UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2020

☐ **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	**94-1697231**
(State or other jurisdiction of incorporation or organization)	(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
Common Stock, $0.05 par value	**GPS**	**The New York Stock Exchange**

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

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

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

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

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

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

The number of shares of the registrant's common stock outstanding as of November 18, 2020 was 374,029,098.

FORWARD-LOOKING STATEMENTS

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

- the potential impact of COVID-19 on the assumptions and estimates used when preparing the quarterly financial statements, and on our results of operations, financial position, and liquidity;
- the potential impact if economic conditions caused by COVID-19 were to worsen beyond what is currently estimated by management;
- the impact of recent accounting pronouncements;
- recognition of revenue deferrals as revenue;
- compliance with applicable financial covenants under the 2023 Notes, 2025 Notes, 2027 Notes, and the ABL Facility;
- the expected tax impact of our participation in the Coronavirus Aid, Relief and Economic Security Act;
- unrealized gains and losses from designated cash flow hedges;
- total gross unrecognized tax benefits;
- the impact of losses due to indemnification obligations;
- the outcome of proceedings, lawsuits, disputes, and claims, including the impact of such actions on our financial results;
- the ability of our new capital structure to provide sufficient liquidity to continue to navigate the COVID-19 pandemic;
- the ability to supplement near-term liquidity, if necessary, with our $1.8675 billion asset-based revolving credit facility or other available market instruments;
- current cash balances and cash flows from our operations and from issuance of the 2023 Notes, 2025 Notes, 2027 Notes being sufficient to support our business operations;
- the impact of the seasonality of our operations;
- offering product that is consistently brand-appropriate and on-trend with high customer acceptance;
- the impact of adopting the accounting standards update No. 2019-12 on January 31 2021;
- growing and operating our global online business and our newly introduced business-to-business program;
- realigning inventory with customer demand;
- increasing focus on improving operational discipline and efficiency by streamlining operations and processes and leveraging scale;
- managing inventory to support a healthy merchandise margin;
- the expected timing, cost and scope of the strategic review of our operating model in Europe;
- the expectation that we will reach additional agreements with our landlords regarding suspended rent payments for our temporarily closed stores;
- rationalizing the Gap and Banana Republic brands, with emphasis on the specialty fleet globally, to create a healthier business while prioritizing asset-light growth through licensing and franchise partnerships in international markets;
- the impact of our expected lease buyouts related to a small population of stores in the future;
- continuing to integrate social and environmental sustainability into business practices;
- increased interest expense on future borrowings caused by any future reductions in our credit ratings; 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 environment and risks associated with the COVID-19 pandemic;
- the risk that we or our franchisees will be unsuccessful in gauging apparel trends and changing consumer preferences;
- the highly competitive nature of our business in the United States and internationally;
- the risk that changes in global economic conditions or consumer spending patterns could adversely impact our results of operations;
- engaging in or seeking to engage in strategic transactions that are subject to various risks and uncertainties;

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

Additional information regarding factors that could cause results to differ can be found in this Quarterly Report on Form 10-Q and our other filings with the U.S. Securities and Exchange Commission.

Future economic and industry trends that could potentially impact net sales and profitability are difficult to predict. These forward-looking statements are based on information as of November 25, 2020, 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.

We suggest that this document be read in conjunction with Management's Discussion and Analysis included in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

THE GAP, INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

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

($ and shares in millions except par value)	October 31, 2020	February 1, 2020	November 2, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,471	$ 1,364	$ 788
Short-term investments	178	290	294
Merchandise inventory	2,747	2,156	2,720
Other current assets	966	706	770
Total current assets	6,362	4,516	4,572
Property and equipment, net of accumulated depreciation of $5,891, $5,839 and $5,999	2,846	3,122	3,225
Operating lease assets	4,460	5,402	5,796
Other long-term assets	705	639	525
Total assets	$ 14,373	$ 13,679	$ 14,118
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 2,284	$ 1,174	$ 1,241
Accrued expenses and other current liabilities	1,283	1,067	974
Current portion of operating lease liabilities	823	920	934
Income taxes payable	41	48	43
Total current liabilities	4,431	3,209	3,192
Long-term liabilities:			
Long-term debt	2,214	1,249	1,249
Long-term operating lease liabilities	4,899	5,508	5,650
Lease incentives and other long-term liabilities	458	397	393
Total long-term liabilities	7,571	7,154	7,292
Commitments and contingencies (see Note 9)			
Stockholders' equity:			
Common stock $0.05 par value			
Authorized 2,300 shares for all periods presented; Issued and Outstanding 374, 371, and 373 shares	19	19	19
Additional paid-in capital	60	—	—
Retained earnings	2,268	3,257	3,573
Accumulated other comprehensive income	24	40	42
Total stockholders' equity	2,371	3,316	3,634
Total liabilities and stockholders' equity	$ 14,373	$ 13,679	$ 14,118

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	13 Weeks Ended		39 Weeks Ended	
($ and shares in millions except per share amounts)	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Net sales	$ 3,994	$ 3,998	$ 9,376	$ 11,709
Cost of goods sold and occupancy expenses	2,374	2,439	6,339	7,250
Gross profit	1,620	1,559	3,037	4,459
Operating expenses	1,445	1,338	4,033	3,640
Operating income (loss)	175	221	(996)	819
Loss on extinguishment of debt	—	—	58	—
Interest expense	55	19	132	58
Interest income	(1)	(7)	(7)	(21)
Income (loss) before income taxes	121	209	(1,179)	782
Income taxes	26	69	(280)	247
Net income (loss)	$ 95	$ 140	$ (899)	$ 535
Weighted-average number of shares - basic	374	375	373	377
Weighted-average number of shares - diluted	380	376	373	379
Earnings (loss) per share - basic	$ 0.25	$ 0.37	$ (2.41)	$ 1.42
Earnings (loss) per share - diluted	$ 0.25	$ 0.37	$ (2.41)	$ 1.41

See Accompanying Notes to Condensed Consolidated Financial Statements

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

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Net income (loss)	$ 95	$ 140	$ (899)	$ 535
Other comprehensive income (loss), net of tax				
Foreign currency translation	5	(4)	(14)	(5)
Change in fair value of derivative financial instruments, net of tax of $—, $—, $1, and $5	(2)	—	9	10
Reclassification adjustment for gains on derivative financial instruments, net of tax of $(1), $—, $(2), and $(5)	(1)	(9)	(11)	(16)
Other comprehensive income (loss), net of tax	2	(13)	(16)	(11)
Comprehensive income (loss)	$ 97	$ 127	$ (915)	$ 524

See Accompanying Notes to Condensed Consolidated Financial Statements

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

($ and shares in millions except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of August 1, 2020	374	$ 19	$ 39	$ 2,173	$ 22	$ 2,253
Net income for the thirteen weeks ended October 31, 2020				95		95
Other comprehensive income (loss), net of tax						
Foreign currency translation					5	5
Change in fair value of derivative financial instruments					(2)	(2)
Amounts reclassified from accumulated other comprehensive income					(1)	(1)
Issuance of common stock related to stock options and employee stock purchase plans	—	—	4			4
Issuance of common stock and withholding tax payments related to vesting of stock units	—	—	—			—
Share-based compensation, net of forfeitures			17			17
Common stock dividends (1)				—		—
Balance as of October 31, 2020	374	$ 19	$ 60	$ 2,268	$ 24	$ 2,371
Balance as of August 3, 2019	376	$ 19	$ —	$ 3,551	$ 55	$ 3,625
Net income for the thirteen weeks ended November 2, 2019				140		140
Other comprehensive loss, net of tax						
Foreign currency translation					(4)	(4)
Change in fair value of derivative financial instruments					—	—
Amounts reclassified from accumulated other comprehensive income					(9)	(9)
Repurchases and retirement of common stock	(3)	—	(23)	(27)		(50)
Issuance of common stock related to stock options and employee stock purchase plans	—	—	5			5
Issuance of common stock and withholding tax payments related to vesting of stock units	—	—	(1)			(1)
Share-based compensation, net of forfeitures			19			19
Common stock dividends declared and paid ($0.2425 per share)				(91)		(91)
Balance as of November 2, 2019	373	$ 19	$ —	$ 3,573	$ 42	$ 3,634

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

($ and shares in millions except per share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of February 1, 2020	371	$ 19	$ —	$ 3,257	$ 40	$ 3,316
Net loss for the thirty-nine weeks ended October 31, 2020				(899)		(899)
Other comprehensive income (loss), net of tax						
Foreign currency translation					(14)	(14)
Change in fair value of derivative financial instruments					9	9
Amounts reclassified from accumulated other comprehensive income					(11)	(11)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	16			16
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(8)			(8)
Share-based compensation, net of forfeitures			52			52
Common stock dividends ($0.2425 per share) (1)				(90)		(90)
Balance as of October 31, 2020	374	$ 19	$ 60	$ 2,268	$ 24	$ 2,371
Balance as of February 2, 2019	378	$ 19	$ —	$ 3,481	$ 53	$ 3,553
Cumulative effect of a change in accounting principle related to leases				(86)		(86)
Net income for the thirty-nine weeks ended November 2, 2019				535		535
Other comprehensive income (loss), net of tax						
Foreign currency translation					(5)	(5)
Change in fair value of derivative financial instruments					10	10
Amounts reclassified from accumulated other comprehensive income					(16)	(16)
Repurchases and retirement of common stock	(8)	—	(67)	(83)		(150)
Issuance of common stock related to stock options and employee stock purchase plans	1	—	22			22
Issuance of common stock and withholding tax payments related to vesting of stock units	2	—	(21)			(21)
Share-based compensation, net of forfeitures			66			66
Common stock dividends declared and paid ($0.7275 per share)				(274)		(274)
Balance as of November 2, 2019	373	$ 19	$ —	$ 3,573	$ 42	$ 3,634

(1) On March 4, 2020, the Company declared a first quarter fiscal year 2020 dividend of $0.2425 per share. On March 26, 2020, the Company announced that the dividend will be payable on or after April 28, 2021 to shareholders of record at the close of business on April 7, 2021. The dividend payable amount was estimated based upon the shareholders of record as of October 31, 2020.

See Accompanying Notes to Condensed Consolidated Financial Statements

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

($ in millions)	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Cash flows from operating activities:		
Net income (loss)	$ (899)	$ 535
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	381	417
Share-based compensation	55	64
Impairment of operating lease assets	361	1
Impairment of store assets	127	9
Loss on extinguishment of debt	58	—
Amortization of debt issuance costs	8	1
Non-cash and other items	—	(4)
Gain on sale of building	—	(191)
Deferred income taxes	(74)	42
Changes in operating assets and liabilities:		
Merchandise inventory	(590)	(559)
Other current assets and other long-term assets	37	8
Accounts payable	1,120	129
Accrued expenses and other current liabilities	98	28
Income taxes payable, net of receivables and other tax-related items	(206)	89
Lease incentives and other long-term liabilities	54	19
Operating lease assets and liabilities, net	(131)	(60)
Net cash provided by operating activities	399	528
Cash flows from investing activities:		
Purchases of property and equipment	(288)	(523)
Purchase of building	—	(343)
Proceeds from sale of building	—	220
Purchases of short-term investments	(237)	(235)
Proceeds from sales and maturities of short-term investments	348	231
Purchase of Janie and Jack	—	(69)
Other	2	—
Net cash used for investing activities	(175)	(719)
Cash flows from financing activities:		
Proceeds from revolving credit facility	500	—
Payments for revolving credit facility	(500)	—
Proceeds from issuance of long-term debt	2,250	—
Payments to extinguish debt	(1,307)	—
Payments for debt issuance costs	(61)	—
Proceeds from issuances under share-based compensation plans	16	22
Withholding tax payments related to vesting of stock units	(8)	(21)
Repurchases of common stock	—	(150)
Cash dividends paid	—	(274)
Net cash provided by (used for) financing activities	890	(423)
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	4	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,118	(614)
Cash, cash equivalents, and restricted cash at beginning of period	1,381	1,420
Cash, cash equivalents, and restricted cash at end of period	$ 2,499	$ 806
Supplemental disclosure of cash flow information:		
Cash paid for interest during the period	$ 41	$ 75
Cash paid for income taxes during the period, net of refunds	$ 8	$ 117

See Accompanying Notes to Condensed Consolidated Financial Statements

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

Note 1. Accounting Policies

Basis of Presentation

The Condensed Consolidated Balance Sheets as of October 31, 2020 and November 2, 2019, and the Condensed Consolidated Statements of Operations, the Condensed Consolidated Statements of Comprehensive Income (Loss), and the Condensed Consolidated Statements of Stockholders' Equity for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019, and the Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, have been prepared by The Gap, Inc. (the “Company,” “we,” and “our”). In the opinion of management, such statements contain all normal and recurring adjustments (except as otherwise disclosed) considered necessary to present fairly our financial position, results of operations, comprehensive income (loss), stockholders' equity, and cash flows as of October 31, 2020 and November 2, 2019 and for all periods presented. The Condensed Consolidated Balance Sheet as of February 1, 2020 has been derived from our audited financial statements.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and disclosures normally included in the notes to the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been omitted from these interim financial statements, although the Company believes that the disclosures made are adequate to make the information not misleading. We suggest that you read these Condensed Consolidated Financial Statements in conjunction with the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

The results of operations for the thirteen and thirty-nine weeks ended October 31, 2020 are not necessarily indicative of the operating results that may be expected for the 52-week period ending January 30, 2021.

COVID-19

In March 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. As a result, we temporarily closed our North America retail stores and a large number of our stores globally. In May 2020, we began to safely reopen our temporarily closed stores in accordance with local government guidelines and most stores were open during the thirteen weeks ended October 31, 2020. Beginning in late October 2020, several European countries instituted new lockdown mandates to contain surging COVID-19 cases and as a result we have temporarily closed certain stores in Europe. We will continue to monitor regional mandates for additional temporary store closures as they arise.

During the thirty-nine weeks ended October 31, 2020, the Company implemented several actions including completing the issuance of our Senior Secured Notes for $2.25 billion due 2023 (“2023 Notes”), 2025 (“2025 Notes”), and 2027 (“2027 Notes”) (collectively, the “Notes”) and entering into a third amended and restated senior secured asset-based revolving credit agreement (the "ABL Facility") in May 2020. See Note 3 of Notes to Condensed Consolidated Financial Statements for further details related to our debt and credit facilities. Additionally, we suspended share repurchases and dividends and deferred the first quarter of fiscal 2020 dividend in March 2020.

As a result of COVID-19, we suspended rent payments beginning in April 2020 due to our temporarily closed stores and are continuing to work through negotiations with our landlords relating to those leases. We considered the Financial Accounting Standards Board's ("FASB") guidance regarding lease modifications as a result of the effects of COVID-19 and elected to apply the temporary practical expedient to account for lease changes as variable rent unless an amendment results in a substantial change in the Company's lease obligations. As of October 31, 2020, the impact of applying the temporary practical expedient was not material to our Condensed Consolidated Financial Statements.

In response to COVID-19, various governments worldwide have enacted, or are in the process of enacting, measures to provide relief to businesses negatively affected by the pandemic. On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was signed into law in the United States. The CARES Act provides relief to U.S. corporations through financial assistance programs and modifications to certain payroll and income tax provisions. In connection with CARES Act and other financial relief measures worldwide, the Company has recognized $67 million of payroll related credits for the thirty-nine weeks ended October 31, 2020. The payroll related credits are recorded as a reduction within operating expenses in the Condensed Consolidated Statements of Operations. The Company is also considering certain other beneficial provisions of the CARES Act, including the net operating loss carryback provision. See Note 7 of Notes to Condensed Consolidated Financial Statements for more information on the estimated income tax impact of the CARES Act.

We continue to consider the impact of COVID-19 on the assumptions and estimates used when preparing these quarterly financial statements including inventory valuation, lease accounting impacts, income taxes, and the impairment of long-lived store assets and operating lease assets. These assumptions and estimates may change as the current situation evolves or new events occur and additional information is obtained. If the economic conditions caused by COVID-19 worsen beyond what is currently estimated by management, such future changes may have an adverse impact on the Company's results of operations, financial position, and liquidity.

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 Condensed Consolidated Balance Sheets. Otherwise, restricted cash is included within other current assets on our Condensed Consolidated Balance Sheets.

As of October 31, 2020, restricted cash primarily included consideration that serves as collateral for certain obligations occurring in the normal course of business and our insurance obligations. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within our Condensed Consolidated Balance Sheets to the total shown on our Condensed Consolidated Statements of Cash Flows:

($ in millions)	**October 31, 2020**	**February 1, 2020**	**November 2, 2019**
Cash and cash equivalents, per Condensed Consolidated Balance Sheets	$ 2,471	$ 1,364	$ 788
Restricted cash included in other current assets	4	—	—
Restricted cash included in other long-term assets	24	17	18
Total cash, cash equivalents, and restricted cash, per Condensed Consolidated Statements of Cash Flows	$ 2,499	$ 1,381	$ 806

Accounting Pronouncements Recently Adopted

ASU No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued accounting standards update ("ASU") No. 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The ASU is intended to align the requirements for capitalization of implementation costs incurred in a cloud computing arrangement that is a service contract with the existing guidance for internal-use software. We adopted this ASU on a prospective basis on February 2, 2020. The adoption of this standard did not have a material impact on our Condensed Consolidated Financial Statements or related disclosures.

Accounting Pronouncements Not Yet Adopted

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 Condensed Consolidated Financial Statements, based on current information.

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

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes. The ASU is intended to enhance and simplify aspects of the income tax accounting guidance in ASC 740 as part of the FASB's simplification initiative. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2020 with early adoption permitted. The Company will adopt this ASU on January 31, 2021 and does not expect there to be a material impact on our Condensed Consolidated Financial Statements.

Note 2. Revenue

The Company's revenues include merchandise sales at stores, online, and through franchise agreements, as well as the newly introduced business-to-business ("B2B") program. 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, credit vouchers, and outstanding loyalty points. Breakage revenue is recognized based upon historical redemption patterns. For online sales, the Company has elected to treat shipping and handling as fulfillment activities and not as 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. We also record an allowance for estimated returns based on our historical return patterns and various other assumptions that management believes to be reasonable. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities.

Our credit card agreement 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 include 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 Condensed Consolidated Statements of Operations.

We also have franchise agreements with unaffiliated franchisees to operate Gap, Banana Republic, Old Navy, and Athleta stores in a number of countries throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores 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. There were no material contract liabilities related to our franchise agreements for all periods presented.

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, credit vouchers, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement. For the thirteen weeks ended October 31, 2020, the opening balance of deferred revenue for these obligations was $189 million, of which $68 million was recognized as revenue during the period. For the thirty-nine weeks ended October 31, 2020, the opening balance of deferred revenue for these obligations was $226 million, of which $140 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was $191 million as of October 31, 2020.

We expect that the majority of our revenue deferrals as of the quarter ended October 31, 2020, will be recognized as revenue in the next twelve months as our performance obligations are satisfied.

For the thirteen weeks ended November 2, 2019, the opening balance of deferred revenue for these obligations was $195 million, of which $78 million was recognized as revenue during the period. For the thirty-nine weeks ended November 2, 2019, the opening balance of deferred revenue for these obligations was $227 million, of which $161 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was $189 million as of November 2, 2019.

Net sales disaggregated for stores and online sales for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 was as follows:

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Store sales (1)	$ 2,379	$ 2,992	$ 5,129	$ 8,981
Online sales (2)	1,615	1,006	4,247	2,728
Total net sales	$ 3,994	$ 3,998	$ 9,376	$ 11,709

(1) Store sales primarily include sales made at our Company-operated stores and franchise sales. Fiscal 2020 store sales were negatively impacted by COVID-19. See Note 1 of Notes to Condensed Consolidated Financial Statements for further details.
(2) Online sales primarily include sales made through our online channels including curbside pick-up, ship-from-store sales, buy online pick-up in store sales, and order-in-store sales. Additionally, beginning in the second quarter of fiscal 2020, sales from the B2B program are also included.

See Note 10 of Notes to Condensed Consolidated Financial Statements for further disaggregation of revenue by brand and by region.

Note 3. Debt and Credit Facilities

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

($ in millions)	**October 31, 2020**	**February 1, 2020**	**November 2, 2019**
2021 Notes	$ —	$ 1,249	$ 1,249
2023 Notes	500	—	—
2025 Notes	750	—	—
2027 Notes	1,000	—	—
Less: Unamortized debt issuance costs	(36)	—	—
Total long-term debt	$ 2,214	$ 1,249	$ 1,249

In June 2020, we redeemed our $1.25 billion aggregate principal amount of 5.95 percent notes due April 2021 (the "2021 Notes"). We incurred a loss on extinguishment of debt of $58 million, primarily related to the make-whole premium, which was recorded on the Condensed Consolidated Statement of Operations. Prior to redeeming our 2021 Notes, the aggregate principal amount of the 2021 Notes was recorded in long-term debt on the Condensed Consolidated Balance Sheets, net of the unamortized discount. Following the redemption, our obligations under the 2021 Notes were discharged.

In May 2020, we completed the issuance of the Notes in a private placement to qualified buyers and received gross proceeds of $2.25 billion. Concurrently with the issuance of the Notes, the Company amended the existing unsecured revolving credit facility with the ABL Facility which is scheduled to expire in May 2023. During the second quarter of fiscal 2020, we paid and recorded debt issuance costs related to the Notes and ABL Facility within long-term debt and other long-term assets on the Condensed Consolidated Balance Sheet, which will continue to be amortized through interest expense over the life of the related instrument.

The scheduled maturity of the Notes is as follows:

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

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

As of October 31, 2020, the estimated fair value of the Notes was $2.54 billion and was based on the quoted market price for each of the Notes (level 1 inputs) as of the last business day of the fiscal quarter. The aggregate principal amount of the Notes is recorded in long-term debt on the Condensed Consolidated Balance Sheet, net of the unamortized debt issuance cost.

The ABL Facility has a $1.8675 billion borrowing capacity and bears interest at a base rate (typically LIBOR) plus a margin depending on borrowing base availability. We also have the ability to issue letters of credit on our ABL Facility. As of October 31, 2020, we had $48 million in standby letters of credit issued under the ABL Facility. There were no borrowings under the ABL Facility as of October 31, 2020.

The Notes are secured by the Company's real and intellectual property and equipment and intangibles. The Notes contain covenants that limit the Company's ability to, among other things: (i) grant or incur liens on the collateral; (ii) incur, assume or guarantee additional indebtedness; (iii) enter into sale and lease-back transactions; (iv) sell or otherwise dispose of assets that are collateral; and (v) make certain restricted payments or other investments. The Notes are also subject to certain provisions related to default that, if triggered, could result in acceleration of the maturity of the Notes.

The ABL Facility agreement is secured by specified assets, including a first lien on inventory, accounts receivable and bank accounts. The Notes are also secured by a second priority lien on certain assets securing the ABL Facility, which includes security interests in inventory, accounts receivable and bank accounts, subject to certain exceptions and permitted liens. In addition, the ABL Facility agreement is secured by a second lien on certain assets securing the Notes. 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.

As of October 31, 2020, we were in compliance with the applicable financial covenants and expect to maintain compliance for the next twelve months.

We also maintain multiple agreements with third parties that make unsecured revolving credit facilities available for our operations in foreign locations (the "Foreign Facilities"). The Foreign Facilities are uncommitted and had a total capacity of $58 million as of October 31, 2020. As of October 31, 2020, there were no borrowings under the Foreign Facilities. There were $19 million in bank guarantees issued and outstanding primarily related to store leases under the Foreign Facilities as of October 31, 2020.

We have bilateral unsecured standby letter of credit agreements that are uncommitted and do not have expiration dates. There were no material standby letters of credit issued under these agreements as of October 31, 2020.

Note 4. Fair Value Measurements

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

There were no purchases, sales, issuances, or settlements related to recurring level 3 measurements during the thirteen and thirty-nine weeks ended October 31, 2020 or November 2, 2019. There were no transfers of financial assets or liabilities into or out of level 1, level 2, and level 3 during the thirteen and thirty-nine weeks ended October 31, 2020 or November 2, 2019.

Financial Assets and Liabilities

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

		Fair Value Measurements at Reporting Date Using		
($ in millions)	**October 31, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash equivalents	$ 678	$ 178	$ 500	$ —
Short-term investments	178	119	59	—
Derivative financial instruments	6	—	6	—
Deferred compensation plan assets	44	44	—	—
Other assets	2	—	—	2
Total	$ 908	$ 341	$ 565	$ 2
Liabilities:				
Derivative financial instruments	$ 7	$ —	$ 7	$ —

		Fair Value Measurements at Reporting Date Using		
($ in millions)	**February 1, 2020**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash equivalents	$ 311	$ 19	$ 292	$ —
Short-term investments	290	117	173	—
Derivative financial instruments	10	—	10	—
Deferred compensation plan assets	51	51	—	—
Other assets	2	—	—	2
Total	$ 664	$ 187	$ 475	$ 2
Liabilities:				
Derivative financial instruments	$ 10	$ —	$ 10	$ —

		Fair Value Measurements at Reporting Date Using		
($ in millions)	**November 2, 2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets:				
Cash equivalents	$ 238	$ 3	$ 235	$ —
Short-term investments	294	131	163	—
Derivative financial instruments	12	—	12	—
Deferred compensation plan assets	53	53	—	—
Other assets	2	—	—	2
Total	$ 599	$ 187	$ 410	$ 2
Liabilities:				
Derivative financial instruments	$ 10	$ —	$ 10	$ —

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

Our available-for-sale securities are comprised of investments in debt securities and are recorded in both short-term investments and cash and cash equivalents on the Condensed Consolidated Balance Sheets. These securities are recorded at fair value using market prices. As of October 31, 2020 and November 2, 2019, the Company held $178 million and $294 million, respectively, of available-for-sale debt securities with maturity dates greater than three months and less than two years within short-term investments on the Condensed Consolidated Balance Sheets. In addition, as of October 31, 2020 and November 2, 2019, the Company held $222 million and $17 million available-for-sale debt securities with maturities of less than three months at the time of purchase within cash and cash equivalents on the Condensed Consolidated Balance Sheet. Unrealized gains and losses on available-for-sale debt securities included within accumulated other comprehensive income were not material as of October 31, 2020 and November 2, 2019.

The Company regularly reviews its available-for-sale debt securities for other-than-temporary impairment. For the thirteen and thirty-nine weeks ended October 31, 2020 or November 2, 2019, the Company did not consider any of its securities to be other-than-temporarily impaired and, accordingly, did not recognize any impairment loss.

Derivative financial instruments primarily include foreign exchange forward contracts. The fair value of the Company’s derivative financial instruments is determined using pricing models based on current market rates. See Note 5 of Notes to Condensed Consolidated Financial Statements for information regarding currencies hedged against the U.S. dollar.

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

Nonfinancial Assets

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

The impact of COVID-19 resulted in a qualitative indication of impairment related to our store long-lived assets. For store locations, we analyzed our store asset recoverability. There were no material impairment charges recorded for long-lived assets during the thirteen weeks ended October 31, 2020. During the thirty-nine weeks ended October 31, 2020, the Company recorded impairment of store assets of $127 million and impairment of operating lease assets of $361 million. The impairment of the store assets reduced the carrying amount of the applicable long-lived assets of $131 million to their fair value of $4 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of $1,369 million to their fair value of $1,008 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations.

There were no material impairment charges recorded for long-lived assets during the thirteen weeks ended November 2, 2019. During the thirty-nine weeks ended November 2, 2019, the Company recorded impairment of store assets of $9 million and impairment of operating lease assets of $1 million. The impairment of the store assets reduced the carrying amount of the applicable long-lived assets of $10 million to their fair value of $1 million. The impairment of the operating lease assets reduced the carrying amount of the applicable long-lived assets of $61 million to their fair value of $60 million. The impairment charges were recorded in operating expenses on the Condensed Consolidated Statement of Operations.

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

There were no impairment charges recorded for goodwill or other indefinite-lived intangible assets for the thirteen and thirty-nine weeks ended October 31, 2020 or November 2, 2019.

Note 5. Derivative Financial Instruments

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

Cash Flow Hedges

We designate the following foreign exchange forward contracts as cash flow hedges: (1) forward contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies; (2) forward contracts used to hedge forecasted intercompany royalty payments denominated in foreign currencies received by entities whose functional currencies are U.S. dollars; and (3) forward contracts used to hedge forecasted intercompany revenue transactions related to merchandise sold from our regional purchasing entity, whose functional currency is the U.S. dollar, to certain international subsidiaries in their local currencies. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs, intercompany royalty payments, and intercompany revenue transactions generally have terms of up to 24 months. The effective portion of the gain or loss on the derivative financial instruments is reported as a component of other comprehensive income and is recognized into net income (loss) during the period in which the underlying transaction impacts the Condensed Consolidated Statements of Operations.

Net Investment Hedges

We may also use foreign exchange forward contracts to hedge the net assets of international subsidiaries to offset the foreign currency translation and economic exposures related to our investment in these subsidiaries.

Other Derivatives Not Designated as Hedging Instruments

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

Outstanding Notional Amounts

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

($ in millions)	October 31, 2020	February 1, 2020	November 2, 2019
Derivatives designated as cash flow hedges	$ 474	$ 501	$ 640
Derivatives not designated as hedging instruments	539	689	706
Total	$ 1,013	$ 1,190	$ 1,346

Quantitative Disclosures about Derivative Financial Instruments

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

($ in millions)	October 31, 2020	February 1, 2020	November 2, 2019
Derivatives designated as cash flow hedges:			
Other current assets	$ 2	$ 6	$ 7
Other long-term assets	—	—	1
Accrued expenses and other current liabilities	1	2	2
Derivatives not designated as hedging instruments:			
Other current assets	4	4	4
Accrued expenses and other current liabilities	6	8	8
Total derivatives in an asset position	$ 6	$ 10	$ 12
Total derivatives in a liability position	$ 7	$ 10	$ 10

Substantially all of the unrealized gains and losses from designated cash flow hedges as of October 31, 2020 will be recognized into net income (loss) within the next twelve months at the then-current values, which may differ from the fair values as of October 31, 2020 shown above.

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

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

The effective portion of gains and losses on foreign exchange forward contracts designated in a cash flow hedging relationship recorded in other comprehensive income, on a pre-tax basis, are as follows:

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Gain (loss) recognized in other comprehensive income	$ (2)	$ —	$ 10	$ 15

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

	Location and Amount of (Gain) Loss Recognized in Net Income			
	13 Weeks Ended October 31, 2020		13 Weeks Ended November 2, 2019	
($ in millions)	Cost of goods sold and occupancy expense	Operating expenses	Cost of goods sold and occupancy expense	Operating expenses
Total amount of expense line items presented in the Condensed Consolidated Statements of Operations in which the effects of derivatives are recorded	$ 2,374	$ 1,445	$ 2,439	$ 1,338
(Gain) loss recognized in net income				
Derivatives designated as cash flow hedges	(2)	—	(9)	—
Derivatives not designated as hedging instruments	—	4	—	8
Total (gain) loss recognized in net income	$ (2)	$ 4	$ (9)	$ 8

($ in millions)	Location and Amount of Gain Recognized in Net Income (Loss)			
	39 Weeks Ended October 31, 2020		39 Weeks Ended November 2, 2019	
	Cost of goods sold and occupancy expense	Operating expenses	Cost of goods sold and occupancy expense	Operating expenses
Total amount of expense line items presented in the Condensed Consolidated Statements of Operations in which the effects of derivatives are recorded	$ 6,339	$ 4,033	$ 7,250	$ 3,640
Gain recognized in net income (loss)				
Derivatives designated as cash flow hedges	(13)	—	(21)	—
Derivative not designated as hedging instruments	—	(7)	—	(4)
Total gain recognized in net income (loss)	$ (13)	$ (7)	$ (21)	$ (4)

Note 6. Share Repurchases

Share repurchase activity is as follows:

($ and shares in millions except average per share cost)	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Number of shares repurchased (1)	—	2.9	—	7.5
Total cost	$ —	$ 50	$ —	$ 150
Average per share cost including commissions	$ —	$ 17.17	$ —	$ 19.85

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

In February 2019, the Board of Directors approved a new $1.0 billion share repurchase authorization (the "February 2019 repurchase program"). The February 2019 repurchase program had $800 million remaining as of October 31, 2020. On March 12, 2020, the Company announced its decision to suspend share repurchases through fiscal 2020.

All of the share repurchases were paid for as of February 1, 2020 and November 2, 2019. All common stock repurchased is immediately retired.

Note 7. Income Taxes

On March 27, 2020, the CARES Act was signed into law in the United States. The CARES Act includes certain provisions that affect our income taxes, including temporary five-year net operating loss carryback provisions, modifications to the interest deduction limitations, and the technical correction for depreciation of qualified leasehold improvements.

The effective income tax rate was 21.5 percent for the thirteen weeks ended October 31, 2020, compared with 33.0 percent for the thirteen weeks ended November 2, 2019. The decrease in the effective tax rate is primarily due to changes in the mix of pretax income between domestic and international operations, partially offset by the impacts of the net operating loss carryback provisions of the CARES Act.

The effective income tax rate was 23.7 percent for the thirty-nine weeks ended October 31, 2020, compared with 31.6 percent for the thirty-nine weeks ended November 2, 2019. The decrease in the effective tax rate is primarily due to changes in the mix of pretax income between domestic and international operations and the fiscal 2019 impact of an adjustment for additional guidance issued regarding the Tax Cuts and Jobs Act of 2017 ("TCJA"), partially offset by the impacts of the net operating loss carryback provisions of the CARES Act.

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 are also no longer subject to U.S. state, local, or non-U.S. income tax examinations for fiscal years before 2010.

The Company is 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 October 31, 2020, it is reasonably possible that we will recognize a decrease in gross unrecognized tax benefits within the next twelve months of up to $3 million, primarily due to the closing of audits. If we do recognize such a decrease, the net impact on the Condensed Consolidated Statements of Operations would not be material.

Note 8. Earnings (Loss) Per Share

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

	13 Weeks Ended		39 Weeks Ended	
(shares in millions)	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Weighted-average number of shares - basic	374	375	373	377
Common stock equivalents (1)	6	1	—	2
Weighted-average number of shares - diluted	380	376	373	379

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(1) For the thirty-nine weeks ended October 31, 2020, the dilutive impact of outstanding options and awards was excluded from dilutive shares as a result of the Company's net loss for the respective period.

The anti-dilutive shares related to stock options and other stock awards excluded from the computation of weighted-average number of shares – diluted were 12 million and 17 million for the thirteen weeks ended October 31, 2020 and November 2, 2019, respectively, and 16 million and 14 million for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively, as their inclusion would have an anti-dilutive effect on earnings (loss) per share.

Note 9. Commitments and Contingencies

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

As a multinational company, we are subject to various 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 October 31, 2020, Actions filed against us included commercial, intellectual property, customer, employment, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. As of October 31, 2020, February 1, 2020, and November 2, 2019, we recorded a liability for an estimated loss if the outcome of an Action is expected to result in a loss that is considered probable and reasonably estimable. The liability recorded was not material for any individual Action or in total for all periods presented. Subsequent to October 31, 2020, and through the filing date of this Quarterly Report on Form 10-Q, no information has become available that indicates a change is required that would be material to our Condensed Consolidated Financial Statements taken as a whole.

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

Note 10. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of October 31, 2020, our operating segments included: Old Navy Global, Gap Global, Banana Republic Global, Athleta, and Intermix. Each operating segment has a brand president who is responsible for various geographies and channels. Each of our brands serves customers through its store and online channels, allowing us to execute on our omni-channel strategy where customers can shop seamlessly across all of our brands in retail stores and online through desktop or mobile devices. 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 October 31, 2020. 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.

Net sales by brand and region are as follows:

($ in millions) 13 Weeks Ended October 31, 2020	Old Navy Global	Gap Global	Banana Republic Global	Other (3)	Total
U.S. (1)	$ 2,034	$ 611	$ 323	$ 370	$ 3,338
Canada	193	86	39	3	321
Europe	—	115	3	—	118
Asia	1	169	18	—	188
Other regions	14	12	3	—	29
Total	$ 2,242	$ 993	$ 386	$ 373	$ 3,994

($ in millions) 13 Weeks Ended November 2, 2019	Old Navy Global	Gap Global	Banana Republic Global (2)	Other (4)	Total
U.S. (1)	$ 1,769	$ 689	$ 532	$ 274	$ 3,264
Canada	151	97	55	1	304
Europe	—	128	3	—	131
Asia	9	220	21	—	250
Other regions	18	24	7	—	49
Total	$ 1,947	$ 1,158	$ 618	$ 275	$ 3,998

($ in millions) 39 Weeks Ended October 31, 2020	Old Navy Global	Gap Global	Banana Republic Global	Other (3)	Total
U.S. (1)	$ 4,709	$ 1,395	$ 804	$ 954	$ 7,862
Canada	415	183	90	3	691
Europe	—	239	8	—	247
Asia	4	435	44	—	483
Other regions	33	48	12	—	93
Total	$ 5,161	$ 2,300	$ 958	$ 957	$ 9,376

($ in millions) 39 Weeks Ended November 2, 2019	Old Navy Global	Gap Global	Banana Republic Global (2)	Other (4)	Total
U.S. (1)	$ 5,204	$ 1,942	$ 1,549	$ 891	$ 9,586
Canada	427	251	155	2	835
Europe	—	380	10	—	390
Asia	30	654	70	—	754
Other regions	57	69	18	—	144
Total	$ 5,718	$ 3,296	$ 1,802	$ 893	$ 11,709

(1) U.S. includes the United States, Puerto Rico, and Guam.
(2) Banana Republic Global fiscal year 2019 net sales include the Janie and Jack brand beginning March 4, 2019.
(3) Primarily consists of net sales for the Athleta, Intermix, and Hill City brands. Beginning in fiscal year 2020, Janie and Jack net sales are also included. Net sales for Athleta for the thirteen and thirty-nine weeks ended October 31, 2020 were $292 million and $764 million, respectively.
(4) Primarily consists of net sales for the Athleta, Intermix, and Hill City brands as well as a portion of income related to our credit card agreement. Net sales for Athleta for the thirteen and thirty-nine weeks ended November 2, 2019 were $216 million and $691 million, respectively.

Net sales by region are allocated based on the location of the store where the customer paid for and received the merchandise or the distribution center or store from which the products were shipped.

Note 11. Store Closing and Other Operating Cost

In fiscal 2019, the Company announced plans to restructure the specialty fleet and revitalize the Gap brand during fiscal 2019 and fiscal 2020. In fiscal 2020, the Company shifted its focus towards adapting to the COVID-19 challenges and a broader scope of strategic initiatives. As a result, restructuring costs were not material in fiscal 2020. See Overview of Management's Discussion and Analysis included in Part I, Item 2 of this Form 10-Q, for more detail on some of the strategic initiatives being undertaken by the Company.

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

OUR BUSINESS

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

OVERVIEW

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. As a result, we temporarily closed our North America retail stores and a large number of our stores globally. In May 2020, we began to safely reopen our temporarily closed stores with industry-leading safety measures for customers and employees and most stores were open during the thirteen weeks ended October 31, 2020. Beginning in late October 2020, several European countries instituted new lockdown mandates to contain surging COVID-19 cases and as a result we have temporarily closed certain stores in Europe. We will continue to monitor regional mandates for additional temporary store closures as they arise. Although the pandemic has caused a significant reduction in store sales, our online sales have increased significantly by leveraging our omni fulfillment capabilities, including curbside pick-up and ship-from-store, to serve customer demand.

On October 20, 2020, we shared plans to strategically review our operating model in Europe, which includes 122 Company-operated stores. As part of the review, we are considering the possibility of leveraging the strength of our franchise business model and transferring elements of the business to interested partners. We are also reviewing the strategies of our warehouse and distribution model and our Company-owned e-commerce sites for Gap and Banana Republic in Europe. While no decisions have been made, such plans could result in additional costs to the Company including charges related to leases and inventory, and employee-related costs. We are targeting early fiscal 2021 to finalize our plans.

Additionally, on October 22, 2020, the Company shared its strategic focus to reduce the number of Gap and Banana Republic stores in North America by approximately 350 stores from the beginning of fiscal 2020 to the end of fiscal 2023. The majority of the select stores being considered have leases that expire in fiscal 2020 and fiscal 2021 which allows us to exit underperforming stores with a minimal net impact to our Consolidated Statement of Operations. As of October 31, 2020, we have closed, net of openings, 143 Gap and Banana Republic stores in North America in fiscal 2020.

As a result of COVID-19, we suspended rent payments beginning in April 2020 due to our temporarily closed stores and are continuing to work through negotiations with our landlords relating to those leases. As result of the negotiations with our landlords, the Company executed several cash buyout agreements during the third quarter of fiscal 2020 totaling approximately $57 million. The net impact of these buyouts was not material to our Condensed Consolidated Statement of Operations for the thirteen weeks ended October 31, 2020. The Company expects substantial cash lease buyout amounts in the future relating to a small population of stores we intend to close across multiple brands but we expect these buyouts to have a minimal net impact to our Consolidated Statements of Operations.

In July 2020, the Company announced the launch of a B2B program focused on offering large organizations high-quality reusable, non-medical grade cloth face masks to supply to their employees. We have leveraged our deep supply chain relationships and agile operations to provide these masks to companies in both the private and public sector.

We implemented several actions during fiscal 2020 to enhance our liquidity position in response to COVID-19. In May 2020, the Company completed the issuance of the Notes for $2.25 billion. We also entered into the ABL Facility, with an initial aggregate principal amount of up to $1.8675 billion. Proceeds from the issuance of the Notes were used to redeem our 2021 Notes. We incurred a loss on extinguishment of debt of $58 million, primarily related to the make-whole premium, which was recorded on the Condensed Consolidated Statement of Operations. Additionally, during the second quarter of fiscal 2020, we repaid the $500 million that was outstanding under our previous unsecured revolving credit facility. Refer to the "Liquidity and Capital Resources" section for further discussion.

During the thirty-nine weeks ended October 31, 2020, the Company recorded impairment of store assets of $127 million and operating lease assets of $361 million, primarily due to lower cash flows from stores and the reduced estimated fair value of real estate, particularly in mall locations, as a result of COVID-19. See Note 4 of Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for further information regarding impairments.

During the first quarter of fiscal 2020, the Company recorded inventory related impairment costs of $235 million, primarily related to seasonal inventory that was stranded in stores when closures occurred or seasonal inventory in distribution centers that was planned for store sales. The costs also included impaired garment and fabric commitment costs for future seasonal product. Additionally, to strategically manage inventory through COVID-19, select summer product is being stored at an off-site facility and our distribution centers and expected to be sold during fiscal 2021.

As we continue to face a period of uncertainty regarding the ongoing impact of COVID-19 on both our projected customer demand and supply chain, we remain focused on the following strategic priorities in the near-term:

- offering product that is consistently brand-appropriate and on-trend with high customer acceptance and appropriate value perception;
- growing and operating our global online business;
- realigning inventory with customer demand;
- attracting and retaining strong talent in our businesses and functions;
- increasing the focus on improving operational discipline and efficiency by streamlining operations and processes throughout the organization and leveraging our scale;
- managing inventory to support a healthy merchandise margin;
- rationalizing the Gap and Banana Republic brands, to create a healthier business while prioritizing asset-light growth through licensing and franchise partnerships in international markets; and
- continuing to integrate social and environmental sustainability into business practices to support long-term growth.

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

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

We continue to monitor the rapidly evolving pandemic situation and guidance from international and domestic authorities, including federal, state, and local public health authorities and may take additional actions based on their recommendations. In these circumstances, there may be developments outside our control requiring us to adjust our operating plan. As such, given the dynamic nature of the situation, the Company cannot reasonably estimate the impacts of COVID-19 on our results of operations, cash flows and liquidity in the future.

Financial results for the third quarter of fiscal 2020 are as follows:

- Net sales for the third quarter of fiscal 2020 were flat compared with the third quarter of fiscal 2019.
- Online sales for the third quarter of fiscal 2020 increased 61 percent compared with the third quarter of fiscal 2019 and store sales for the third quarter of fiscal 2020 decreased 20 percent compared with the third quarter of fiscal 2019.
- Gross profit for the third quarter of fiscal 2020 was $1.62 billion compared with $1.56 billion for the third quarter of fiscal 2019. Gross margin for the third quarter of fiscal 2020 was 40.6 percent compared with 39.0 percent for the third quarter of fiscal 2019.
- Operating income for the third quarter of fiscal 2020 was $175 million compared with $221 million for the third quarter of fiscal 2019.
- The effective income tax rate for the third quarter of fiscal 2020 was 21.5 percent, compared with 33.0 percent for the third quarter of fiscal 2019.
- Net income for the third quarter of fiscal 2020 was $95 million compared with $140 million for the third quarter of fiscal 2019.
- Diluted earnings per share was $0.25 for the third quarter of fiscal 2020 compared with $0.37 for the third quarter of fiscal 2019.

RESULTS OF OPERATIONS

Net Sales

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

Comparable Sales ("Comp Sales")

Comp Sales include the results of Company-operated stores and sales through online channels. The calculation of Gap Inc. Comp Sales includes the results of Intermix, Janie and Jack, and Hill City, but excludes the results of our franchise business.

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

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

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

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

For the thirteen weeks ended October 31, 2020, any stores temporarily closed for more than three days as a result of COVID-19 were excluded from the Comp Sales calculations. After temporarily closed stores reopened, subsequent sales were included in the Comp/Non-comp status they were in prior to temporary closure. Online sales continued to be included in the Comp Sales calculation for each period.

The percentage change in Comp Sales by global brand and for The Gap, Inc. is as follows:

	13 Weeks Ended October 31, 2020 (1)
Old Navy Global	17 %
Gap Global	(5) %
Banana Republic Global	(30) %
Athleta	37 %
The Gap, Inc.	5 %

(1) Comp Sales for the thirteen weeks ended October 31, 2020 reflect an increase in online sales, see Net Sales discussion for further details.

	13 Weeks Ended November 2, 2019
Old Navy Global	(4) %
Gap Global	(7) %
Banana Republic Global	(3) %
Athleta	1 %
The Gap, Inc.	(4) %

We have historically reported net sales per average square foot, but as a result of the extensive temporary store closures due to COVID-19 and shift in focus to online, this metric is not meaningful for the first three quarters of fiscal 2020 and therefore we have omitted it.

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

	February 1, 2020	39 Weeks Ended October 31, 2020		October 31, 2020	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed (1)	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,207	30	12	1,225	19.7
Old Navy Asia	17	—	17	—	—
Gap North America	675	1	92	584	6.2
Gap Asia	358	11	19	350	3.1
Gap Europe	137	4	19	122	1.0
Banana Republic North America	541	3	55	489	4.1
Banana Republic Asia	48	5	5	48	0.2
Athleta North America	190	10	2	198	0.8
Intermix North America	33	—	1	32	0.1
Janie and Jack North America	139	—	9	130	0.3
Company-operated stores total	3,345	64	231	3,178	35.5
Franchise	574	50	17	607	N/A
Total	3,919	114	248	3,785	35.5
Decrease over prior year				(3.9) %	(5.3) %

	February 2, 2019	39 Weeks Ended November 2, 2019		November 2, 2019	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,139	60	2	1,197	19.4
Old Navy Asia	15	4	1	18	0.2
Gap North America	758	3	34	727	7.5
Gap Asia	332	46	27	351	3.2
Gap Europe	152	3	12	143	1.2
Banana Republic North America	556	8	10	554	4.7
Banana Republic Asia	45	4	2	47	0.2
Athleta North America	161	24	—	185	0.8
Intermix North America	36	—	1	35	0.1
Janie and Jack North America (2)	—	—	—	139	0.2
Company-operated stores total	3,194	152	89	3,396	37.5
Franchise	472	94	24	542	N/A
Total	3,666	246	113	3,938	37.5
Increase over prior year				6.8 %	1.6 %

(1) Represents stores that have been permanently closed, not stores temporarily closed as a result of COVID-19.
(2) On March 4, 2019, we acquired select assets of Gymboree Group, Inc. related to Janie and Jack. The 140 stores acquired were not included as store openings for fiscal 2019; however, they are included in the ending number of store locations as of November 2, 2019, net of one closure that occurred in the third quarter of fiscal 2019.

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

Net Sales

Our net sales for the third quarter of fiscal 2020 were flat, decreasing $4 million, compared with the third quarter of fiscal 2019, reflecting a 61% increase in online sales, offset by a 20% decline in store sales. Net sales increased at Old Navy Global and Athleta and decreased at Gap Global and Banana Republic Global for the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019.

Our net sales for the first three quarters of fiscal 2020 decreased $2.3 billion or 20 percent, compared with the first three quarters of fiscal 2019 driven primarily by temporary store closures due to COVID-19. Although COVID-19 and resulting temporary closure of our stores negatively affected our financial results for the first three quarters of fiscal 2020, our online sales increased significantly compared with the first three quarters of fiscal 2019.

Cost of Goods Sold and Occupancy Expenses

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Cost of goods sold and occupancy expenses	$ 2,374	$ 2,439	$ 6,339	$ 7,250
Gross profit	$ 1,620	$ 1,559	$ 3,037	$ 4,459
Cost of goods sold and occupancy expenses as a percentage of net sales	59.4 %	61.0 %	67.6 %	61.9 %
Gross margin	40.6 %	39.0 %	32.4 %	38.1 %

Cost of goods sold and occupancy expenses decreased 1.6 percentage points as a percentage of net sales in the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019.

- Cost of goods sold increased 2.0 percentage points as a percentage of net sales in the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019, primarily driven by higher online shipping costs as a result of growth in online sales partially offset by lower promotional activity at Old Navy and Athleta.
- Occupancy expenses decreased 3.6 percentage points as a percentage of net sales in the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019 primarily driven by an increase in online sales with minimal impact on fixed occupancy expenses, as well as a decrease in fixed occupancy expenses as a result of permanent store closures and the impact of lease terminations and amendments.

Cost of goods sold and occupancy expenses increased 5.7 percentage points as a percentage of net sales in the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019.

- Cost of goods sold increased 4.7 percentage points as a percentage of net sales in the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019, primarily driven by higher online shipping costs as a result of growth in online sales as well as higher inventory impairment due to store closures and decreased retail traffic as a result of COVID-19.
- Occupancy expenses increased 1.0 percentage points as a percentage of net sales in the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019 primarily driven by a decrease in net sales largely due to store closures as a result of COVID-19 without a corresponding decrease in occupancy expenses, partially offset by an increase in online sales with minimal impact on fixed occupancy expenses.

Operating Expenses

($ in millions)	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Operating expenses	$ 1,445	$ 1,338	$ 4,033	$ 3,640
Operating expenses as a percentage of net sales	36.2 %	33.5 %	43.0 %	31.1 %
Operating margin	4.4 %	5.5 %	(10.6)%	7.0 %

Operating expenses increased $107 million or 2.7 percentage points as a percentage of net sales in the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019 primarily due to the following:

- increase in advertising expenses due to higher investment in marketing support across all purpose-led lifestyle brands;
- additional store payroll and other store related costs to support health and safety measures in stores;
- increase in lease termination fees incurred in fiscal 2020; partially offset by
- separation-related costs incurred in the third quarter of fiscal 2019.

Operating expenses increased $393 million or 11.9 percentage points as a percentage of net sales in the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019 primarily due to the following:

- impairment charges related to store assets and operating lease assets of $488 million incurred during the first three quarters of fiscal 2020 primarily due to the impact of COVID-19;
- a gain that occurred during the first quarter of fiscal 2019 related to the sale of a building;
- increase in advertising expenses due to higher investment in marketing support across all purpose-led lifestyle brands;
- increase in lease termination fees incurred in fiscal 2020; and
- severance costs related to reductions in headquarters workforce; partially offset by
- a decrease in store payroll and benefits and other store operating expenses as a result of COVID-19 temporary store closures across all brands which was partially offset by additional costs incurred to support health and safety measures as we reopened stores; and
- separation-related and specialty fleet restructuring costs incurred in the first three quarters of fiscal 2019.

Loss on Extinguishment of Debt

In May 2020, the Company completed the issuance of the Notes for $2.25 billion and used the proceeds to redeem our 2021 Notes. We incurred a loss on extinguishment of debt of $58 million, primarily related to the make-whole premium, which was recorded on the Condensed Consolidated Statement of Operations.

Interest Expense

($ in millions)	13 Weeks Ended October 31, 2020	13 Weeks Ended November 2, 2019	39 Weeks Ended October 31, 2020	39 Weeks Ended November 2, 2019
Interest expense	$ 55	$ 19	$ 132	$ 58

Interest expense increased $36 million or 189 percent during the third quarter of fiscal 2020 compared with third quarter of fiscal 2019 and increased $74 million or 128 percent during the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019 primarily due to higher total outstanding debt and higher interest rates as a result of the May 2020 issuance of the Notes. The total outstanding principal related to our Notes increased from $1.25 billion as of November 2, 2019, to $2.25 billion as of October 31, 2020. Additionally, the new Notes bear interest at 8.375 percent, 8.625 percent, and 8.875 percent compared with our previous 5.95 percent 2021 Notes.

Income Taxes

($ in millions)	13 Weeks Ended		39 Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Income taxes	$ 26	$ 69	$ (280)	$ 247
Effective tax rate	21.5 %	33.0 %	23.7 %	31.6 %

On March 27, 2020, the CARES Act was enacted into law, which included certain provisions that affect our income taxes, including temporary five-year net operating loss carryback provisions, modifications to the interest deduction limitations, and the technical correction for depreciation of qualified leasehold improvements.

The decrease in the effective tax rate for the third quarter of fiscal 2020 compared with the third quarter of fiscal 2019 is primarily due to changes in the mix of pretax income between domestic and international operations, partially offset by the impacts of the net operating loss carryback provisions of the CARES Act.

The decrease in the effective tax rate for the first three quarters of fiscal 2020 compared with the respective period of fiscal 2019 is primarily due to changes in the mix of pretax income between domestic and international operations and the fiscal 2019 impact of an adjustment for additional guidance issued regarding the TCJA, partially offset by the impacts of the net operating loss carryback provisions of the CARES Act.

LIQUIDITY AND CAPITAL RESOURCES

We continue to manage through the impacts of COVID-19 in fiscal 2020 and the impact it has on our operations and liquidity. During the first three quarters of fiscal 2020, we have taken several actions to improve our financial profile and increase our liquidity, including entering into new debt financing, decreasing capital expenditures, and suspending quarterly cash dividends and share repurchases for the remainder of the fiscal year.

In May 2020, we completed the issuance of our Notes and received gross proceeds of $2.25 billion. Concurrently with the issuance of the Notes, the Company entered into the ABL Facility with an initial aggregate principal amount of up to $1.8675 billion which is scheduled to expire in May 2023. Additionally, in May 2020, we repaid the $500 million that was previously outstanding under our previous unsecured revolving credit facility and did not borrow any funds under the ABL Facility. In June 2020, we redeemed our 2021 Notes. The Company currently believes its new capital structure provides sufficient liquidity to continue to navigate COVID-19.

As of October 31, 2020, we consider the following to be our primary measures of liquidity and capital resources:

($ in millions)	Source of Liquidity	Outstanding Indebtedness	Total Available Liquidity
Cash and cash equivalents (1)	$ 2,471	$ —	$ 2,471
Short-term investments (1)	178	—	178
2023 Notes	500	500	—
2025 Notes	750	750	—
2027 Notes	1,000	1,000	—
Total	$ 4,899	$ 2,250	$ 2,649

(1) As of October 31, 2020, the majority of our cash, cash equivalents, and short-term investments 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 ABL Facility or other available market instruments.

Our largest source of operating cash flows is cash collections from the sale of our merchandise. Our primary uses of cash include merchandise inventory purchases, occupancy costs, personnel-related expenses, purchases of property and equipment, and payment of taxes. We believe that current cash balances and cash flows from our operations will be sufficient to support our business operations for the next twelve months.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased by $129 million during the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019, primarily due to the following:

Net Income (Loss)

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

Non-cash items

- an increase of $478 million due to non-cash impairment charges of store assets and operating lease assets during the first three quarters of fiscal 2020 compared with the first three quarters of 2019; and
- an increase of $191 million due to a gain that occurred during the first three quarters of fiscal 2019 resulting from sale of a building;

Changes in operating assets and liabilities

- an increase of $991 million related to accounts payable primarily due to a change in payment terms and the suspension of rent payments for stores closed temporarily as a result of the COVID-19; partially offset by
- a decrease of $295 million related to income taxes payable, net of receivables and other tax-related items, resulting from a net income tax receivable primarily due to the taxable loss carryback estimated for the first three quarters of fiscal 2020 as well as timing of tax-related payments.

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

Cash Flows from Investing Activities

Net cash used for investing activities during the first three quarters of fiscal 2020 decreased $544 million compared with the first three quarters of fiscal 2019, primarily due to the following:

- $235 million fewer purchases of property and equipment during the first three quarters of fiscal 2020 compared with the first three quarters of 2019;
- an increase of $123 million due to the net activity related to the purchase and sale of buildings during the first three quarters of fiscal 2019; and
- $115 million higher net proceeds from available-for-sale securities during the first three quarters of fiscal 2020 compared with the first three quarters of fiscal 2019.

Cash Flows from Financing Activities

Net cash provided by financing activities during the first three quarters of fiscal 2020 increased $1,313 million compared with the first three quarters of fiscal 2019, primarily due to the following:

- $2,250 million proceeds received related to the issuance of long-term debt during the first three quarters of fiscal 2020; and
- an increase of $424 million due to the suspension of cash dividends and share repurchases during the first three quarters of fiscal 2020; partially offset by
- $1,307 million payment for the extinguishment of long-term debt during the first three quarters of fiscal 2020.

Free Cash Flow

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

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

	39 Weeks Ended	
($ in millions)	**October 31, 2020**	**November 2, 2019**
Net cash provided by operating activities	$ 399	$ 528
Less: Purchases of property and equipment (1)	(288)	(523)
Free cash flow	$ 111	$ 5

(1) Fiscal 2019 excludes the purchase of a building.

Debt and Credit Facilities

For financial information about the Company's debt and credit facilities as of October 31, 2020 see "Debt and Credit Facilities" in Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Dividend Policy

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

On March 26, 2020, the Company announced that the previously declared first quarter dividend will now be payable on or after April 28, 2021 to shareholders of record at the close of business on April 7, 2021, subject to the right of the Company to further defer the record and payment dates. Further deferral could depend upon, among other factors, the progression of COVID-19, business performance, and the macroeconomic environment. Additionally, the Company suspended its regular quarterly cash dividend through fiscal 2020. The Company determined that taking these actions was in the best interest of the Company in order to preserve liquidity in the context of the ongoing and uncertain duration and impact of COVID-19 on its operations.

Share Repurchases

In March 2020, the Company announced its decision to suspend share repurchases through fiscal 2020 due to the economic uncertainty stemming from a number of factors, including COVID-19.

Certain financial information about the Company's share repurchases is set forth under the heading "Share Repurchases" in Note 6 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Summary Disclosures about Contractual Cash Obligations and Commercial Commitments

Other than the debt financing discussed in Note 3 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, there have been no material changes to our contractual obligations and commercial commitments as disclosed in our Annual Report on Form 10-K as of February 1, 2020, other than those which occur in the normal course of business. See Note 9 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on commitments and contingencies.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates as discussed in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020. See Note 1 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q, for disclosures on accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risk profile as of February 1, 2020, is disclosed in our Annual Report on Form 10-K and has not significantly changed other than as noted below. See Notes 3, 4, and 5 of Notes to Condensed Consolidated Financial Statements included in Part I, Item 1, of this Form 10-Q for disclosures on our debt, investments, and derivative financial instruments.

In May 2020, we completed the issuance of our Notes and received gross proceeds of $2.25 billion. The Notes have a fixed interest rate 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. The scheduled maturity of the Notes is as follows:

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

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

In conjunction with our financings, we obtained new long-term senior unsecured credit ratings from Moody's. On March 26, 2020, Moody's downgraded our senior unsecured rating from Baa2 to Ba1 and changed their outlook from stable to negative. On April 23, 2020, Moody's downgraded our corporate credit ratings from Ba1 to Ba2 with negative outlook, and Standard & Poor's downgraded our credit ratings from BB to BB- with negative outlook. Any future reduction in the Moody's and Standard & Poor's ratings would potentially result in an increase to our interest expense on future borrowings.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There was no change in the Company’s internal control over financial reporting that occurred during the Company’s third quarter of fiscal 2020 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to COVID-19. We are continually monitoring and assessing the COVID-19 impact on our internal controls to minimize the impact on their design and operating effectiveness.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarterly period ended May 2, 2020.

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

The following table presents information with respect to purchases of common stock of the Company made during the thirteen weeks ended October 31, 2020 by the Company or any affiliated purchaser, as defined in Exchange Act Rule 10b-18(a)(3):

	Total Number of Shares Purchased (1)	Average Price Paid Per Share Including Commissions	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar amount) of Shares that May Yet be Purchased Under the Plans or Programs
Month #1 (August 2 - August 29)	—	$ —	—	$ 800 million
Month #2 (August 30 - October 3)	—	$ —	—	$ 800 million
Month #3 (October 4 - October 31)	—	$ —	—	$ 800 million
Total	—	$ —	—	

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

Item 5. Other Information.

We entered into agreements to extend the existing severance provisions contained in the letter agreements with certain executive officers: on November 20, 2020 with Mr. Curran, Ms. Green, Ms. Gruber, Ms. O'Connell, and Ms. Peters and on November 23, 2020 with Mr. Breitbard and Ms. Syngal. In summary, as extended, the severance provisions provide that upon involuntary termination for reasons other than cause prior to June 30, 2024, the Company will provide, subject to a release of claims, the executive's then-current salary for up to 18 months, payment of a portion of COBRA healthcare continuation, reimbursement for costs to maintain financial counseling the Company provides to senior executives, a prorated bonus in the year of termination if the executive worked at least three months of the fiscal year if earned based on actual fiscal results achieved in the year of termination and assuming a 100% standard for any nonfinancial component, accelerated vesting (but not settlement) of restricted stock units and performance shares or units that remain subject to only time vesting conditions scheduled to vest prior to April 1 following the end of the fiscal year of termination. Copies of the agreements extending such severance provisions are attached hereto as Exhibits 10.4 through 10.10.

Item 6. Exhibits.

		Incorporated by Reference				
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
3.1	Amended and Restated Certificate of Incorporation (P)	10-K	1-7562	3.1	April 26, 1993	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation	10-K	1-7562	3.2	April 4, 2000	
3.3	Amended and Restated Bylaws (effective March 23, 2020)	8-K	1-7562	3.1	March 5, 2020	
10.1†	Letter Agreement dated March 6, 2020 by and between Sheila Peters and the Registrant					X
10.2†	Letter Agreement dated March 9, 2020 by and between Shawn Curran and the Registrant					X
10.3†	Letter Agreement dated October 5, 2020 by and between Nancy Green and the Registrant					X
10.4†	Amendment, dated November 23, 2020, to the Letter Agreement dated March 9, 2020 by and between Mark Breitbard and the Registrant					X
10.5†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 9, 2020 by and between Shawn Curran and the Registrant					X
10.6†	Amendment, dated November 20, 2020, to the Letter Agreement dated October 5, 2020 by and between Nancy Green and the Registrant					X
10.7†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 10, 2020 by and between Julie Gruber and the Registrant					X
10.8†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 10, 2020 by and between Katrina O'Connell and the Registrant					X
10.9†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 6, 2020 by and between Sheila Peters and the Registrant					X
10.10†	Amendment, dated November 23, 2020, to the Letter Agreement dated March 4, 2020 by and between Sonia Syngal and the Registrant					X
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002)					X
32.1	Certification of the Chief Executive Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Chief Financial Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from The Gap, Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 31, 2020, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; and (vi) Notes to Condensed Consolidated Financial Statements					X

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

† Indicates management contract or compensatory plan or arrangement.

SIGNATURES

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

THE GAP, INC.

Date:	November 25, 2020	By /s/ Sonia Syngal
		Sonia Syngal
		Chief Executive Officer
Date:	November 25, 2020	By /s/ Katrina O'Connell
		Katrina O'Connell
		Executive Vice President and Chief Financial Officer

Exhibit 10.1

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

March 5, 2020

Sheila Peters

Dear Sheila:

This letter is to confirm our offer to you as Corporate Executive Vice President & Chief People Officer, Gap Inc.

Salary. Effective on your Start Date, your annual salary will be $600,000, payable every two weeks. You are scheduled to receive a compensation review in March 2021, based on your time in the position.

Start Date. Your first day in your new position will be March 23, 2020, reporting to Sonia Syngal, President & Chief Executive Officer, Gap Inc.

Annual Bonus. Based on your position as Corporate Executive Vice President, you will be eligible for an annual bonus based on Gap Inc. and/or Division financial and operational objectives as well as individual performance. Effective on your Start Date, your annual target bonus will be 80% 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 including any changes related to your acceptance of this position. Bonuses for fiscal 2020 are scheduled for payment in March 2021 and you must be employed by Gap Inc. on the payment date. 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.

Long-Term Incentive Awards. For fiscal 2020, you will be eligible to participate in the Executive Officer Long-Term Incentive Program and the Committee has approved an annual target value of $1,000,000, which will be comprised of 60% performance restricted stock units, 20% options and 20% restricted stock units. 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.

The Executive Officer Long-Term Incentive Program replaces the annual Performance Stock Award Program, for which you will no longer be eligible.

Termination/Severance. In the event that your employment is involuntarily terminated by the Company for reasons other than For Cause (as defined below) prior to June 30, 2021, the Company will provide you the following after your "separation from service" within the meaning of Section 409A of the Internal Revenue Code (the "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 45th 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). 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 Section 409A of the Internal Revenue Code, to the maximum extent possible.

(2) Through the end of the period in which you are receiving payments under paragraph (1) above, 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).

(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 the individual component. Such bonus will 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.

(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 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 Internal Revenue Code Section 409A six-month delay language thereunder to the extent necessary to avoid taxation under Section 409A of the Internal Revenue Code.

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 Section 409A of the Internal Revenue Code 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 Section 409A(a)(2)(B)(i) of the Internal Revenue Code). This delay will only be imposed to the extent required to avoid the tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Internal Revenue Code. 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 time permitted under Section 409A(a)(2)(B)(i) of the Internal Revenue Code). 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.

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, 2021, you will be eligible for severance, if any, as approved by the Committee under the same terms as similarly situated executive officers.

Recoupment Policy. As a Corporate Executive Vice President, the Company’s recoupment policy will apply to you. Under the current policy, subject to the discretion and approval of the Board, Gap Inc. will, to the extent permitted by governing law, in all appropriate cases as determined by the Board, require reimbursement and/or cancellation of any bonus or other incentive compensation, including stock-based compensation, awarded to an executive officer or other member of the Gap Inc.’s executive leadership team where all of the following factors are present: (a) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (b) in the Board’s view, the executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (c) a lower award would have been made to the executive based upon the restated financial results. In each such instance, Gap Inc. will seek to recover the individual executive’s entire annual bonus or award for the relevant period, plus a reasonable rate of interest.

Benefits/Indemnification. You are eligible to participate in Gap Inc. health and welfare benefit programs offered to similarly situated Corporate Executive Vice Presidents. Gap Inc. reserves the right to change its health and welfare programs at any time. Gap Inc. provides you certain indemnification and insurance as more fully described in Article V. of the Gap Inc. By-laws.

Abide by Gap Inc. Policies. You agree to abide by all Gap Inc. policies including, but not limited to, policies contained in the Code of Business Conduct. As an executive officer, you are subject to Stock Ownership Requirements for Gap Inc. Executives which can be found on Gapinc.com. Following your employment, you agree to cooperate with the Company to: (i) provide information reasonably requested by the Company in order to respond to disclosure or other obligations; and (ii) testify truthfully regarding any matters involving the Company about which you have any relevant information, or which arise from your employment with the Company.

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. This position will subject you to the requirements of Section 16 of the United States Securities and Exchange Act of 1934, as amended. If you do not already have a copy of the compliance manual, or have questions about it, you should contact Gap Inc. Global Equity Administration, at (415) 427-8478.

Confidentiality. You acknowledge that you will be in a relationship of confidence and trust with Gap Inc. As a result, during your employment with Gap Inc., you will acquire “Confidential Information,” which is information (whether in electronic or any other format) that people outside Gap Inc. never see, such as unannounced product information or designs, business or strategic plans, financial information and organizational charts, and other materials.

You agree that you will keep the Confidential Information in strictest confidence and trust. You will not, without the prior written consent of Gap Inc.'s Global General Counsel, directly or indirectly use or disclose to any person or entity any Confidential Information, during or after your employment, except as is necessary in the ordinary course of performing your duties while employed by Gap Inc., or if required to be disclosed by order of a court of competent jurisdiction, administrative agency or governmental body, or by subpoena, summons or other legal process, provided that prior to such disclosure, Gap Inc. is given reasonable advance notice of such order and an opportunity to object to such disclosure. Notwithstanding this agreement, nothing in this letter prevents you from reporting, in confidence, potential violations of law to relevant governmental authorities or courts.

You agree that in the event your employment terminates for any reason, you will immediately deliver to Gap Inc. all company property, including all documents, materials or property of any description, or any reproduction of such materials, containing or pertaining to any Confidential Information.

Non-Solicitation of Employees. In order to protect Confidential Information, you agree that so long as you are employed by Gap Inc., and for a period of one year thereafter, you will not directly or indirectly, on behalf of yourself, any other person or entity, solicit, call upon, recruit, or attempt to solicit any of Gap Inc.'s employees or in any way encourage any Gap Inc. employee to leave their employment with Gap Inc. You further agree that you will not directly or indirectly, on behalf of yourself, any other person or entity, interfere or attempt to interfere with Gap Inc.'s relationship with any person who at any time was an employee, consultant, customer or vendor or otherwise has or had a business relationship with Gap Inc.

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 authorized 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. Please review and sign this letter. You may keep one original for your personal records.

Sheila, welcome to your new position and congratulations on this latest achievement in your career path at Gap Inc.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal

On behalf of Gap Inc.

Confirmed this ______6th______ day of _______March______, 2020

/s/ Sheila Peters
Sheila Peters

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

March 5, 2020

Shawn Curran

Dear Shawn:

This letter is to confirm our offer to you as Corporate Executive Vice President & Chief Operating Officer, Gap Inc.

Salary. Effective on your Start Date, your annual salary will be $750,000, payable every two weeks. You are scheduled to receive a compensation review in March 2021, based on your time in the position.

Start Date. Your first day in your new position will be March 23, 2020, reporting to Sonia Syngal, President & Chief Executive Officer, Gap Inc.

Annual Bonus. Based on your position as Corporate Executive Vice President, you will be eligible for an annual bonus based on Gap Inc. and/or Division financial and operational objectives as well as individual performance. Effective on your Start Date, your annual target bonus will be 100% 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 including any changes related to your acceptance of this position. Bonuses for fiscal 2020 are scheduled for payment in March 2021 and you must be employed by Gap Inc. on the payment date. 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.

Long-Term Incentive Awards. For fiscal 2020, you will be eligible to participate in the Executive Officer Long-Term Incentive Program and the Committee has approved an annual target value of $1,750,000, which will be comprised of 60% performance restricted stock units, 20% options and 20% restricted stock units. 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.

The Executive Officer Long-Term Incentive Program replaces the Long-Term Growth Program, for which you will no longer be eligible. Your outstanding FY18-20 and FY19-21 Long-Term Growth Program grants will be unaffected by this letter.

Termination/Severance. In the event that your employment is involuntarily terminated by the Company for reasons other than For Cause (as defined below) prior to June 30, 2021, the Company will provide you the following after your "separation from service" within the meaning of Section 409A of the Internal Revenue Code (the "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 45th 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). 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 Section 409A of the Internal Revenue Code, to the maximum extent possible.

(2) Through the end of the period in which you are receiving payments under paragraph (1) above, 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).

(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 the individual component. Such bonus will 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.

(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 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 Internal Revenue Code Section 409A six-month delay language thereunder to the extent necessary to avoid taxation under Section 409A of the Internal Revenue Code.

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 Section 409A of the Internal Revenue Code 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 Section 409A(a)(2)(B)(i) of the Internal Revenue Code). This delay will only be imposed to the extent required to avoid the tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Internal Revenue Code. 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 time permitted under Section 409A(a)(2)(B)(i) of the Internal Revenue Code). 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.

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, 2021, you will be eligible for severance, if any, as approved by the Committee under the same terms as similarly situated executive officers.

Recoupment Policy. As a Corporate Executive Vice President, the Company's recoupment policy will apply to you. Under the current policy, subject to the discretion and approval of the Board, Gap Inc. will, to the extent permitted by governing law, in all appropriate cases as determined by the Board, require reimbursement and/or cancellation of any bonus or other incentive compensation, including stock-based compensation, awarded to an executive officer or other member of the Gap Inc.'s executive leadership team where all of the following factors are present: (a) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (b) in the Board's view, the executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (c) a lower award would have been made to the executive based upon the restated financial results. In each such instance, Gap Inc. will seek to recover the individual executive's entire annual bonus or award for the relevant period, plus a reasonable rate of interest.

Benefits/Indemnification. You are eligible to participate in Gap Inc. health and welfare benefit programs offered to similarly situated Corporate Executive Vice Presidents. Gap Inc. reserves the right to change its health and welfare programs at any time. Gap Inc. provides you certain indemnification and insurance as more fully described in Article V. of the Gap Inc. By-laws.

Abide by Gap Inc. Policies. You agree to abide by all Gap Inc. policies including, but not limited to, policies contained in the Code of Business Conduct. As an executive officer, you are subject to Stock Ownership Requirements for Gap Inc. Executives which can be found on Gapinc.com. Following your employment, you agree to cooperate with the Company to: (i) provide information reasonably requested by the Company in order to respond to disclosure or other obligations; and (ii) testify truthfully regarding any matters involving the Company about which you have any relevant information, or which arise from your employment with the Company.

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. This position will subject you to the requirements of Section 16 of the United States Securities and Exchange Act of 1934, as amended. If you do not already have a copy of the compliance manual, or have questions about it, you should contact Gap Inc. Global Equity Administration, at (415) 427-8478.

Confidentiality. You acknowledge that you will be in a relationship of confidence and trust with Gap Inc. As a result, during your employment with Gap Inc., you will acquire "Confidential Information," which is information (whether in electronic or any other format) that people outside Gap Inc. never see, such as unannounced product information or designs, business or strategic plans, financial information and organizational charts, and other materials.

You agree that you will keep the Confidential Information in strictest confidence and trust. You will not, without the prior written consent of Gap Inc.'s Global General Counsel, directly or indirectly use or disclose to any person or entity any Confidential Information, during or after your employment, except as is necessary in the ordinary course of performing your duties while employed by Gap Inc., or if required to be disclosed by order of a court of competent jurisdiction, administrative agency or governmental body, or by subpoena, summons or other legal process, provided that prior to such disclosure, Gap Inc. is given reasonable advance notice of such order and an opportunity to object to such disclosure. Notwithstanding this agreement, nothing in this letter prevents you from reporting, in confidence, potential violations of law to relevant governmental authorities or courts.

You agree that in the event your employment terminates for any reason, you will immediately deliver to Gap Inc. all company property, including all documents, materials or property of any description, or any reproduction of such materials, containing or pertaining to any Confidential Information.

Non-Solicitation of Employees. In order to protect Confidential Information, you agree that so long as you are employed by Gap Inc., and for a period of one year thereafter, you will not directly or indirectly, on behalf of yourself, any other person or entity, solicit, call upon, recruit, or attempt to solicit any of Gap Inc.'s employees or in any way encourage any Gap Inc. employee to leave their employment with Gap Inc. You further agree that you will not directly or indirectly, on behalf of yourself, any other person or entity, interfere or attempt to interfere with Gap Inc.'s relationship with any person who at any time was an employee, consultant, customer or vendor or otherwise has or had a business relationship with Gap Inc.

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 authorized 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. Please review and sign this letter. You may keep one original for your personal records.

Shawn, welcome to your new position and congratulations on this latest achievement in your career path at Gap Inc.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal

On behalf of Gap Inc.

Confirmed this _____9th_____ day of ______March_____, 2020

/s/ Shawn Curran
Shawn Curran

Exhibit 10.3

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

October 5, 2020

Nancy Green

Dear Nancy:

This letter is to confirm our offer to you as President & Chief Executive Officer, Old Navy.

Salary. Effective on your Start Date, your annual salary will be $1,100,000, payable every two weeks. You are scheduled to receive a compensation review in March 2022.

Start Date. Your first day in your new position will be October 8, reporting to Sonia Syngal, President & Chief Executive Officer, Gap Inc.

Annual Bonus. You will be eligible for an annual bonus based on Gap Inc. and/or Division financial and operational objectives as well as individual performance. Effective on your Start Date, 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 including any changes related to your acceptance of this position. Bonuses for fiscal 2020 are scheduled for payment in March 2021 and you must be employed by Gap Inc. on the payment date. 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.
Long-Term Incentive Awards. For fiscal 2020, you will be eligible to participate in the Executive Officer Long-Term Incentive Program and the Committee has approved an installation grant with a target value of $2,000,000, which will be comprised of 60% performance restricted stock units, 20% options and 20% restricted stock units. 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.

The Executive Officer Long-Term Incentive Program replaces your Performance Stock Award eligibility, which will be prorated through August 1, 2020.

For fiscal 2021, you will be eligible to participate in the Executive Officer Long-Term Incentive Program and the Committee has approved an annual target value of $4,000,000. 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.

Termination/Severance. In the event that your employment is involuntarily terminated by the Company for reasons other than For Cause (as defined below) prior to June 30, 2021, the Company will provide you the following after your "separation from service" within the meaning of Section 409A of the Internal Revenue Code (the "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 45th 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). 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 Section 409A of the Internal Revenue Code, to the maximum extent possible.

(2) Through the end of the period in which you are receiving payments under paragraph (1) above, 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).

(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 the individual component. Such bonus will 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.

(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 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 Internal Revenue Code Section 409A six-month delay language thereunder to the extent necessary to avoid taxation under Section 409A of the Internal Revenue Code.

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 Section 409A of the Internal Revenue Code 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 Section 409A(a)(2)(B)(i) of the Internal Revenue Code). This delay will only be imposed to the extent required to avoid the tax for which you would otherwise be liable under Section 409A(a)(1)(B) of the Internal Revenue Code. 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 time permitted under Section 409A(a)(2)(B)(i) of the Internal Revenue Code). 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. To the extent that the Company intends to terminate you under sections (2) or (3) above, the Company will provide you at least ten business days' written notice of such intent to provide you the opportunity to respond or cure, to the extent feasible.

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, 2021, you will be eligible for severance, if any, as approved by the Committee under the same terms as similarly situated executive officers.

Recoupment Policy. The Company's recoupment policy will apply to you. Under the current policy, subject to the discretion and approval of the Board, Gap Inc. will, to the extent permitted by governing law, in all appropriate cases as determined by the Board, require reimbursement and/or cancellation of any bonus or other incentive compensation, including stock-based compensation, awarded to an executive officer or other member of the Gap Inc.'s executive leadership team where all of the following factors are present: (a) the award was predicated upon the achievement of certain financial results that were subsequently the subject of a restatement, (b) in the Board's view, the executive engaged in fraud or intentional misconduct that was a substantial contributing cause to the need for the restatement, and (c) a lower award would have been made to the executive based upon the restated financial results. In each such instance, Gap Inc. will seek to recover the individual executive's entire annual bonus or award for the relevant period, plus a reasonable rate of interest.

Benefits/Indemnification. You will be eligible to participate in the Company's employee benefit plans on terms and conditions generally applicable to other senior executives of the Company. Gap Inc. reserves the right to change its health and welfare programs at any time. Gap Inc. provides you certain indemnification and insurance as more fully described in Article V. of the Gap Inc. By-laws. The Company shall maintain directors and officers liability insurance for your benefit on terms and conditions generally applicable to the Company's other senior executives.

Abide by Gap Inc. Policies. You agree to abide by all Gap Inc. policies including, but not limited to, policies contained in the Code of Business Conduct. As an executive officer, you are subject to Stock Ownership Requirements for Gap Inc. Executives which can be found on Gapinc.com. Following your employment, you agree to cooperate with the Company to: (i) provide information reasonably requested by the Company in order to respond to disclosure or other obligations; and (ii) testify truthfully regarding any matters involving the Company about which you have any relevant information, or which arise from your employment with the Company.

Insider Trading Policies. 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. This position will subject you to the requirements of Section 16 of the United States Securities and Exchange Act of 1934, as amended. If you do not already have a copy of the compliance manual, or have questions about it, you should contact Gap Inc. Global Equity Administration, at (415) 427-8478.

Confidentiality. You acknowledge that you will be in a relationship of confidence and trust with Gap Inc. As a result, during your employment with Gap Inc., you will acquire "Confidential Information," which is information (whether in electronic or any other format) that people outside Gap Inc. never see, such as unannounced product information or designs, business or strategic plans, financial information and organizational charts, and other materials.

You agree that you will keep the Confidential Information in strictest confidence and trust. You will not, without the prior written consent of Gap Inc.'s Global General Counsel, directly or indirectly use or disclose to any person or entity any Confidential Information, during or after your employment, except as is necessary in the ordinary course of performing your duties while employed by Gap Inc., or if required to be disclosed by order of a court of competent jurisdiction, administrative agency or governmental body, or by subpoena, summons or other legal process, provided that prior to such disclosure, Gap Inc. is given reasonable advance notice of such order and an opportunity to object to such disclosure. Notwithstanding this agreement, nothing in this letter prevents you from reporting, in confidence, potential violations of law to relevant governmental authorities or courts.

You agree that in the event your employment terminates for any reason, you will immediately deliver to Gap Inc. all company property, including all documents, materials or property of any description, or any reproduction of such materials, containing or pertaining to any Confidential Information.

Non-Solicitation of Employees. In order to protect Confidential Information, you agree that so long as you are employed by Gap Inc., and for a period of one year thereafter, you will not directly or indirectly, on behalf of yourself, any other person or entity, solicit, call upon, recruit, or attempt to solicit any of Gap Inc.'s employees or in any way encourage any Gap Inc. employee to leave their employment with Gap Inc. You further agree that you will not directly or indirectly, on behalf of yourself, any other person or entity, interfere or attempt to interfere with Gap Inc.'s relationship with any person who at any time was an employee, consultant, customer or vendor or otherwise has or had a business relationship with Gap Inc.

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, except to the extent that you are required to testify truthfully if under subpoena or in any legal proceeding.

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 authorized 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, as well as stock grant agreements, 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. Please review and sign this letter. You may keep one original for your personal records.

Nancy, welcome to your new position and congratulations on this latest achievement in your career path at Gap Inc.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

Confirmed: Oct 5, 2020

/s/ Nancy Green
Nancy Green

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 23, 2020

Mark Breitbard

Dear Mark:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the "Termination/Severance" section of your offer letter dated March 5, 2020 ("Offer Letter"). The Compensation and Management Development Committee of the Board of Directors ("the Committee") has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Mark Breitbard
Mark Breitbard

Date: November 23, 2020

Exhibit 10.5

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 20, 2020

Shawn Curran

Dear Shawn:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the "Termination/Severance" section of your offer letter dated March 5, 2020 ("Offer Letter"). The Compensation and Management Development Committee of the Board of Directors ("the Committee") has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Shawn Curran
Shawn Curran

Date: November 20, 2020

Exhibit 10.6

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 20, 2020

Nancy Green

Dear Nancy:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the "Termination/Severance" section of your offer letter dated October 5, 2020 ("Offer Letter"). The Compensation and Management Development Committee of the Board of Directors ("the Committee") has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Nancy Green
Nancy Green

Date: November 20, 2020

Exhibit 10.7

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 20, 2020

Julie Gruber

Dear Julie:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the “Termination/Severance” section of your offer letter dated March 5, 2020 (“Offer Letter”). The Compensation and Management Development Committee of the Board of Directors (“the Committee”) has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Julie Gruber
Julie Gruber

Date: November 20, 2020

Exhibit 10.8

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 20, 2020

Katrina O’Connell

Dear Katrina:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the “Termination/Severance” section of your offer letter dated March 6, 2020 (“Offer Letter”). The Compensation and Management Development Committee of the Board of Directors (“the Committee”) has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Katrina O’Connell
Katrina O’Connell

Date: November 20, 2020

Exhibit 10.9

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 20, 2020

Sheila Peters

Dear Sheila:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the “Termination/Severance” section of your offer letter dated March 5, 2020 (“Offer Letter”). The Compensation and Management Development Committee of the Board of Directors (“the Committee”) has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Sonia Syngal
Sonia Syngal
President & Chief Executive Officer, Gap Inc.

/s/ Sheila Petersl
Sheila Peters

Date: November 20, 2020

Exhibit 10.10

Two Folsom Street
San Francisco, CA 94105

Gap Inc.

November 23, 2020

Sonia Syngal

Dear Sonia:

This letter is to confirm the extension of the existing severance provisions, which are outlined in the “Termination/Severance” section of your offer letter dated March 4, 2020 (“Offer Letter”). The Compensation and Management Development Committee of the Board of Directors (“the Committee”) has approved the extension of such severance provisions to June 30, 2024 with no other changes to such provisions.

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.

Other than as set forth above, the terms of your Offer Letter remain in effect.

Yours sincerely,

/s/ Bob L. Martin
Bob L. Martin
Executive Chairman, Gap Inc.

/s/ Sonia Syngal
Sonia Syngal

Date: November 23, 2020

Exhibit 31.1

CERTIFICATIONS

I, Sonia Syngal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2020

/s/ Sonia Syngal

Sonia Syngal
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Katrina O'Connell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gap, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 25, 2020

/s/ Katrina O'Connell

Katrina O'Connell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of The Gap, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sonia Syngal, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 25, 2020

/s/ Sonia Syngal
Sonia Syngal
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of The Gap, Inc. (the “Company”) on Form 10-Q for the period ended October 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Katrina O'Connell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 25, 2020

/s/ Katrina O'Connell

Katrina O'Connell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)