

Gap Inc. + *you*

Employee Merchandise Discount

# Employee Merchandise Discount

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## EMPLOYEE MERCHANDISE DISCOUNT POLICY North America (United States, Canada and Puerto Rico)



All Gap Inc. employees may take advantage of the employee discount benefit as outlined in this policy. Additional details regarding the policy, including changes and product exclusions, may be found on Gapweb or from your manager. By accepting the Gap Inc. employee merchandise discount card and by using the employee discount for purchases, employees and Spouses/Domestic Partners agree to the terms of the Employee Discount Policy as outlined below. It is each employee's responsibility to know and follow the current policy at all times, and if applicable, to ensure that each employee's Spouse/Domestic Partner does the same. Employees are responsible for their Spouse/Domestic Partner's compliance with this policy. Any violation of the Policy, whether intentional or not, may result in corrective action up to and including immediate termination.

### ELIGIBILITY

The following individuals (referred to as "Users" in this policy) are eligible for the employee discount:

- **Employees.** All Gap Inc. employees. (Contractors and temporary workers employed through agencies are not eligible.)
- **Spouses (same and opposite sex).**
- **Domestic Partners (same and opposite sex).** Note: there may be tax implications associated with a Domestic Partner's use of the Employee Discount benefit. Please see *Appendix A* for more information.

A "Domestic Partner" is defined as a person of the same or opposite sex with whom the employee is in an exclusive, committed relationship that is expected to last indefinitely. Both employee and partner consider themselves to be the equivalent of each other's "spouse," are jointly responsible for financial obligations, and each other's common welfare, share the same principal residence, are at least 18 years of age, and are not legally married to another person.

- **Lifetime Discount Users.** Gap Inc. employees who separate from service with the company by reason of retirement are eligible for a lifetime discount card. Under company policy, an employee is considered to separate from service with the company "by reason of retirement" where all of the following criteria are met:

- 1) The employee has at least 10 years of service with the company. Years of service for the lifetime discount are based on actual days worked (including approved leaves of absence and PTO). Breaks in service are not recognized, even if it was less than a year.

For example:

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- Hired: Sept 1, 2000
- Termed: Aug 1, 2004
- Rehired: Sept 1, 2004
- Retire: Sept 1, 2010

This would count as 9 years and 11 months of service, even though the employee was only out of the business for 1 month.

- 2) The employee is at least 50 years of age,
- 3) The combined years of service and age of the employee are equal to or greater than 70, and
- 4) The employee was voluntarily or involuntarily terminated from the company and not terminated for cause.

In the event employment is terminated as part of a site closure (e.g. store, distribution center) or reduction in force, the age requirement will be at least 47 years of age; all other conditions remain the same, including that the combined years of service and age of the employee must still be equal to or greater than 70.

If an employee meets these criteria upon separation, they should contact Employee Services at 866-411-2772 with employee name, Gap Inc. GEMS ID (Employee ID), date of termination, date of hire, date of birth and address for correspondence related to the lifetime discount card.

Note: The lifetime discount card is only for the employee and not for any previously enrolled spouses/domestic partners.

### DISCOUNT

It is the responsibility of each user to be knowledgeable regarding the terms of the Employee Discount Policy.

BRAND	ELIGIBLE DISCOUNT AMOUNT
<b>Gap Banana Republic</b>	<p><b>Unlimited 50% discount for Regular-Priced Merchandise.</b></p> <p><b>Unlimited 10% discount for Markdown-Priced Merchandise.</b></p> <p><b>On Promotion-Priced Merchandise, employees will receive 50% off the regular price.</b></p> <p><b>Unlimited 10% discount for Gift Cards.</b></p>
<b>Old Navy</b>	<p><b>Unlimited 50% discount for Regular-Priced Merchandise.</b></p> <p><b>On Promotion-Priced Merchandise, employees will receive 50% off the regular price.</b></p> <p><b>Unlimited 10% discount for Gift Cards.</b></p>

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<b>Outlet</b> <b>Gap Outlet</b> <b>Banana Republic Factory Store</b>	<b>Unlimited 30% discount for Regular and Promotion-Priced Merchandise.</b>  <b>Unlimited 10% discount for Markdown-Priced Merchandise.</b>  <b>Unlimited 10% discount for Gift Cards.</b>
<b>Athleta</b>	<b>Unlimited 25% discount for Regular-Priced Merchandise.</b>  <b>Unlimited 10% discount for Accessories, Footwear, Leather, Suede, Markdown-Priced and Promotion-Priced Merchandise.</b>

Note: Canada users will be taxed on gift card purchases.  
 Brand discount applies to online exclusive product.

*Product exclusions apply: Gap Inc. reserves the right to exclude any or all third-party products and exclusive in-store collections. Banana Republic and Banana Republic Factory Store leather and suede apparel (e.g., jackets, vests, shirts, skirts, pants, etc.) merchandise are also excluded from eligibility for the employee discount. Leather and suede shoes and accessories (e.g., belts, handbags, gloves, hats, etc.) are eligible for the employee discount.*

- *Regular-Priced Merchandise:* The original ticketed price listed on the tag of the item.
- *Markdown-Priced Merchandise:* A reduction of the original price listed on the tag of the item. This reduction is typically a permanent reduction in the original price of the item.
- *Promotion-Priced Merchandise:* A temporary reduction on the original price listed on the tag of the item. This reduction is usually found in the form of the following examples: “Buy one get one free”; “20% off original price” or “Buy one get one 50% off.”
- Although we do not anticipate the discount level to change, Gap Inc. Benefits and our Brands reserve the rights to do so and will properly communicate the new discount levels should it change.

### RESTRICTIONS

Employees violating the following restrictions may be subject to corrective active up to and including termination:

- Users cannot use another employee’s discount card for a purchase.
- Users may not be reimbursed or compensated for any purchase made using their employee discount.
- Users may not resell any merchandise purchased using their employee discount.
- Users may not use another person’s tender (credit card, check or cash) to pay for a transaction (with the exception of U.S. and Canadian Dependent Employee Transactions – See policy under Procedures).

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- Users cannot mark up sale items to regular price in order to receive a greater discount.
- Users may not receive a subsequent price adjustment for purchases made with their employee discount card.
- A Gift Card and the employee discount may not be used in the same transaction.
- Brand Credit Card Rewards and the employee discount may not be used in the same transaction.
- The Employee Discount does not apply to any items purchased at Intermix.
- The Employee Discount does not apply to any items purchased through Order In Store.

### PROCEDURES

Each time a user makes a purchase, they must identify themselves as an eligible Gap Inc. discount user by showing their hardcopy employee discount card or digital employee discount card and a valid government issued identification card. U.S. employees can access the digital discount card under “My Digital Cards” via MyEvide, the benefits mobile app.

- A sales receipt is required for returns and exchanges or Receipt Lookup may be used to retrieve a record of the employee purchase. The brand return policy applies to purchases made using the Employee Discount.
- Users are eligible for a discount for online exclusive merchandise including Petites, Tall Sizes, Maternity and online extended sizes at the following brand websites: [www.gap.com](http://www.gap.com), [www.bananarepublic.com](http://www.bananarepublic.com), [www.bananarepublicfactory.com](http://www.bananarepublicfactory.com) and [www.oldnavy.com](http://www.oldnavy.com). This merchandise is identified online as “Online Exclusive.” In order to receive the discount, the user must purchase the product online at list-price and then bring the invoice to the brand store to receive a discount adjustment. Shipping fees will not be adjusted. Merchandise purchased at [www.gapfactory.com](http://www.gapfactory.com) is excluded from the discount adjustment.
- Users may use a gift card purchased in a store with their discount for online purchases at [www.gap.com](http://www.gap.com), [www.gapfactory.com](http://www.gapfactory.com), [www.bananarepublic.com](http://www.bananarepublic.com), [www.bananarepublicfactory.com](http://www.bananarepublicfactory.com), [www.oldnavy.com](http://www.oldnavy.com) and [www.athleta.com](http://www.athleta.com). However, users are not eligible to receive an in-store price adjustment for that product. When shopping at Old Navy, the user can perform a pre-paid transaction in a store (this is when an order is placed from within a store for online merchandise).
- Users may use their discount for charge-send transactions and must be present in store. When merchandise is located in a different location, the requesting store is required to validate the employee information (employee discount card and valid government issued identification card) and provide validation to the store location processing the transaction and sending the merchandise.
- U.S. and Canadian Dependent Employee Transactions

#### U.S. Dependent Employees

If you are a U.S. employee, there are IRS guidelines regarding the use of the employee discount since it is considered an employee fringe benefit. The value of a fringe benefit that qualifies as a “qualified employee discount” is excluded from an employee's gross income. For purposes of the exclusion from gross income for qualified employee discounts, the term

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“employee” is narrowly defined to include only specified individuals. Consequently, U.S. employees may not use another person’s tender (credit card, check or cash) to pay for a transaction involving the application of their employee discount.

However, a US employee who is a dependent of his/her parent may use his/her parent’s tender (credit card, check or cash) to pay for a transaction only if:

- 1) the employee is at least 16 years of age and through the age of 25,
- 2) the parent’s tender is a gift to the employee to purchase merchandise for the employee only (any clothing purchased must be in the employee’s size) and
- 3) the employee is accompanied by the parent to receive the discount.

### Canadian Dependent Employees

A Canadian employee who is a dependent of his/her parent may use his/her parent’s tender (credit card, check or cash) to pay for a transaction only if:

- 1) the employee is through the age of 19 or through the age of 25 if enrolled as a full-time student and not employed full-time,  
  
**In Quebec**, the employee is through the age of 19 or through the age of 26 if enrolled as a full-time student and not employed full-time,
- 2) the parent’s tender is a gift to the employee to purchase merchandise for the employee only (any clothing purchased must be in the employee’s size) and
- 3) the employee is accompanied by the parent to receive the discount.

## ENROLLMENT

All employees must enroll themselves and any eligible Spouse/Domestic Partner for the Employee Discount Program. Enrollment can be completed as soon as an employee has their GEMS ID (also called “Employee ID”) and Gapweb password. Enrollment is completed online via Gapweb (which can be accessed from any computer or the Point of Sale system in stores). Visit the enrollment page through Gapweb > Work Place > Employee Merchandise Discount > Enroll for Employee Discount here to process your enrollment.

U.S. employees can access the digital Employee Discount Card typically within 48 hours after enrolling. Canadian employees must select the “Issue Card” box to receive the hardcopy Employee Discount Card. If the employee selected to receive a hardcopy card, they will receive it at their home address within 7-10 business days. If the hardcopy Employee Discount Card is lost or stolen, the employee can return to the Gapweb enrollment page and click on the “Issue Card” box to receive a new hardcopy card.

U.S. employees have the option of emailing themselves a temporary card for use until their digital discount card is available or hardcopy card is received. This card may be printed and should be presented in-store with the user’s government issued ID (i.e. driver’s license or passport). For all

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employees, to issue a temporary card, click on the “Temporary Employee Discount Card” link on the Employee Discount Enrollment page immediately after completing enrollment.

### USING THE EMPLOYEE DISCOUNT WHEN TRAVELING

All employees traveling outside of North America, business or personal travel, are entitled to receive the local employee merchandise discount benefit at any Gap Inc. wholly-owned (non-franchise) stores, while adhering to the local discount policy and practices.

North American employees traveling abroad must present their local employee discount card and government issued photo identification to receive a discount.

GIS employees must present the International Discount Pass and government issued photo identification as verification of discount eligibility.

International employees visiting North America (Canada, U.S and Puerto Rico), business or personal travel, are entitled to the North America employee merchandise discount benefit, while adhering to local discount policy and practices.

All visiting employees, including GIS employees, must present the International Employee Discount Pass and government issued photo identification to receive the employee discount. Employees must contact their HR Generalist, Global Mobility or Global Benefits to ask for the International Employee Discount Pass (email US Benefits at Gap\_Inc.\_Benefits@gap.com). The International Employee Discount Pass must be returned to their HR Generalist at the end of the trip. Visit Gapweb > Work Place > Employee Merchandise Discount Policy for more information and refer to the **Employee Discount International Shopping Matrix** and the **Visual of Global EMD Cards**

### IMPUTED INCOME AND TAX

As part of the North American Employee Discount benefit, legally married Spouses and Domestic Partners (Common Law Partners in Canada) are eligible to participate in the Program. This benefit may have both federal and state tax implications.

For federal and state tax purposes, the value of the Employee Discount provided to an employee’s spouse (opposite sex and same-sex) is generally excludible from the employee’s gross income and is not subject to tax reporting and wage withholding. Gap Inc. is required to report the value of the Employee Discount benefit your domestic partner receives as additional wages to you on your Form W-2.

For employees in the US, if your relationship type results in the value of the Employee Discount benefit provided to your Domestic Partner being treated as additional wages to you for federal and/or state tax purposes, then after your significant other shops using their registered merchandise discount card, the total imputed income amount will be reflected within two to four paychecks. As a result, taxes on the imputed income amount will be deducted from your regular earnings and reported on your W-2.

Find your work state in the Relationship Definitions by State chart (note: *where you work, not where you live*) to see the relationship type definitions and tax implication explanation.

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### Relationship Definitions by State

Your Work State/Country	Relationship Type	Subject to Federal Tax?	Subject to State Tax?
<b>All States in US and Puerto Rico</b>	Spouse (Opposite-Sex)	No	No
	Spouse (Same-Sex)	No	No
	Domestic Partner (Opposite-Sex)	Yes	Yes
	Domestic Partner (Same-Sex)	Yes	Yes
<b>Canada</b>	Spouse	No	No
	Common Law Partner (Opposite Sex)	No	No
	Common Law Partner (Same Sex)	No	No