-will". This means that you do not have a contract of employment for any particular duration or limiting the grounds for your termination in any way. You are free to resign at any time. Similarly, Gap Inc. is free to terminate your employment at any time for any reason. The only way your at-will status can be changed is through a written agreement with Gap Inc., signed by an officer of Gap Inc.

In the event that there is any dispute over the terms, enforcement or obligations in this letter, the prevailing party shall be entitled to recover from the other party reasonable attorney fees and costs incurred to enforce any agreements.

Please note that except for those agreements or plans referenced in this letter and attachments, this letter contains the entire understanding of the parties with respect to this offer of employment and supersedes any other agreements, representations or understandings (whether oral or written and whether express or implied) with respect to this offer of employment. Please review and sign this letter.

We must receive your signed letter before or on your first day of employment. You may keep one original for your personal records.

Chris, it is our pleasure to extend this offer. We look forward to working with you.

Yours sincerely,

/s/ Bob L. Martin  
Bobby Martin  
Interim President & CEO, Gap Inc.

Confirmed this July 20, 2023

/s/ Chris Blakeslee  
Chris Blakeslee

Award No. \_\_\_\_\_

**THE GAP, INC.  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to \_\_\_\_\_ (the "Employee"), an award (the "Award") of Restricted Stock Units (each Restricted Stock Unit shall be referred to as a "Stock Award") which represent the right to receive shares of the Company's common stock, \$0.05 par value (the "Shares") subject to the fulfillment of the vesting conditions and other conditions set forth in the attached Appendix A and Appendix B. This Award is granted pursuant to The Gap, Inc. 2016 Long-Term Incentive Plan (the "Plan") and is subject to all of the terms and conditions contained in this Restricted Stock Unit Award Agreement, including the terms and conditions contained in the attached Appendix A and Appendix B (collectively, the "Agreement"). The date of this Agreement is \_\_\_\_\_. Subject to the provisions of Appendix A, Appendix B and of the Plan, the principal features of this Award are as follows:

**Number of Stock Awards:** \_\_\_\_\_

**Date of Grant:** \_\_\_\_\_

**Date(s) Stock Awards Scheduled to Vest:**

Vesting Date	Number of Shares Vesting on Vesting Date
_____	_____
_____	_____
_____	_____

As provided in the Plan and in this Agreement, this Award may terminate before the scheduled vest date(s) of the Stock Awards. For example, subject to paragraph 4, if the Employee's Termination of Service occurs before the date this Award vests, this Award will terminate at the same time as such Termination of Service. Important additional information on vesting and forfeiture of the Stock Awards covered by this Award including those due to changes in employment is contained in paragraphs 4 and 5 of Appendix A. PLEASE BE SURE TO READ ALL OF APPENDIX A, APPENDIX B AND THE PLAN, WHICH CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS AWARD.

IN WITNESS WHEREOF, the Company and the Employee have agreed to the terms of this Agreement, to be effective as of the date first above written.

THE GAP, INC

Dated: \_\_\_\_\_  
[NAME]  
[TITLE]

By accepting this Award, electronically or otherwise, I understand and agree that this Award is 1) subject to all of the terms and conditions of this Agreement (including the attached Appendix A and Appendix B) and of the Plan, 2) not considered salary, nor is it a promise for future grants of Awards, 3) not a term or condition of my employment with the Company (or one of its Affiliates), and 4) made at the sole discretion of the Company.

**APPENDIX A**  
**TERMS AND CONDITIONS OF STOCK AWARD**

1. Grant of Stock Awards. The Company hereby grants to the Employee as a separate incentive in connection with his or her employment with the Company or an Affiliate and not in lieu of any salary or other compensation for his or her services provided to the Company or an Affiliate, an Award with respect to the number of Stock Awards set forth on page 1 of this Agreement, subject to all the terms and conditions in this Agreement and the Plan.

2. Company's Obligation to Pay. Unless and until a Stock Award has vested in accordance with the terms hereof, the Employee will have no right to payment of a Share with respect to the Stock Award. Prior to actual payment of any Shares pursuant to vested Stock Awards, each Stock Award represents an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. No Shares shall be issued until after the Stock Awards have vested in accordance with the terms hereof and shall be issued in accordance with the settlement terms hereof. Notwithstanding Section 9.6 of the Plan, the Stock Awards will only be settled, if at all, in Shares, provided that to the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

3. Vesting of Stock Awards and Issuance of Shares.

(a) Subject to paragraphs 4 and 5, the Stock Awards subject to this Agreement will vest as to the number of Stock Awards, and on the dates shown, on the first page of this Agreement (each a "Vesting Date"), but in each case, only if the Employee has been continuously employed by, or providing consulting services to, the Company or one of its Affiliates from the date of this Award until the applicable Vesting Date of the Stock Awards. Subject to paragraphs 4 and 5, if the Employee has had a Termination of Service (as described below) prior to such date(s), the Award shall terminate, as set forth in paragraph 5.

(b) Subject to earlier issuance upon vesting pursuant to paragraph 4, upon each Vesting Date, one Share shall be issued for each Stock Award that vests on such Vesting Date, subject to the terms and provisions of the Plan and this Agreement. Such shares will be issued as soon as practicable following vesting (and, if applicable, after Employee has provided an effective "Release" to the Company as defined in Employee's employment agreement with the Company dated [INSERT DATE] (the "Employment Agreement")), but in no event later than sixty (60) calendar days following vesting.

(c) Notwithstanding the foregoing, in the event of the issuance of all or a portion of the Stock Awards upon Employee's separation from service if (i) the Employee is subject to U.S. income tax, and (ii) the Employee is a "specified employee" within the meaning of Section 409A at the time of such separation from service, then any such Stock Awards will instead be paid on the date that is six (6) months and one (1) day following the date of the Employee's separation from service, unless the Employee dies following his or her separation from service prior to such time, in which case, the Stock Awards will be paid to the Employee's estate (or beneficiary) upon his or her death, subject to paragraph 6. For purposes of this Agreement, "Section 409A" means Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any final Treasury Regulations and other Internal Revenue Service guidance thereunder, as each may be amended from time to time ("Section 409A"). Further, in the event a sixty (60) day payment period described in paragraph 3(b) crosses two calendar years, the applicable payment will be made in the second calendar year after satisfaction of all of the conditions necessary for payment. This paragraph 3(c) shall only apply to the extent necessary to avoid taxation under Section 409A.

(d) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Shares subject to the Stock Awards granted under this Agreement will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply.

(e) No fractional Shares shall be issued under this Agreement. To the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

4. Vesting Acceleration Events.

(a) In the event of the Employee's "separation from service" within the meaning of Section 409A due to (i) death, (ii) Disability or (iii) a Qualifying Termination (defined below), any unvested Stock Awards granted pursuant to this Agreement shall automatically become fully vested, and shall be settled in accordance with paragraph 3(b), in each case, subject to Employee (or his beneficiaries in the case of death) signing a Release

within forty-five (45) calendar days after such separation and not revoking such Release during any applicable revocation period.

(b) For purposes hereof, Qualifying Termination shall mean involuntarily termination of Employee's employment by the Company other than For Cause (as defined in the Employment Agreement), death or Disability.

5. Termination of Service. Notwithstanding any contrary provision of this Agreement and except as set forth in paragraph 4, the balance of the Stock Awards that have not vested will be forfeited and cancelled automatically at the time of the Employee's Termination of Service. For purposes of this Agreement, Termination of Service shall have the meaning set forth in the Plan and be determined by reference to the Employee's service without reference to any other agreement, written or oral, including the Employee's contract of employment (if any). Thus, in the event of the Employee's Termination of Service (whether or not in breach of local labor laws), unless otherwise expressly provided for under this Agreement, the Employee's right to vest in the Stock Awards under the Plan, if any, will terminate at the time of the Employee's Termination of Service; the Committee shall have the exclusive discretion to determine when the Employee has incurred a Termination of Service.

6. Withholding Taxes. As a condition to the grant and vesting of this Award and as further set forth in Sections 10.7 and 10.8 of the Plan, the Employee hereby agrees to make adequate provision for the satisfaction of (and will indemnify the Company, the Employee's employer (the "Employer") and any other Affiliate) for the amount of any income tax, social insurance, payroll tax, or any other required deductions or payments related to the Employee's participation in the Plan and legally payable by the Employee, if any, including any Tax Obligations ("Tax-Related Items") which arise upon the grant or vesting of the Stock Awards under this Agreement, ownership or disposition of Shares, receipt of dividends, if any, or otherwise in connection with the Stock Awards or the Shares, whether by withholding, direct payment to the Company, or otherwise as determined by the Company in its sole discretion. Regardless of any action the Company or the Employer takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee is also solely responsible for filing all relevant documentation that may be required of the Employee in relation to his or her participation in the Plan or any Tax-Related Items (other than filings or documentation that is the specific obligation of the Company, the Employer or any Affiliate pursuant to Applicable Laws), such as but not limited to personal income tax returns or any reporting statements in relation to the grant, holding, vesting of the Stock Awards, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of dividends, if any. The Employee further acknowledges that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Awards, including the grant, holding, or vesting of the Stock Awards, the holding or subsequent sale of Shares acquired under the Plan and the receipt of dividends, if any; and (b) do not commit to and are under no obligation to structure the terms of the Stock Awards or any aspect of the Stock Awards to reduce or eliminate the Employee's liability for Tax-Related Items, or achieve any particular tax result. The Employee also understands that Applicable Laws may require varying Share or Stock Award valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of the Employee under Applicable Laws. Further, if the Employee has become subject to tax in more than one jurisdiction, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) or other Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

No payment will be made to the Employee (or his or her estate) in relation to the Stock Awards unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items and any other obligations of the Company and/or the Employer with respect to the Stock Awards. In this regard, the Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following, provided, however, that notwithstanding anything herein to the contrary, in the case of individuals subject to Section 16 of the Exchange Act of 1934, as amended, all Tax-Related Items shall only be satisfied by such procedure specifically approved by the Committee in resolutions:

(a) withholding from the Employee's wages or other cash compensation paid to the Employee by the Company or the Employer; or

(b) withholding from proceeds of the sale of Shares acquired upon vesting of the Stock Awards, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Employee's behalf pursuant to this authorization); or

(c) withholding in Shares to be issued upon settlement of the Stock Awards; or

(d) surrendering already-owned Shares having a Fair Market Value equal to the Tax-Related Items that have been held for such period of time to avoid adverse accounting consequences.

If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Employee is, subject to Applicable Laws, deemed to have been issued the full number of Shares subject to the Stock Awards, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Employee's participation in the Plan. The Employee shall pay to the Company or the Employer any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Employee's participation in the Plan that cannot be satisfied by one or more of the means previously described in this paragraph 7. The Employee acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Employee fails to comply with his or her obligations in connection with the Tax-Related Items. In addition, the Employee further agrees that any cross-border cash remittance made to transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require the Employee to provide to such entity certain information regarding the transaction.

It is the Company's current practice to withhold a portion of the Shares scheduled to be issued pursuant to vested Stock Awards that have an aggregate market value sufficient to pay the Tax-Related Items. The Company will only withhold whole Shares and therefore the Employee also authorizes deduction without notice from salary or other amounts payable to the Employee of cash in an amount sufficient to satisfy the Employer's remaining tax withholding obligation. Notwithstanding the previous two sentences, the Employee, if the Company in its sole discretion so agrees, may elect to furnish to the Company written notice, no more than 30 days and no less than 5 days in advance of a scheduled Vesting Date (or other required withholding event), of his or her intent to satisfy the tax withholding requirement by remitting the full amount of the tax withholding to the Company on the scheduled Vesting Date (or other required withholding event). In the event that the Employee provides such written notice and fails to satisfy the amounts required for the Tax-Related Items by the Vesting Date (or other required withholding event), the Company shall satisfy the tax withholding requirement pursuant to the first two sentences of this paragraph. However, the Company reserves the right to withhold for Tax-Related Items pursuant to any means set forth in this paragraph.

7. Vesting/Foreign Taxes Due. If the Employee is subject to tax in a country outside the U.S. ("Foreign Country") and if pursuant to the tax rules in such Foreign Country, the Employee will be subject to tax prior to the date that the Employee is issued Shares pursuant to this Agreement, the Committee, in its discretion, may accelerate vesting and settlement of a portion of the Stock Awards to the extent necessary to pay the foreign taxes due (and any applicable U.S. income taxes due as a result of the acceleration of vesting and settlement) but only if such acceleration does not result in adverse consequences under Section 409A (as permitted under Treasury Regulation Section 1.409A-3(j)(4)(xi)).

8. Beneficiary Designation. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the Employee's designated beneficiary to the extent such designation is valid under applicable law, or if no such beneficiary survives the Employee or no beneficiary is designated, the person or persons entitled to such distribution or delivery under the Employee's will or, to the executor of his or her estate. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company and permitted by the Company. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

9. Conditions to Issuance of Shares. The Shares deliverable to the Employee on the applicable settlement date may be either previously authorized but unissued Shares or issued Shares that have been reacquired by the Company. The Company shall not be required to issue any Shares hereunder so long as the Company reasonably anticipates that such issuance will violate Federal securities law, foreign securities law or other Applicable Laws; provided however, that in such event the Company shall issue such Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation. For purposes of the previous sentence, any issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Internal Revenue

Code or foreign tax law shall not be treated as a violation of Applicable Laws. Furthermore, the Company retains sole discretion to determine if and when it is appropriate to undertake any regulatory filing or other administrative steps in order to avoid such violation. The Company is under no obligation to undertake any such filing or other steps that would not otherwise be required except in relation to the Plan and grants thereunder and shall not assume any liability due to the failure to complete such filing or other steps.

10. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Stock Award unless and until Shares have been issued in accordance with this Agreement, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 11, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

11. Adjustments. The Award is subject to adjustment in accordance with Section 4.3 of the Plan.

12. Nature of Grant. In accepting the grant of Stock Awards, the Employee acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Stock Awards is voluntary and occasional and does not create any contractual or other right to receive future grants of Stock Awards, or benefits in lieu of Stock Awards, even if Stock Awards have been granted repeatedly in the past, and all decisions with respect to future grants of Stock Awards or other Awards, if any, will be at the sole discretion of the Company;

(c) all decisions with respect to future Stock Award grants, if any, will be at the sole discretion of the Company;

(d) the Employee's participation in the Plan is voluntary;

(e) the Stock Awards and the Shares subject to the Stock Awards are extraordinary items that do not constitute regular compensation for services rendered to the Company or the Employer, and that are outside the scope of the Employee's employment contract, if any;

(f) the Stock Awards and the Shares subject to the Stock Awards are not intended to replace any pension rights or compensation;

(g) the Stock Awards and the Shares subject to the Stock Awards are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the future value of the Shares underlying the Stock Awards is unknown and cannot be predicted with certainty;

(i) neither the Company, nor any Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar (or the selection by the Company or an Affiliate in its sole discretion of an applicable foreign currency exchange rate) that may affect the value of the Stock Awards (or the calculation of income or Tax-Related Items thereunder);

(j) in consideration of the grant of the Stock Awards, no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Awards resulting from the Employee's Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) the Stock Awards and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

13. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or his or her acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Employee's participation in the Plan before taking any action related to the Plan.

14. Data Privacy. *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's Personal Data (as described below) by and among, as applicable, the Company and any Subsidiary or Affiliate or third parties as may be selected by the Company, for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan. The Employee understands that refusal or withdrawal of consent will affect the Employee's ability to participate in the Plan; without providing consent, the Employee will not be able to participate in the Plan or realize benefits (if any) from the Stock Awards.*

*The Employee understands that the Company and any Subsidiary or Affiliate or designated third parties may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company or any Subsidiary or Affiliate, details of all Stock Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Personal Data"). The Employee understands that Personal Data may be transferred to any Subsidiary or Affiliate or third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Employee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. In particular, the Company may transfer Personal Data to the broker or stock plan administrator assisting with the Plan, to its legal counsel and tax/accounting advisor, and to the Subsidiary or Affiliate that is Employee's employer and its payroll provider.*

*The Employee should also refer to the Gap Inc. Employee Privacy Policy (which is available to the Employee separately and may be updated from time to time) for more information regarding the collection, use, storage, and transfer of the Employee's Personal Data.*

15. Plan Governs. This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Terms used in this Agreement that are not defined in this Agreement will have the meaning set forth in the Plan.

16. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any portion of the Stock Award has vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

17. No Right to Employment or Continued Employment. The Employee understands and agrees that the Stock Awards and this Agreement do not constitute or create any contract of employment or right to further employment with the Employer or any Affiliate and shall not impact in any way the right of the Employer to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause, subject to applicable local law. The Employee understands and agrees that unless contrary to applicable local law or there is an employment contract in place providing otherwise, his or her employment is "at-will" and that either the Employer or the Employee may terminate the Employee's employment at any time and for any reason, subject to applicable local law. The Employee also understands and agrees that his or her "at-will" status (if applicable) can only be changed by an express written contract signed by an authorized officer of the Company and the Employee if the Employee's employer is the Company.

18. Non-Transferability of Award. Except as otherwise herein provided, the Stock Awards herein granted and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or

otherwise dispose of such Stock Award, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, such Stock Award and the rights and privileges conferred hereby will immediately become null and void.

19. Binding Agreement. Subject to the limitation on the transferability of the Stock Award contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the Employee and the Company.

20. Addresses for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Legal Department, at The Gap, Inc., Two Folsom Street, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Employee will be addressed to the Employee at the address set forth on the records of the Company. Any such notice will be deemed to have been duly given when delivered, if notice is delivered personally, or 48 hours after sent to an aforesaid address, either by registered or certified U.S. mail with postage and registry fee prepaid, via the United States post office or a generally recognized international courier such as DHL or Federal Express.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company.

24. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Employee expressly warrants that he or she has received a right to an equity-based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

25. Notice of Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

26. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents or notices related to current or future participation in the Plan by electronic means. By accepting this Award, whether electronically or otherwise, the Employee hereby consents to receive such documents or notices by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, including the use of electronic signatures or click-through acceptance of terms and conditions.

27. Language. If the Employee has received this Agreement, including Appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

28. Appendix B. The Stock Awards shall be subject to any special terms and conditions set forth in Appendix B to this Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. To the extent that an applicable term or condition set forth in Appendix B conflicts with a provision in this Appendix A, the provisions of Appendix B shall apply.

29. Imposition of Other Requirements. The Company reserves the right, without the Employee's consent, to cancel or forfeit any outstanding portion of the Stock Awards or to impose other requirements on the Employee's participation in the Plan, on the Stock Awards and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. The Employee also understands that the laws of the country in which the Employee is residing or working at the time of grant or vesting of this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent the issuance of Shares under this Award or may subject the Employee to additional procedural or regulatory requirements that the Employee is and will be solely responsible for and must fulfill, and neither the Company nor any Affiliate assumes any liability in relation to this Award in such case. Such requirements may be outlined in but are not limited to those described in Appendix B.

\* \* \*

## APPENDIX B

### ADDITIONAL TERMS AND CONDITIONS OF THE GAP, INC. RESTRICTED STOCK UNIT AWARD AGREEMENT NON-U.S. EMPLOYEES

This Appendix B includes special terms and conditions applicable to the Employee if the Employee resides or works in or moves to or otherwise becomes subject to the laws or company policies of one of the countries listed below. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Appendix B also includes country-specific information of which the Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of February 2023. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that the Employee does not rely on the information noted herein as the only source of information relating to the consequences of the Employee's participation in the Plan because the information may be out of date at the time that the Employee vests in Share Awards or sells Shares acquired under the Plan. In addition, the information is general in nature and may not apply to the Employee's particular situation, and the Company is not in a position to assure the Employee of any particular result. Accordingly, the Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, please note that the notices, disclaimers, and/or terms and conditions contained in this Appendix B may also apply, as from the date of grant, if the Employee moves to or otherwise is or becomes subject to the Applicable Laws or company policies of the relevant country(ies) listed below.

#### Securities Law Notice

Unless otherwise noted, neither the Company nor the Shares for purposes of the Plan are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. The Agreement (of which this Appendix is a part), the Plan, and any other communications or materials that the Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S., and the issuance of securities described in any Plan-related documents is not intended for offering or public circulation outside the U.S.

#### EUROPEAN UNION ("EU") / EUROPEAN ECONOMIC AREA ("EEA") / UNITED KINGDOM

**Data Privacy.** *Where the Employee is a resident of the EU/EEA or the United Kingdom, the following provision applies and supplements Section 14 of Appendix A of the Agreement. The Employee understands and acknowledges that:*

- *The data controller is the Company; queries or requests regarding the Employee's Personal Data should be made in writing to the Company's representative relating to the Plan or Stock Award matters, who may be contacted at: [Global\\_Equity\\_Administration@Gap.com](mailto:Global_Equity_Administration@Gap.com);*
- *The legal basis for the processing of Personal Data is that the processing is necessary for the performance of a contract to which the Employee is a party (namely, this Agreement);*
- *Personal Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan;*
- *The Employee may, at any time, access his or her Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data without cost or exercise any other rights he or she may have in relation to his or her Personal Data under Applicable Laws, including the right to make a complaint to an EU/EEA data protection regulator, or if the Employee is in the UK, the UK Information Commissioner's Office.*

#### BANGLADESH

**Foreign Exchange and Share Ownership Obligations.** Bangladeshi residents must report the acquisition of foreign securities (including Shares acquired under the Plan) to Bangladesh Bank within 30 days of acquisition. Bangladesh residents who hold foreign securities (including Shares acquired under the Plan) and wish to sell, transfer or otherwise transact in such securities, must first obtain an export permit by submitting an application to the Bangladesh Bank through an Authorized Dealer. Permission for the sale or transfer of foreign

securities will generally be granted, provided that an undertaking is given by the Authorized Dealer that the securities sales proceeds from the sale of Shares will be repatriated to Bangladesh within a specified period. It is the Employee's responsibility to obtain the requisite export permit and comply with any other applicable requirements under Bangladesh foreign exchange regulations. The Employee should consult with his or her personal legal and financial advisor in this regard.

## CANADA

**Securities Law Notice.** The security represented by the Stock Award and the offered Shares are issued pursuant to an exemption from the prospectus requirements of applicable securities legislation in Canada. The Employee acknowledges that as long as Gap, Inc. is not a reporting issuer in any jurisdiction in Canada, the offered Shares will be subject to an indefinite hold period in Canada and restrictions on their transfer in Canada. However, subject to applicable securities laws, the Employee is permitted to sell Shares acquired through the Plan through a designated broker appointed under the Plan, assuming the sale of such Shares takes place outside Canada via the stock exchange on which the Shares are traded.

**Settlement of Stock Awards.** Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Stock Awards does not provide any right for the Employee to receive a cash payment and the Stock Awards will be settled in Shares only.

**Foreign Share Ownership Reporting.** If the Employee is a Canadian resident, his or her ownership of certain foreign property (including shares of foreign corporations) in excess of \$100,000 may be subject to ongoing annual tax reporting obligations. The Employee should refer to CRA Form T1135 (Foreign Income Verification Statement) and consult his or her tax advisor for further details. It is the Employee's responsibility to comply with all applicable tax reporting requirements.

### The following provisions will apply to Employees who are residents of Quebec:

**Language Consent.** The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

## FRANCE

**Foreign Account Reporting.** French residents with foreign account balances in excess of €1 million (or equivalent) must report monthly to the Banque de France. In addition, French residents who hold foreign accounts (including foreign brokerage accounts which hold shares or cash) must file an informational return on an annual basis with their personal income tax returns.

**Language Consent.** In accepting the grant of the Stock Awards and the Agreement which provides for the terms and conditions of the Stock Awards, the Employee confirms that he or she has read and understood the documents relating to the Stock Awards (the Plan and the Agreement), which were provided in the English language. The Employee accepts the terms of these documents accordingly.

**Consentement Relatif à la Langue Utilisée.** En acceptant cette attribution gratuite d'actions et ce contrat qui contient les termes et conditions de cette attribution gratuite d'actions, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. L'employé en accepte les termes en connaissance de cause.

## GUATEMALA

**Foreign Ownership Reporting.** Although individuals are permitted to own shares in a US company and hold a US brokerage account, such off-shore holdings and accounts may be subject to reporting to the tax authorities and as part of the Employee's personal financial statements. Such requirements are the Employee's personal obligation, and the Employee is advised to seek professional advice.

## HONG KONG

**Securities Law Notice. WARNING:** The Stock Awards and Shares issued upon vesting (if any) do not constitute a public offering of securities under Hong Kong law and are available only to Employees of the Company and its Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by, registered with or authorized by any regulatory authority in Hong Kong, including the Securities and Futures Commission. The Stock Award is intended only for the personal use of each eligible Employee of the Company or its Affiliates and may not be distributed to any other person. If the Employee is in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, the Employee should obtain independent professional advice.

## INDIA

**Share Valuation.** The amount subject to tax at vesting may be dependent upon a valuation of Shares from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

**Repatriation Requirement.** Unless the proceeds from the sale of Shares acquired by Employee under the Plan are otherwise reinvested in accordance with the Indian exchange control regulations, Employee is required to take all reasonable steps to immediately repatriate and surrender to an authorized person all foreign exchange received by Employee from such sale and in any case no later than 180 days from the date of such sale. Unless otherwise reinvested in accordance with the Indian exchange control regulations, any dividends received in relation to the Shares received under the Plan must also be repatriated to India within 180 days of receipt of such dividends.

Furthermore, Employee shall in no case take any action (or refrain from taking any action) that has the effect of: (a) delaying the receipt by Employee of the whole or part of such foreign exchange; or (b) eliminating the foreign exchange in whole or in part to be receivable by Employee. Employee should keep the remittance certificate received from the bank where foreign currency is deposited in the event the Reserve Bank of India or the Company or Employee’s employer requests proof of repatriation.

## JAPAN

**Securities Acquisition Report.** If the Employee acquires Shares valued at more than ¥100,000,000 total, the Employee must file a Securities Acquisition Report with the Ministry of Finance (“MOF”) through the Bank of Japan within 20 days of the acquisition of the Shares.

**Exit Tax.** Please note that the Employee may be subject to tax on the Stock Awards, even prior to vesting, upon relocation from Japan if the Employee (1) holds financial assets with an aggregate value of ¥100,000,000 or more upon departure from Japan and (2) maintained a principle place of residence (*jusho*) or temporary place of abode (*kyosho*) in Japan for 5 years or more during the 10-year period immediately prior to departing Japan. The Employee should discuss his/her tax treatment with his/her personal tax advisor.

## MEXICO

**Labor Law Acknowledgment.** The invitation Gap, Inc. is making under the Plan is unilateral and discretionary and is not related to the salary and other contractual benefits granted to the Employee by his or her employer; therefore, benefits derived from the Plan will not under any circumstance be considered as an integral part of the Employee’s salary. Gap, Inc. reserves the absolute right to amend the Plan and discontinue it at any time without incurring any liability whatsoever. This invitation and, in the Employee’s case, the acquisition of shares does not, in any way, establish a labor relationship between the Employee and Gap, Inc., as participation in the Plan is based on the commercial relationship between Gap, Inc. and the Employee’s employer, nor does it establish any rights between the Employee and his or her employer.

*La invitación que Gap, Inc. hace en relación con el Plan es unilateral, discrecional y no se relaciona con el salario y otros beneficios que recibe actualmente del actual empleador de el/la Empleado/a, por lo que cualquier beneficio derivado del Plan no será considerado bajo ninguna circunstancia como parte integral de su salario. Por lo anterior, Gap, Inc. se reserva el derecho absoluto para modificar o terminar el mismo, sin incurrir en responsabilidad alguna a Empleado/a. Esta invitación y, en caso de el/la Empleado/a, la adquisición de acciones, de ninguna manera establecen relación laboral alguna entre el/la Empleado/a y Gap, Inc., toda*

*vez que la participación en el Plan es derivado de la relación comercial entre Gap, Inc. y el empleador de el/la Empleado/a, y tampoco genera derecho alguno entre el/la Empleado/a y su empleador.*

## PEOPLE'S REPUBLIC OF CHINA

**Sale of Shares Upon Vesting.** By accepting the Stock Awards, the Employee acknowledges and agrees that the Company or the Committee, in its sole discretion, has the right to determine that one of the following sales mechanisms will be pursued: (1) immediate sale of the Shares issued upon the vesting of Stock Awards ("Immediate Sale"); or (2) granting the Employee the right to hold the Shares issued upon the vesting of Stock Awards for a period of time and then sell the Shares on a future day at their own discretion ("Normal Sale"). In the event of a Termination of Service, the Company or the Committee shall also have the sole discretion to determine whether an Immediate Sale will occur. In any event, any Shares held shall be sold within 6 months of a Termination of Service or before the expiration of the Plan (whichever is earlier).

Shares will be transferred to a brokerage firm designated by the Company (the "Brokerage Firm"). The Brokerage Firm, on the Employee's behalf, may: (a) immediately sell the Shares at the prevailing market price pursuant to any process for the sale set forth by the Company pursuant to the Immediate Sale of the Shares, or (b) sell the Shares at the prevailing market price, upon receipt of a properly executed notice together with irrevocable instructions from the Employee, pursuant to any process for the sale set forth by the Company pursuant to Normal Sale of the Shares; and deliver the proceeds less the Tax-Related Items and any broker fees, to the Company or its designee, which would then remit the net proceeds to the Employee through the Company's or Affiliate's special-purpose foreign exchange bank account in China. As a result of the Immediate Sale of Shares as set forth in this Appendix B, no Shares would be delivered to the Employee, and the Employee would not have any resulting rights as a shareholder of the Company. However, where a Normal Sale is intended, the Employees will have the rights as shareholders as provided in paragraph 10 of Appendix A following issuance of Shares at vesting and until the Normal Sale of such Shares. In any case, the Employee agrees that Shares may not be moved to any account or brokerage firm not designated by the Company and may not be moved out of any permitted account other than upon the sale of such Shares.

**Mandatory Repatriation and Special Administration in China.** The Employee's ability to be issued Shares at vesting shall be contingent upon the Company or its Affiliate obtaining approval from the State Administration of Foreign Exchange ("SAFE") for the Employee's participation in the Plan (to the extent required as determined by the Company in its sole discretion) and the establishment of a SAFE-approved special-purpose foreign exchange bank account for equity sale proceeds. If at the time of vesting, SAFE approval has not been obtained, the Company may cancel this Stock Award with no liability, compensation or benefits in lieu of compensation due to the Employee. The Employee understands and agrees that he or she will be required to immediately repatriate the proceeds from the Immediate Sale or Normal Sale of Shares to China. The Employee further understands that such repatriation of proceeds must be effected through the special-purpose foreign exchange account established by the Company or Affiliate, and the Employee hereby consents and agrees that the proceeds from the Immediate Sale or Normal Sale of Shares will be transferred to such account prior to being delivered to the Employee. Furthermore, the Employee understands that due to SAFE approval requirements, there may be delays in delivering the proceeds to the Employee; the Employee will bear any exchange rate risk relating to any delay; the Employee may be required to open a U.S. dollar bank account to receive the proceeds; and the Employee may also be required to pay directly to the Company or an Affiliate any Tax-Related Items due at vesting prior to receiving any proceeds from the sale of Shares.

The Company also has sole discretion to determine the mechanism to sell the Shares issued to the Employee upon vesting. The provisions above pursuant to which the Employee agrees to sell all Shares issued to him or her upon Termination of Service or immediately when the Shares are issued to him or her upon vesting at the then current market price is intended to be a plan pursuant to Rule 10b5-1 of the U.S. Securities Exchange Act of 1934, as amended, to the extent the Employee is subject to this Act. By signing the Agreement, the Employee represents that he or she is not aware of any material non-public information about the Company at the time he or she is signing the Agreement.

Please note that the Company in its sole discretion may choose not to apply the above procedures to non-PRC citizens.

## SINGAPORE

**Securities Law Notice.** The grant of the Stock Award and any Shares thereunder is made in reliance on section 273(1)(i), read together with Section 273(2), of the Securities and Futures Act (Cap. 289) ("SFA"), which provides an exemption from the prospectus and registration requirements under the SFA, and not with a view to

the Stock Award or Shares being offered for sale or sold to any other party in Singapore. The Employee understands that this Agreement and/or any other document or material in connection with this offer and the underlying Shares have not been and will not be lodged, registered or reviewed by the Monetary Authority of Singapore. Any and all Shares to be issued hereunder shall therefore be subject to the general resale restriction under Section 257 of the SFA. By accepting the Stock Award, the Employee agrees not to sell or offer any Shares (received under this Stock Award) in Singapore within six months of the date of grant and unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) other than Section 280 of the SFA.

**Director Notification Obligation.** If the Employee is a director, associate director or shadow director (i.e., a non-director who has sufficient control so that the directors act in accordance with the directions and instructions of this individual) of the Company's local entity in Singapore, he or she is subject to notification requirements under the Singapore Companies Act. Some of these notification requirements will be triggered by the Employee's participation in the Plan. Specifically, the Employee is required to notify the local Singapore company when he or she acquires or disposes an interest in the Company, including when the Employee receives Shares upon vesting of this Award and when the Employee sells these Shares. The notification must be in writing and must be made within two days of acquiring or disposing of any interest in the Company (or within two days of initially becoming a director, associate director or shadow director of the Company's local entity in Singapore). If the Employee is unclear as to whether he or she is a director, associate director or shadow director of the Company's local entity in Singapore or the form of the notification, he or she should consult with his or her personal legal advisor.

**Exit Tax / Deemed Exercise Rule.** The Employee understands and agrees that if the Employee has received Stock Awards in relation to his or her employment in Singapore, then if, prior to the vesting of the Stock Awards, the Employee is 1) a permanent resident of Singapore and leaves Singapore permanently or is transferred out of Singapore; or 2) neither a Singapore citizen nor permanent resident and either ceases employment in Singapore or leaves Singapore for any period exceeding 3 months, the Employee will likely be taxed on the Stock Awards on a "deemed exercise" basis, even though the Stock Awards have not yet vested. The Employee should refer to the separate Stock Award and Option Guide and discuss his or her tax treatment with his or her personal tax advisor.

## **UNITED KINGDOM**

**Sub-Plan for UK Employees.** The Stock Awards are granted pursuant to the Sub-Plan for UK Employees.

**Settlement of Stock Awards.** Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Stock Awards does not provide any right for the Employee to receive a cash payment and the Stock Awards will be settled in Shares only.

\* \* \*

Award No. \_\_\_\_\_

**THE GAP, INC.  
PERFORMANCE SHARE AGREEMENT**

The Gap, Inc. (the "Company") hereby grants to \_\_\_\_\_ (the "Employee"), an award (the "Award") of Performance Shares, which represent the right to receive shares of the Company's common stock, \$0.05 par value (the "Shares") subject to the fulfillment of performance and vesting conditions and all of the terms and conditions other conditions set forth in the attached Appendix A and Appendix B. This Award is granted pursuant to The Gap, Inc. 2016 Long-Term Incentive Plan (the "Plan") and is subject to all of the terms and conditions contained in this Performance Share Agreement, including the terms and conditions contained in the attached Appendix A and Appendix B (collectively, the "Agreement"), and the resolutions of the Compensation and Management Development Committee of the Board of Directors of the Company (the "Committee"), dated \_\_\_\_\_ (the "Committee Resolutions"). The date of this Agreement is \_\_\_\_\_ ("Date of Grant"). Subject to the provisions of Appendix A, Appendix B and of the Plan, the principal features of this Award are as follows:

**Number of Performance Shares at Threshold Performance:** \_\_\_\_\_

**Number of Performance Shares at Target Performance:** \_\_\_\_\_

**Maximum Number of Performance Shares:** \_\_\_\_\_

**Performance Goals:** The actual number of Shares to be earned under this Award will be determined based on attainment of corporate earnings and total shareholder return goals measured over 3 years (the "Performance Period"). Such goals and the extent to which they have been achieved will be determined by the Committee, in its sole discretion, but the Committee will not have discretion to reduce the resulting number of Shares that are earned.

**Date(s) Performance Shares Scheduled to Vest:** To the extent that the Performance Goals described above are achieved and Shares are earned, as determined and certified by the Committee, then (1) 50% of the earned Shares ("Earned PRSU Tranche 1 Shares") shall vest on the date in 2026 that the Committee certifies attainment (the "Certification Date"), and (2) the remaining 50% of the earned Shares ("Earned PRSU Tranche 2 Shares") shall vest on the one-year anniversary of the Certification Date.

As provided in the Plan and in this Agreement, this Award may terminate before the scheduled vest date(s) of the Performance Shares. For example, if the Employee's Termination of Service occurs before the date this Award vests, this Award will, unless an exception in paragraph 4 applies, terminate at the same time as such Termination of Service. Important additional information on vesting and forfeiture of the Performance Shares covered by this Award including those due to changes in employment is contained in paragraphs 4 and 5 of Appendix A. PLEASE BE SURE TO READ ALL OF APPENDIX A, APPENDIX B AND THE PLAN, WHICH CONTAIN THE SPECIFIC TERMS AND CONDITIONS OF THIS AWARD.

IN WITNESS WHEREOF, the Company and the Employee have executed this Agreement, in duplicate, to be effective as of the date first above written.  
THE GAP, INC

Dated:

\_\_\_\_\_  
[NAME]  
[TITLE]

My signature below (or other acceptance of this Award, electronic or otherwise) indicates that I understand and agree that this Award is 1) subject to all of the terms and conditions of this Agreement (including the Committee Resolutions and the attached Appendix A and Appendix B) and of the Plan, 2) not considered salary, nor is it a promise for future grants of Performance Shares, 3) not a term or condition of my employment with the Company (or one of its Affiliates), and 4) made at the sole discretion of the Company.

**APPENDIX A**  
**TERMS AND CONDITIONS OF PERFORMANCE SHARES**

1. Grant of Performance Shares. The Company hereby grants to the Employee as a separate incentive in connection with his or her employment with the Company or an Affiliate and is not in lieu of any salary or other compensation for his or her services to the Company or an Affiliate, an Award with respect to the number of Performance Shares set forth on page 1 of this Agreement, subject to all the terms and conditions in this Agreement and the Plan.

2. Company's Obligation to Pay. Unless and until a Performance Share has vested in accordance with the terms hereof, the Employee will have no right to payment of a Share with respect to the Performance Share. Prior to actual payment of any Shares pursuant to vested Performance Shares, each Performance Share represents an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. No Shares shall be issued until after the Performance Shares have vested in accordance with the terms hereof and shall be issued in accordance with the settlement terms hereof. Notwithstanding Section 9.6 of the Plan, the Performance Shares will only be settled, if at all, in Shares, provided that to the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

3. Vesting of Performance Shares and Issuance of Shares.

(a) Subject to paragraphs 4 and 5, the Performance Shares subject to this Agreement will vest (as to the number of Performance Shares determined by the Committee based on the extent to which the Performance Goals have been achieved) on the dates described on the first page of this Agreement (each, a "Vesting Date"), but in each case, only if the Employee has been continuously employed by, or providing consulting services to, the Company or one of its Affiliates from the date of this Award until the applicable Vesting Date of the Performance Shares. Subject to paragraphs 4 and 5, if the Employee has had a Termination of Service (as described below) prior to such date(s), the Award shall terminate as set forth in paragraph 5.

(b) Upon vesting, one Share shall be issued for each Performance Share that vests, subject to the terms and provisions of the Plan and this Agreement. Each tranche of Performance Shares that vests and settles, if any, shall be deemed a separate payment for purposes of Section 409A (defined below).

(i) Earned PRSU Tranche 1 Shares that vest hereunder will be issued as soon as practicable following the Certification Date (and, if applicable, after Employee has provided an effective "Release" to the Company, as defined in Employee's employment agreement with the Company dated [INSERT DATE] (the "Employment Agreement")), but in no event later than, sixty (60) days after the Certification Date.

(ii) Earned PRSU Tranche 2 Shares that vest hereunder will be issued as soon as practicable following the one-year anniversary of the Certification Date (and, if applicable, after Employee has provided an effective Release to the Company), but in no event later than, sixty (60) days after the one-year anniversary of the Certification Date.

(c) Notwithstanding the foregoing, in the event of the issuance of all or a portion of the Performance Shares upon Employee's separation from service if (i) the Employee is subject to U.S. income tax, and (ii) the Employee is a "specified employee" within the meaning of Section 409A at the time of such separation from service, then any such Performance Shares will instead be paid on the date that is six (6) months and one (1) day following the date of the Employee's separation from service, unless the Employee dies following his or her separation from service prior to such time, in which case, the Performance Shares will be paid to the Employee's estate (or beneficiary) upon his or her death, subject to paragraph 6. For purposes of this Agreement, "Section 409A" means Section 409A of the U.S. Internal Revenue Code of 1986, as amended, and any final Treasury Regulations and other Internal Revenue Service guidance thereunder, as each may be amended from time to time ("Section 409A"). Further, in the event a sixty (60) day payment period described in paragraph 3(b) crosses two calendar years, the applicable payment will be made in the second calendar year after satisfaction of all of the conditions necessary for payment. This paragraph 3(c) shall only apply to the extent necessary to avoid taxation under Section 409A.

(d) It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Performance Shares granted under this Agreement or the Shares issued in payment thereof will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply.

(e) No fractional Shares shall be issued under this Agreement. To the extent a fractional share is earned, the number of Shares paid shall be rounded down to the nearest whole number and no fractional Share shall be issued.

4. Vesting Acceleration Events.

(a) In the event of the Employee's "separation from service" within the meaning of Section 409A due to (i) death, (ii) Disability or (iii) a Qualifying Termination (defined below), any unvested Performance Shares granted pursuant to this Agreement shall automatically become fully vested, and shall be settled in accordance with paragraph 3(b) to the extent that the Performance Goals have been achieved and certified by the Committee on the Certification Date, in each case, subject to Employee (or his beneficiaries in the case of death) signing a Release within forty-five (45) calendar days after such separation and not revoking such Release during any applicable revocation period.

(b) For purposes hereof, Qualifying Termination shall mean involuntarily termination of Employee's employment by the Company other than For Cause (as defined in the Employment Agreement), death or Disability.

5. Termination of Service. Notwithstanding any contrary provision of this Agreement and except as set forth in paragraph 4, the balance of the Performance Shares that have not vested will be forfeited and cancelled automatically at the time of the Employee's Termination of Service. For purposes of this Agreement, Termination of Service shall have the meaning set forth in the Plan and be determined by reference to the Employee's service without reference to any other agreement, written or oral, including the Employee's contract of employment (if any). Thus, in the event of the Employee's Termination of Service (whether or not in breach of local labor laws), unless otherwise expressly provided for under this Agreement, the Employee's right to vest in the Performance Shares under the Plan, if any, will terminate effective at the time of the Employee's Termination of Service; the Committee shall have the exclusive discretion to determine when the Employee has incurred a Termination of Service.

6. Withholding Taxes. As a condition to the grant and vesting of this Award and as further set forth in Sections 10.7 and 10.8 of the Plan, the Employee hereby agrees to make adequate provision for the satisfaction of (and will indemnify the Company, the Employer and any other Affiliate) for the amount of any income tax, social insurance, payroll tax, or any other required deductions or payments related to the Employee's participation in the Plan and legally payable by the Employee, if any, including any Tax Obligations ("Tax-Related Items") which arise upon the grant or vesting of the Performance Shares under this Agreement, ownership or disposition of Shares, receipt of dividends, if any, or otherwise in connection with the Performance Shares or the Shares, whether by withholding, direct payment to the Company, or otherwise as determined by the Company in its sole discretion. Regardless of any action the Company or the Employee's employer (the "Employer") takes with respect to any or all Tax-Related Items, the Employee acknowledges and agrees that the ultimate liability for all Tax-Related Items legally due by the Employee is and remains the Employee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Employee further acknowledges and agrees that the Employee is also solely responsible for filing all relevant documentation that may be required of the Employee in relation to his or her participation in the Plan or any Tax-Related Items (other than filings or documentation that is the specific obligation of the Company, the Employer or any Affiliate pursuant to Applicable Laws), such as but not limited to personal income tax returns or any reporting statements in relation to the grant, holding, vesting of the Performance Shares, the holding of Shares or any bank or brokerage account, the subsequent sale of Shares, and the receipt of dividends, if any. The Employee further acknowledges that the Company and the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Shares, including the grant, holding, or vesting of the Performance Shares, the holding or subsequent sale of Shares acquired under the Plan and the receipt of dividends, if any; and (b) do not commit to and are under no obligation to structure the terms of the Performance Shares or any aspect of these Performance Shares to reduce or eliminate the Employee's liability for Tax-Related Items, or achieve any particular tax result. The Employee also understands that Applicable Laws may require varying Share or Performance Share valuation methods for purposes of calculating Tax-Related Items, and the Company assumes no responsibility or liability in relation to any such valuation or for any calculation or reporting of income or Tax-Related Items that may be required of the Employee under applicable laws. Further, if the Employee has become subject to tax in more than one jurisdiction, the Employee acknowledges that the Company and/or the Employer (or former employer, as applicable) or other Affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

No payment will be made to the Employee (or his or her estate) in relation to these Performance Shares unless and until satisfactory arrangements (as determined by the Committee) have been made by the Employee with respect to the payment of any Tax-Related Items and any other obligations of the Company and/or the Employer with respect to the Performance Shares. In this regard, the Employee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following, provided, however, that notwithstanding anything herein to the contrary, in the case of individuals subject to Section 16 of the U.S. Exchange Act of 1934, as amended, all Tax-Related Items shall only be satisfied by such procedure specifically approved by the Committee in resolutions:

(a) withholding from the Employee's wages or other cash compensation paid to the Employee by the Company or the Employer; or

(b) withholding from proceeds of the sale of Shares acquired upon vesting of the Performance Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on the Employee's behalf pursuant to this authorization); or

(c) withholding in Shares to be issued upon settlement of the Performance Shares; or

(d) surrendering already-owned Shares having a Fair Market Value equal to the Tax-Related Items that have been held for such period of time to avoid adverse accounting consequences.

If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, the Employee is, subject to Applicable Laws, deemed to have been issued the full number of Shares subject to the Performance Shares, notwithstanding that a number of the Shares is held back solely for the purpose of paying the Tax-Related Items due as a result of the Employee's participation in the Plan. The Employee shall pay to the Company or Employer any amount of Tax-Related Items that the Company may be required to withhold or account for as a result of the Employee's participation in the Plan that cannot be satisfied by one or more of the means previously described in this paragraph 7. The Employee acknowledges and agrees that the Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Employee fails to comply with his or her obligations in connection with the Tax-Related Items. In addition, the Employee further agrees that any cross-border cash remittance made to transfer proceeds received upon the sale of Shares must be made through a locally authorized financial institution or registered foreign exchange agency and may require the Employee to provide to such entity certain information regarding the transaction.

It is the Company's current practice to withhold a portion of the Shares scheduled to be issued pursuant to vested Performance Shares that have an aggregate market value sufficient to pay the Tax-Related Items. The Company will only withhold whole Shares and therefore the Employee also authorizes deduction without notice from salary or other amounts payable to the Employee of cash in an amount sufficient to satisfy the Employer's remaining tax withholding obligation. Notwithstanding the previous two sentences, the Employee, if the Company in its sole discretion so agrees, may elect to furnish to the Company written notice, no more than 30 days and no less than 5 days in advance of a scheduled Vesting Date (or other required withholding event), of his or her intent to satisfy the tax withholding requirement by remitting the full amount of the tax withholding to the Company on the scheduled Vesting Date (or other required withholding event). In the event that the Employee provides such written notice and fails to satisfy the amounts required for the Tax-Related Items by the Vesting Date (or other required withholding event), the Company shall satisfy the tax withholding requirement pursuant to the first two sentences of this paragraph. However, the Company reserves the right to withhold for Tax-Related Items pursuant to any means set forth in this paragraph.

7. Vesting/Foreign Taxes Due. If the Employee is subject to tax in a country outside the U.S. ("Foreign Country") and if pursuant to the tax rules in such Foreign Country, the Employee will be subject to tax prior to the date that the Employee is issued Shares pursuant to this Agreement, the Committee, in its discretion, may accelerate settlement of a portion of the Performance Shares (but only to the extent already earned and vested, including satisfaction of the Performance Goals) to the extent necessary to pay the foreign taxes due (and any applicable U.S. income taxes due as a result of the acceleration of settlement) but only if such acceleration does not result in adverse consequences under Section 409A (as permitted under Treasury Regulation Section 1.409A-3(j)(4)(xi)).

8. Beneficiary Designation. Any distribution or delivery to be made to the Employee under this Agreement will, if the Employee is then deceased, be made to the Employee's designated beneficiary to the extent such designation is valid under applicable law, or if no such beneficiary survives the Employee or no beneficiary is designated, the person or persons entitled to such distribution or delivery under the Employee's will or, to the executor of his or her estate. In order to be effective, a beneficiary designation must be made by the Employee in a form and manner acceptable to the Company and permitted by the Company. Any transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

9. Conditions to Issuance of Shares. The Shares deliverable to the Employee on the applicable settlement date may be either previously authorized but unissued Shares or issued Shares that have been reacquired by the Company. The Company shall not be required to issue any Shares hereunder so long as the Company reasonably anticipates that such issuance will violate Federal securities law, foreign securities law or other Applicable Laws; provided however, that in such event the Company shall issue such Shares at the earliest possible date at which the Company reasonably anticipates that the issuance of the shares will not cause such violation. For purposes of the previous sentence, any issuance of Shares that would cause inclusion in gross income or the application of any penalty provision or other provision of the Internal Revenue Code or foreign tax law shall not be treated as a violation of Applicable Laws. Furthermore, the Company retains sole discretion to determine if and when it is appropriate to undertake any regulatory filing or other administrative steps in order to avoid such violation. The Company is under no obligation to undertake any such filing or other steps that would not otherwise be required except in relation to the Plan and grants thereunder and shall not assume any liability due to the failure to complete such filing or other steps.

10. Rights as Stockholder. Neither the Employee nor any person claiming under or through the Employee will have any of the rights or privileges of a stockholder of the Company in respect of any Performance Share unless and until Shares have been issued in accordance with this Agreement, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Employee. Except as provided in paragraph 11, after such issuance, recordation, and delivery, the Employee will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

11. Adjustments. The Award is subject to adjustment in accordance with Section 4.3 of the Plan.

12. Nature of Grant. In accepting the grant of Performance Shares, the Employee acknowledges that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
- (b) the grant of the Performance Shares is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Shares, or benefits in lieu of Performance Shares, even if Performance Shares have been granted repeatedly in the past, and all decisions with respect to future grants of Stock Awards or other Awards, if any, will be at the sole discretion of the Company;
- (c) all decisions with respect to future Performance Share grants, if any, will be at the sole discretion of the Company;
- (d) the Employee's participation in the Plan is voluntary participating in the Plan;
- (e) the Performance Shares and the Shares subject to the Performance Shares are extraordinary items that do not constitute regular compensation for services rendered to the Company or the Employer, and that are outside the scope of the Employee's employment contract, if any;
- (f) the Performance Shares and the Shares subject to the Performance Shares are not intended to replace any pension rights or compensation;

(g) the Performance Shares and the Shares subject to the Performance Shares are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or the Employer;

(h) the future value of the Shares underlying the Performance Shares is unknown and cannot be predicted with certainty;

(i) neither the Company, nor any Affiliate is responsible for any foreign exchange fluctuation between local currency and the United States Dollar (or the selection by the Company or an Affiliate in its sole discretion of an applicable foreign currency exchange rate) that may affect the value of the Performance Shares (or the calculation of income or Tax-Related Items thereunder);

(j) in consideration of the grant of the Performance Shares, no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Shares resulting from the Employee's Termination of Service (for any reason whatsoever and whether or not in breach of local labor laws) and the Employee irrevocably releases the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, the Employee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim; and

(k) the Performance Shares and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability.

13. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Employee's participation in the Plan, or his or her acquisition or sale of the underlying Shares. The Employee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding the Employee's participation in the Plan before taking any action related to the Plan.

14. **Data Privacy.** *The Employee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Employee's Personal Data (as described below) by and among, as applicable, the Company and any Subsidiary or Affiliate or third parties as may be selected by the Company, for the exclusive purpose of implementing, administering and managing the Employee's participation in the Plan. The Employee understands that refusal or withdrawal of consent will affect the Employee's ability to participate in the Plan; without providing consent, the Employee will not be able to participate in the Plan or realize benefits (if any) from the Performance Shares.*

*The Employee understands that the Company and any Subsidiary or Affiliate or designated third parties may hold certain personal information about the Employee, including, but not limited to, the Employee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company or any Subsidiary or Affiliate, details of all Performance Shares or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Personal Data"). The Employee understands that Personal Data may be transferred to any Subsidiary or Affiliate or third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the United States, the Employee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the Employee's country. In particular, the Company may transfer Personal Data to the broker or stock plan administrator assisting with the Plan, to its legal counsel and tax/accounting advisor, and to the Subsidiary or Affiliate that is the Employee's employer and its payroll provider.*

*The Employee should also refer to the Gap Inc. Employee Privacy Policy (which is available to the Employee separately and may be updated from time to time) for more information regarding the collection, use, storage, and transfer of the Employee's Personal Data.*

15. Plan Governs. This Agreement is subject to all the terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Terms used in this Agreement that are not defined in this Agreement will have the meaning set forth in the Plan.

16. Committee Authority. The Committee will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any portion of the Performance Share has vested). All actions taken and all interpretations and determinations made by the Committee in good faith will be final and binding upon the Employee, the Company and all other interested persons. No member of the Committee will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.

17. No Right to Employment or Continued Employment. The Employee understands and agrees that the Stock Awards and this Agreement do not constitute or create any contract of employment or right to further employment with the Employer or any Affiliate and shall not impact in any way the right of the Employer to terminate or change the terms of the employment of the Employee at any time for any reason whatsoever, with or without good cause, subject to applicable local law. The Employee understands and agrees that unless contrary to applicable local law or there is an employment contract in place providing otherwise, his or her employment is "at-will" and that either the Employer or the Employee may terminate the Employee's employment at any time and for any reason subject to applicable local law. The Employee also understands and agrees that his or her "at-will" status (if applicable) can only be changed by an express written contract signed by an authorized officer of the Company and the Employee if the Employee's employer is the Company.

18. Non-Transferability of Award. Except as otherwise herein provided, the Performance Shares herein granted and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of such Performance Share, or of any right or privilege conferred hereby, contrary to the provisions hereof, or upon any attempted sale under any execution, attachment or similar process upon the rights and privileges conferred hereby, such Performance Share and the rights and privileges conferred hereby will immediately become null and void.

19. Binding Agreement. Subject to the limitation on the transferability of the Performance Share contained herein, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the Employee and the Company.

20. Addresses for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company, in care of its Legal Department, at The Gap, Inc., Two Folsom Street, San Francisco, California 94105, or at such other address as the Company may hereafter designate in writing. Any notice to be given to the Employee will be addressed to the Employee at the address set forth on the records of the Company. Any such notice will be deemed to have been duly given) when delivered, if notice is delivered personally, or 48 hours after sent to an aforesaid address, either by registered or certified U.S. mail with postage and registry fee prepaid via the United States post office or a generally recognized international courier such as DHL or Federal Express.

21. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

22. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

23. Modifications to the Agreement. This Agreement constitutes the entire understanding of the parties on the subjects covered. The Employee expressly warrants that he or she is not accepting this Agreement in reliance on any promises, representations, or inducements other than those contained herein.

Modifications to this Agreement or the Plan can be made only in an express written agreement executed by a duly authorized officer of the Company.

24. Amendment, Suspension or Termination of the Plan. By accepting this Award, the Employee expressly warrants that he or she has received a right to an equity-based award under the Plan, and has received, read, and understood a description of the Plan. The Employee understands that the Plan is discretionary in nature and may be modified, suspended, or terminated by the Company at any time.

25. Notice of Governing Law and Venue. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California without regard to principles of conflict of laws. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or the Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of San Francisco County, California, or the federal courts for the United States for the Northern District of California and no other courts, where this grant is made and/or to be performed.

26. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents or notices related to current or future participation in the Plan by electronic means. By accepting the Performance Shares, electronically or otherwise, the Employee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company, the use of electronic signatures or click-through acceptance of terms and conditions.

27. Language. If the Employee has received this Agreement, including Appendices, or any other document related to the Plan translated into a language other than English, and the meaning of the translated version is different than the English version, the English version will control.

28. Appendix B. The Performance Shares shall be subject to any special terms and conditions set forth in Appendix B to this Agreement for the Employee's country. Moreover, if the Employee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to the Employee, to the extent Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. As stated above, Appendix B constitutes part of this Agreement. To the extent that an applicable term or condition set forth in Appendix B conflicts with a provision in this Appendix A, the provisions of Appendix B shall apply.

29. Imposition of Other Requirements. The Company reserves the right, without the Employee's consent, to cancel or forfeit any outstanding portion of the Performance Shares or to impose other requirements on the Employee's participation in the Plan, on the Performance Shares and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with Applicable Laws or facilitate the administration of the Plan, and to require the Employee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. The Employee also understands that the laws of the country in which the Employee is residing or working at the time of grant or vesting of these Performance Shares (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may restrict or prevent the issuance of Shares or may subject the Employee to additional procedural or regulatory requirements that the Employee is and will be solely responsible for and must fulfill, and neither the Company nor any Affiliate assumes any liability in relation to these Performance Shares in such case. Such requirements may be outlined in but are not limited to those described in Appendix B.

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## APPENDIX B

### ADDITIONAL TERMS AND CONDITIONS OF THE GAP, INC. PERFORMANCE SHARE AGREEMENT NON-U.S. EMPLOYEES

This Appendix B includes special terms and conditions applicable to the Employee if the Employee resides or works in or moves to or otherwise becomes subject to the laws or company policies of one of the countries listed below. These terms and conditions are in addition to or, if so indicated, in place of, the terms and conditions set forth in the Agreement. Unless otherwise provided below, capitalized terms used but not defined herein shall have the same meanings assigned to them in the Plan and the Agreement.

This Appendix B also includes country-specific information of which the Employee should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of February 2023. However, such laws are often complex and change frequently. As a result, the Company strongly recommends that the Employee does not rely on the information noted herein as the only source of information relating to the consequences of the Employee's participation in the Plan because the information may be out of date at the time that the Employee vests in Performance Shares or sells Shares acquired under the Plan.

In addition, the information is general in nature and may not apply to the Employee's particular situation, and the Company is not in a position to assure the Employee of any particular result. Accordingly, the Employee is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation. Finally, please note that the notices, disclaimers and/or terms and conditions contained in this Appendix B may also apply, as from the date of grant, if the Employee moves to or otherwise is or becomes subject to the Applicable Laws or company policies of the relevant country(ies) listed below.

#### Securities Law Notice

Unless otherwise noted, neither the Company nor the Shares for purposes of the Plan are registered with any local stock exchange or under the control of any local securities regulator outside the U.S. The Agreement (of which this Appendix is a part), the Plan, and any other communications or materials that the Employee may receive regarding participation in the Plan do not constitute advertising or an offering of securities outside the U.S., and the issuance of securities described in any Plan-related documents is not intended for offering or public circulation outside the U.S.

#### EUROPEAN UNION ("EU") / EUROPEAN ECONOMIC AREA ("EEA") / UNITED KINGDOM

**Data Privacy.** *Where the Employee is a resident of the EU/EEA or the United Kingdom, the following provision applies and supplements Section 14 of Appendix A of the Agreement. The Employee understands and acknowledges that:*

- *The data controller is the Company; queries or requests regarding the Employee's Personal Data should be made in writing to the Company's representative relating to the Plan or Performance Share matters, who may be contacted at: [Global\\_Equity\\_Administration@gap.com](mailto:Global_Equity_Administration@gap.com);*
- *The legal basis for the processing of Personal Data is that the processing is necessary for the performance of a contract to which the Employee is a party (namely, this Agreement);*
- *Personal Data will be held only as long as is necessary to implement, administer and manage the Employee's participation in the Plan;*
- *The Employee may, at any time, access his or her Personal Data, request additional information about the storage and processing of Personal Data, require any necessary amendments to Personal Data without cost or exercise any other rights he or she may have in relation to his or her Personal Data under Applicable Laws, including the right to make a complaint to an EU/EEA data protection regulator, or if the Employee is in the UK, the UK Information Commissioner's Office.*

## CANADA

**Securities Law Notice.** The security represented by the Performance Shares and the offered Shares are issued pursuant to an exemption from the prospectus requirements of applicable securities legislation in Canada. The Employee acknowledges that as long as Gap, Inc. is not a reporting issuer in any jurisdiction in Canada, the offered Shares will be subject to an indefinite hold period in Canada and restrictions on their transfer in Canada. However, subject to applicable securities laws, the Employee is permitted to sell Shares acquired through the Plan through a designated broker appointed under the Plan, assuming the sale of such Shares takes place outside Canada via the stock exchange on which the Shares are traded.

**Settlement of Performance Shares.** Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Performance Shares does not provide any right for the Employee to receive a cash payment and the Performance Shares will be settled in Shares only.

**Foreign Share Ownership Reporting.** If the Employee is a Canadian resident, his or her ownership of certain foreign property (including shares of foreign corporations) in excess of \$100,000 may be subject to ongoing annual tax reporting obligations. The Employee should refer to CRA Form T1135 (Foreign Income Verification Statement) and consult his or her tax advisor for further details. It is the Employee's responsibility to comply with all applicable tax reporting requirements.

### **The following provisions will apply to Employees who are residents of Quebec:**

**Language Consent.** The parties acknowledge that it is their express wish that this Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

## FRANCE

**Taxation of Award.** This Award is not intended to be French tax-qualified.

**Foreign Account Reporting.** French residents with foreign account balances in excess of €1 million (or equivalent) must report monthly to the Banque de France. In addition, French residents who hold foreign accounts (including foreign brokerage accounts which hold shares or cash) must file an information return on an annual basis with their personal income tax returns.

**Language Consent.** In accepting the grant of the Performance Shares and the Agreement which provides for the terms and conditions of the Performance Shares, the Employee confirms that he or she has read and understood the documents relating to the Performance Shares (the Plan and the Agreement), which were provided in the English language. The Employee accepts the terms of these documents accordingly.

**Consentement Relatif à la Langue Utilisée.** En acceptant cette attribution gratuite d'actions et ce contrat qui contient les termes et conditions de cette attribution gratuite d'actions, l'employé confirme ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution) qui lui ont été communiqués en langue anglaise. L'employé en accepte les termes en connaissance de cause.

## GUATEMALA

**Foreign Ownership Reporting.** Although individuals are permitted to own shares in a US company and hold a US brokerage account, such off-shore holdings and accounts may be subject to reporting to the tax authorities and as part of the Employee's personal financial statements. Such requirements are the Employee's personal obligation, and the Employee is advised to seek professional advice.

## HONG KONG

**Securities Law Notice. WARNING:** The Performance Shares and Shares issued upon vesting (if any) do not constitute a public offering of securities under Hong Kong law and are available only to Employees of the Company and its Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong. Nor have the documents been reviewed by, registered with or authorized by any regulatory authority in Hong Kong, including the Securities and Futures Commission. The Award is intended only for the personal use of each eligible Employee of the Company or its Affiliates and may not be distributed to any other person. If the Employee is in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, the Employee should obtain independent professional advice.

## INDIA

**Share Valuation.** The amount subject to tax at vesting may be dependent upon a valuation of Shares from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

**Repatriation Requirement.** Unless the proceeds from the sale of Shares acquired by Employee under the Plan are otherwise reinvested in accordance with the Indian exchange control regulations, Employee is required to take all reasonable steps to immediately repatriate and surrender to an authorized person all foreign exchange received by Employee from such sale, and in any case no later than 180 days from the date of such sale. Unless otherwise reinvested in accordance with the Indian exchange control regulations, any dividends received in relation to the Shares received under the Plan must also be repatriated to India within 180 days of receipt of such dividends.

Furthermore, Employee shall in no case take any action (or refrain from taking any action) that has the effect of: (a) delaying the receipt by Employee of the whole or part of such foreign exchange; or (b) eliminating the foreign exchange in whole or in part to be receivable by Employee. Employee should keep the remittance certificate received from the bank where foreign currency is deposited in the event the Reserve Bank of India or the Company or Employee's employer requests proof of repatriation.

## JAPAN

**Securities Acquisition Report.** If the Employee acquires Shares valued at more than ¥100,000,000 total, you must file a Securities Acquisition Report with the Ministry of Finance (“MOF”) through the Bank of Japan within 20 days of the acquisition of the Shares.

**Exit Tax.** Please note that the Employee may be subject to tax on the Award, even prior to vesting, upon relocation from Japan if the Employee (1) holds financial assets with an aggregate value of ¥100,000,000 or more upon departure from Japan and (2) maintained a principle place of residence (*jusho*) or temporary place of abode (*kyosho*) in Japan for 5 years or more during the 10-year period immediately prior to departing Japan. The Employee should discuss his/her tax treatment with his/her personal tax advisor.

## MEXICO

**Labor Law Acknowledgment.** The invitation Gap, Inc. is making under the Plan is unilateral and discretionary and is not related to the salary and other contractual benefits granted to the Employee by his or her employer; therefore, benefits derived from the Plan will not under any circumstance be considered as an integral part of the Employee's salary. . Gap, Inc. reserves the absolute right to amend the Plan and discontinue it at any time without incurring any liability whatsoever. This invitation and, in the Employee's case, the acquisition of shares does not, in any way, establish a labor relationship between the Employee and Gap, Inc., as participation in the Plan is based on the commercial relationship between Gap, Inc. and the Employee's employer, nor does it establish any rights between the Employee and his or her employer.

La invitación que Gap, Inc. hace en relación con el Plan es unilateral, discrecional y no se relaciona con el salario y otros beneficios que recibe actualmente de su actual empleador de el/la Empleado/a, por lo que cualquier beneficio derivado del Plan no será considerado bajo ninguna circunstancia como parte integral de su salario. Por lo anterior, Gap, Inc. se reserva el derecho absoluto para modificar o terminar el mismo, sin incurrir en responsabilidad alguna a Empleado/a. Esta invitación y, en caso de el/la Empleado/a, la adquisición de acciones, de ninguna manera establecen relación laboral alguna entre el/la Empleado/a y Gap, Inc., toda vez que la participación en el Plan es derivado de la relación comercial entre Gap, Inc. y el empleador de el/la Empleado/a, y tampoco genera derecho alguno entre el/la Empleado/a y su empleador.

## PEOPLE'S REPUBLIC OF CHINA

**Sale of Shares Upon Vesting.** By accepting the Performance Shares the Employee acknowledges and agrees that the Company or the Committee, in its sole discretion, has the right to determine that one of the following sales mechanisms will be pursued: (1) immediate sale of the Shares issued upon the vesting of the Performance Shares ("Immediate Sale"); or (2) granting the Employee the right to hold the Shares issued upon the vesting of the Performance Shares for a period of time and then sell the Shares on a future day at their own discretion ("Normal Sale"). In the event of a Termination of Service, the Company or the Committee shall also have the sole discretion to determine whether an Immediate Sale will occur. In any event, any Shares held shall be sold within 6 months of a Termination of Service or before the expiration of the Plan (whichever is earlier).

Shares will be transferred to a brokerage firm designated by the Company (the "Brokerage Firm"). The Brokerage Firm, on the Employee's behalf, may: (a) immediately sell the Shares at the prevailing market price pursuant to any process for the sale set forth by the Company pursuant to the Immediate Sale of the Shares, or (b) sell the Shares at the prevailing market price, upon receipt of a properly executed notice together with irrevocable instructions from the Employee, pursuant to any process for the sale set forth by the Company pursuant to Normal Sale of the Shares; and deliver the proceeds less the Tax-Related Items and any broker fees, to the Company or its designee, which would then remit the net proceeds to the Employee through the Company's or Affiliate's special-purpose foreign exchange bank account in China. As a result of the Immediate Sale of Shares as set forth in this Appendix B, no Shares would be delivered to the Employee, and the Employee would not have any resulting rights as a shareholder of the Company. However, where a Normal Sale is intended, the Employees will have the rights as shareholders as provided in paragraph 10 of Appendix A following issuance of Shares at vesting and until the Normal Sale of such Shares. In any case, the Employee agrees that Shares may not be moved to any account or brokerage firm not designated by the Company and may not be moved out of any permitted account other than upon the sale of such Shares.

**Mandatory Repatriation and Special Administration in China.** The Employee's ability to be issued Shares at vesting shall be contingent upon the Company or its Affiliate obtaining approval from the State Administration of Foreign Exchange ("SAFE") for the Employee's participation in the Plan (to the extent required as determined by the Company in its sole discretion) and the establishment of a SAFE-approved special-purpose foreign exchange bank account for equity sale proceeds. If at the time of vesting, SAFE approval has not been obtained, the Company may cancel this Award with no liability, compensation or benefits in lieu of compensation due to the Employee. The Employee understands and agrees that he or she will be required to immediately repatriate the proceeds from the Immediate Sale or Normal Sale of Shares to China. The Employee further understands that such repatriation of proceeds must be effected through the special-purpose foreign exchange account established by the Company or Affiliate, and the Employee hereby consents and agrees that the proceeds from the Immediate Sale or Normal Sale of Shares will be transferred to such account prior to being delivered to the Employee. Furthermore, the Employee understands that due to SAFE approval requirements, there may be delays in delivering the proceeds to the Employee; the Employee will bear any exchange rate risk relating to any delay; the Employee may be required to open a U.S. dollar bank account to receive the proceeds; and the Employee may also be required to pay directly to the Company or an Affiliate any Tax-Related Items due at vesting prior to receiving any proceeds from the sale of Shares.

The Company also has sole discretion to determine the mechanism to sell the Shares issued to the Employee upon vesting. The provisions above pursuant to which the Employee agrees to sell all Shares issued to him or her upon Termination of Service or immediately when the Shares are issued to him or her upon vesting at the then current market price is intended to be a plan pursuant to Rule 10b5-1 of the U.S. Securities Exchange Act

of 1934, as amended, to the extent the Employee is subject to this Act. By signing the Agreement, the Employee represents that he or she is not aware of any material non-public information about the Company at the time he or she is signing the Agreement.

Please note that the Company in its sole discretion may choose not to apply the above procedures to non-PRC citizens.

## **SINGAPORE**

**Securities Law Notice.** The grant of the Performance Shares and any Shares thereunder is made in reliance on section 273(1)(i), read together with Section 273(2), of the Securities and Futures Act (Cap. 289) (“SFA”), which provides an exemption from the prospectus and registration requirements under the SFA, and not with a view to the Performance Shares or Shares being offered for sale or sold to any other party in Singapore. The Employee understands that this Agreement and/or any other document or material in connection with this offer and the underlying Shares have not been and will not be lodged, registered or reviewed by the Monetary Authority of Singapore. Any and all Shares to be issued hereunder shall therefore be subject to the general resale restriction under Section 257 of the SFA. By accepting the Performance Shares, the Employee agrees not to sell or offer any Shares (received under this Performance Shares grant) in Singapore within six months of the date of grant and unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) other than Section 280 of the SFA.

**Director Notification Obligation.** If the Employee is a director, associate director or shadow director (i.e., a non-director who has sufficient control so that the directors act in accordance with the directions and instructions of this individual) of the Company’s local entity in Singapore, he or she is subject to notification requirements under the Singapore Companies Act. Some of these notification requirements will be triggered by the Employee’s participation in the Plan. Specifically, the Employee is required to notify the local Singapore company when he or she acquires or disposes an interest in the Company, including when the Employee receives Shares upon vesting of this Award and when the Employee sells these Shares. The notification must be in writing and must be made within two days of acquiring or disposing of any interest in the Company (or within two days of initially becoming a director, associate director or shadow director of the Company’s local entity in Singapore). If the Employee is unclear as to whether he or she is a director, associate director or shadow director of the Company’s local entity in Singapore or the form of the notification, he or she should consult with his or her personal legal advisor.

**Exit Tax / Deemed Exercise Rule.** The Employee understands and agrees that if the Employee has received Performances Share awards in relation to his or her employment in Singapore, then if, prior to the vesting of the awards, the Employee is 1) a permanent resident of Singapore and leaves Singapore permanently or is transferred out of Singapore; or 2) neither a Singapore citizen nor permanent resident and either ceases employment in Singapore or leaves Singapore for any period exceeding 3 months, the Employee will likely be taxed on the Performance Shares on a “deemed exercise” basis, even though they have not yet vested. The Employee should refer to the separate Stock Award and Option Guide and discuss his or her tax treatment with his or her personal tax advisor.

## **UNITED KINGDOM**

**Sub-Plan for UK Employees.** The Performance Shares are granted pursuant to the Sub-Plan for UK Employees.

**Settlement of Performance Shares.** Notwithstanding any discretion or anything to the contrary in the Plan, the grant of the Performance Shares does not provide any right for the Employee to receive a cash payment and the Performance Shares will be settled in Shares only.

\* \* \*

**The Gap, Inc.**  
**Subsidiary List as of February 3, 2024**

Athleta (ITM) Inc.	California
Athleta LLC	Delaware
Athleta, Inc.	Delaware
Banana Republic (Apparel), LLC	California
Banana Republic (ITM) Inc.	California
Banana Republic (Japan) Y.K.	Tokyo, Japan
Banana Republic, LLC	Delaware
Context-Based 4 Casting (C-B4) Ltd.	Israel
Context-Based 4 Casting Inc.	Delaware
Corporate HQ Support Mexico, S. de R.L. de C.V.	Mexico
Direct Consumer Services, LLC	California
Drapr Inc.	Delaware
Forth & Towne (Japan) Y.K.	Tokyo, Japan
Gap (Apparel), LLC	California
Gap (Canada) Inc.	Canada
Gap (France) SAS	Paris, France
Gap (Italy) Srl.	Milan, Italy
Gap (ITM) Inc.	California
Gap (Japan) K.K.	Tokyo, Japan
Gap (Puerto Rico), Inc.	Puerto Rico
Gap (RHC) B.V.	Amsterdam, The Netherlands
Gap (UK Holdings) Limited	England and Wales
Gap Europe Limited	England and Wales
Gap International Sales, Inc.	Delaware
Gap International Sourcing (Americas) LLC	California
Gap International Sourcing (California), LLC	California
Gap International Sourcing (India) Private Limited	New Delhi, India
Gap International Sourcing (JV), LLC	California
Gap International Sourcing (U.S.A.) Inc.	California
Gap International Sourcing (Vietnam) Limited Liability Company	Vietnam
Gap International Sourcing Limited	Hong Kong
Gap International Sourcing Pte. Ltd.	Singapore
Gap International Sourcing, Inc.	California
Gap IT Services India Private Limited	India
Gap Stores (Ireland) Limited	Dublin, Ireland
Gap Supply Chain Management (Shanghai) Co., Ltd	Shanghai, China
Gap Taiwan Limited	Taipei, Taiwan
GPS (Great Britain) Limited	England and Wales
GPS Coalition Limited	England and Wales
GPS Consumer Direct, Inc.	California
GPS Corporate Facilities, Inc.	California
GPS Import Services, S. de R.L. de C.V.	Mexico
GPS Real Estate, Inc.	California

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GPS Services, Inc.	California
GPS Strategic Alliances LLC	Delaware
GPSDC (New York) Inc.	Delaware
Intermix Canada Inc.	New Brunswick
MB 550 TFB, LLC	Delaware
Old Navy (Apparel), LLC	California
Old Navy (Canada) Inc.	Canada
Old Navy (ITM) Inc.	California
Old Navy (Japan) Y.K.	Tokyo, Japan
Old Navy International Sourcing, Inc.	California
Old Navy, LLC	Delaware
ON Stores Mexico, S. de R.L. de C.V.	Mexico
Piperlime (Japan) G.K.	Tokyo, Japan
WCB Twenty-Eight Limited Partnership	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-36265, 333-68285, 333-90414, 333-129986, 333-136295, 333-151560, 333-189232, 333-192723, 333-200806, 333-218500, 333-230390, 333-231914, 333-256594, and 333-272229 on Form S-8 of our report dated March 19, 2024, relating to the financial statements of The Gap, Inc. (the “Company”) and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

/s/ Deloitte & Touche LLP  
San Francisco, California  
March 19, 2024

## CERTIFICATIONS

I, Richard Dickson, certify that:

1. I have reviewed this annual report on Form 10-K 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
  - (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: March 19, 2024

/s/ Richard Dickson

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Richard Dickson  
President and Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Katrina O'Connell, certify that:

1. I have reviewed this annual report on Form 10-K 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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 (or persons performing the equivalent functions):
  - (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: March 19, 2024

/s/ Katrina O'Connell

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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 Annual Report of The Gap, Inc. (the "Company") on Form 10-K for the period ended February 3, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Dickson, President and 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.

/s/ Richard Dickson

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Richard Dickson

President and Chief Executive Officer

*(Principal Executive Officer)*

March 19, 2024

**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 Annual Report of The Gap, Inc. (the “Company”) on Form 10-K for the period ended February 3, 2024 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.

/s/ Katrina O’Connell

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Katrina O’Connell

Executive Vice President and Chief Financial Officer

*(Principal Financial and Accounting Officer)*

March 19, 2024

## Executive Compensation Recoupment Policy

Last Updated: August 7, 2023

The Compensation and Management Development Committee (the “**Compensation Committee**”) of the Board of Directors (the “**Board**”) of The Gap, Inc. (the “**Company**”) has approved this Executive Compensation Recoupment Policy (this “**Policy**”). This Policy is designed to comply with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) and explains when the Company will be required or authorized, as applicable, to seek recovery of Incentive-Based Compensation awarded or paid to a Covered Officer. The remedies under this Policy are in addition to, and not in lieu of, any other claims the Company may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies or other authorities. Further, the exercise by the Administrator of any rights pursuant to this Policy shall be without prejudice to any other rights that the Company or an Administrator may have with respect to any person subject to this Policy. To the extent applicable, this Policy will be administered in a manner that complies with applicable law and listing exchange requirements and shall be interpreted and construed accordingly. Capitalized terms used but not otherwise defined in this Policy are defined in [Section 3](#).

### 1. **Recoupment**

#### *(a) Discretionary Recoupment*

Subject to the discretion and approval of the Administrator, the Company will, in all appropriate cases as determined by the Administrator, recover all or a portion of the Incentive-Based Compensation awarded or paid to a Covered Officer during the Applicable Period, where either (i) (a) the award or the vesting of the award was predicated upon the achievement of certain financial or non-financial results that were subsequently the subject of a Non-Restatement Related Miscalculation and (b) a lower award would have been made to the Covered Officer, or a lesser amount would have vested, based upon the recalculated financial or non-financial results; or (ii) with respect to Incentive-Based Compensation awarded or that vested after the applicable crime, neglect, breach or act or omission described below, the Covered Officer (w) was indicted or convicted of, or admitted to, any crimes involving theft, fraud or moral turpitude, (x) engaged in gross neglect of duties, including willfully failing or refusing to implement or follow direction of the Company, (y) materially breached the Company’s policies and procedures, including but not limited to the Code of Business Conduct, or (z) acted or failed to act in a negligent or intentional manner that resulted in material financial, reputational or other harm to the Company or its affiliates and subsidiaries (the cases described in clause (ii) are hereinafter referred to as “**Misconduct**”, and the recovery described in clauses (i) and (ii) is hereinafter referred to as “**Discretionary Recoupment**”). In determining whether to seek recovery and the amount, if any, by which the payment or award should be reduced, the Administrator may consider, among other things, the seriousness of any Misconduct, whether the Covered Officer was unjustly enriched, whether seeking the recovery would prejudice the Company’s interests in any way, including in a proceeding or investigation, and any other factors it deems relevant to the determination.

#### *(b) Mandatory Recoupment*

If the Company is required to undertake a Restatement, then the Company shall recover, reasonably promptly and without discretion by the Administrator, all Mandatory Recoverable Compensation from any Covered Officer during the Applicable Period, unless the Administrator determines in good faith that it is Impracticable to do so, after exercising normal due process review of

all the relevant facts and circumstances (such recovery is hereinafter referred to as “**Mandatory Recoupment**”). Such recovery will be made without regard to any individual knowledge or responsibility related to the Restatement .

If such Mandatory Recoverable Compensation was not awarded or paid on a formulaic basis, the Company will seek to recover the amount that the Administrator determines in good faith should be recouped.

## **2. Administration**

The Compensation Committee is responsible for overseeing this Policy and, subject to applicable law, may seek to recoup Incentive-Based Compensation by requiring any Covered Officer to repay such amounts to the Company; an adjustment to future cash or equity-based compensation payments or awards; by set-off of a Covered Officer’s other compensation; or by such other means or combination of means as the Compensation Committee determines to be appropriate; provided that any decisions with respect to the Chief Executive Officer’s compensation shall be subject to ratification by the Board (the Compensation Committee or Board, as applicable, the “**Administrator**”).

In the reasonable exercise of its business judgment under this Policy, the Administrator or any other committee of the Board may determine whether and to what extent additional action is appropriate to address the circumstances surrounding any Discretionary Recoupment or Mandatory Recoupment (each as described in Section 1) to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

The Administrator may amend or terminate this Policy at any time.

## **3. Definitions**

For purposes of this Policy, the following terms not otherwise defined in the Policy shall have the following meanings:

“**Applicable Period**” means (a) in the case of Mandatory Recoupment, the three completed fiscal years of the Company immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a regulator, court or other legally authorized entity directs the Company to undertake a Restatement; and (b) in the case of Discretionary Recoupment, such period as the Administrator determines to be appropriate, including in light of the scope and nature of any Misconduct. The Applicable Period also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

“**Covered Officer**” means any person who is, or was at any time, during the Applicable Period, an Executive Officer of the Company. For the avoidance of doubt, a Covered Officer may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

“**Effective Date**” means December 1, 2023.

“**Executive Officer**” means an executive officer of the Company within the meaning of Section 16 of the Exchange Act, and any other executive-level officer reporting directly to the Chief Executive Officer of the Company.

**“Financial Reporting Measure”** means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements (including non-GAAP financial measures), and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (and any measures derived wholly or in part therefrom) are Financial Reporting Measures.

**“Impracticable”** means that (i) pursuing recovery of Mandatory Recoverable Compensation would violate home country law of the jurisdiction of incorporation of the Company where that law was adopted prior to November 28, 2022 and the Company provides an opinion of counsel to that effect acceptable to the Company’s listing exchange; (ii) the direct expenses paid to a third party to assist in recovering Mandatory Recoverable Compensation would exceed such amounts and the Company has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover such amounts to the Company’s listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of the Internal Revenue Code of 1986, as amended.

**“Incentive-Based Compensation”** means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Notwithstanding the foregoing, in the case of Discretionary Recoupment, Incentive-Based Compensation will also include all forms of cash and equity incentive compensation, including, without limitation, cash bonuses and equity awards that are received or vest solely based on the passage of time and/or attaining one or more non-Financial Reporting Measures.

**“Mandatory Recoverable Compensation”** means the amount of any Incentive-Based Compensation (calculated on a pre-tax basis) Received by a Covered Officer during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement. Mandatory Recoverable Compensation does not include any Incentive-Based Compensation Received by a person (i) before such person began service in a position or capacity meeting the definition of a Covered Officer, (ii) if such person did not meet the definition of a Covered Officer at any time during the performance period for that Incentive-Based Compensation, or (iii) during any period the Company did not have a class of its securities listed on a national securities exchange or a national securities association. Mandatory Recoverable Compensation may include Incentive-Based Compensation Received by a person while serving as an employee if such person previously served as a Covered Officer and then transitioned to an employee role. If the subject Incentive-Based Compensation (calculated on a pre-tax basis) was based on stock price or total shareholder return, where the Mandatory Recoverable Compensation is not subject to mathematical recalculation directly from the information in a Restatement, the Mandatory Recoverable Compensation must be based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received, and documentation of such reasonable estimate must be provided to the Company’s listing exchange.

**“Non-Restatement Related Miscalculation”** means a miscalculation that results in an overpayment of Incentive-Based Compensation, which is not related to a Restatement.

**“Received”** means the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained during a particular fiscal period, even if the payment or grant of the Incentive-Based Compensation occurs in a different fiscal period.

**“Restatement”** means an accounting restatement of any of the Company’s financial statements filed with the Securities and Exchange Commission under the Exchange Act or the Securities Act of 1933,

as amended, due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether the Company or Covered Officer misconduct was the cause for such restatement. Restatement includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).

#### **4. No Indemnification or Reimbursement**

Notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates or subsidiaries indemnify or reimburse a Covered Officer for any loss under this Policy and in no event shall the Company or any of its affiliates or subsidiaries pay premiums on any insurance policy that would cover a Covered Officer's potential losses under this Policy.

#### **5. Interpretation; Enforcement**

The Administrator will, subject to the provisions of this Policy and Rule 10D-1 of the Exchange Act, and the listing standards of the New York Stock Exchange, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. All determinations and interpretations made by the Administrator will be final, binding and conclusive.

#### **6. Acknowledgement by Covered Officers; Condition to Eligibility for Incentive-Based Compensation**

The Company will provide notice and seek acknowledgement of this Policy from each Covered Officer, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date, the Company must be in receipt of a Covered Officer's acknowledgement as a condition to such Covered Officer's eligibility to receive Incentive-Based Compensation subject to this Policy. All Incentive-Based Compensation subject to this Policy will not be earned, even if already paid, until the Policy ceases to apply to such Incentive-Based Compensation and any other vesting conditions applicable to such Incentive-Based Compensation are satisfied.

#### **7. Effectiveness**

Except as otherwise determined in writing by the Administrator, this Policy will apply to any Incentive-Based Compensation that (i) in the case of Mandatory Recoupment, is Received by a Covered Officer on or after the Effective Date, and (ii) in the case of Discretionary Recoupment, is awarded or paid to a Covered Officer on or after the Effective Date. Further, as of the Effective Date, this Policy amends and supersedes in its entirety the Company's prior executive compensation recoupment policy (the "**Prior Policy**"). Notwithstanding the foregoing, the Prior Policy shall remain in full force and effect as to any compensation that, without the existence, and satisfaction, of conditions as set forth in the Prior Policy, may otherwise have been deemed earned prior to the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Officer's employment with the Company and its affiliates.

#### **8. Successors**

This Policy shall be binding and enforceable against all Covered Officers and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

**9. Governing Law**

To the extent not preempted by U.S. federal law, this Policy will be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws.